LI-NING

LI NING COMPANY LIMITED
李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Codes: 2331 (HKD counter) and 82331 (RMB counter)

中國李寧

LI-NING **RUNNING**

2023 ANNUAL REPORT

Core Values

"Serve With Sportsmanship"
"Go Above and Beyond to Win"
"Individual and Team Synergy"
"Fairness in Competition and Corporate Environments"
"Perfect Harmony between Employee, Organization, Society and Nature"

Mission

Let Sports Light Your Passion

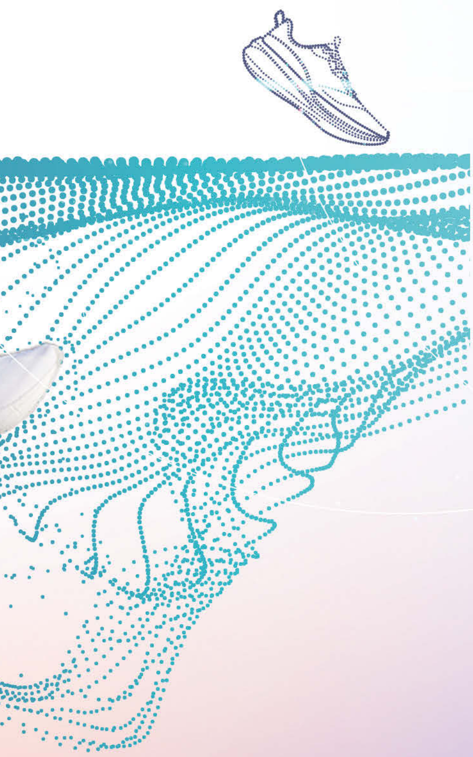
Vision

To be the most Prominent, Stylish, World-Leading Sports Brand from China

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. 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 be the most prominent, stylish, world-leading sports brand from China.

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, *GBM, GBS, SBS, BBS, JP*
Ms. WANG Yajuan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. LI Ning *(Committee Chairman)*
Ms. WANG Ya Fei
Dr. CHAN Chung Bun, Bunny, *GBM, GBS, SBS, BBS, 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

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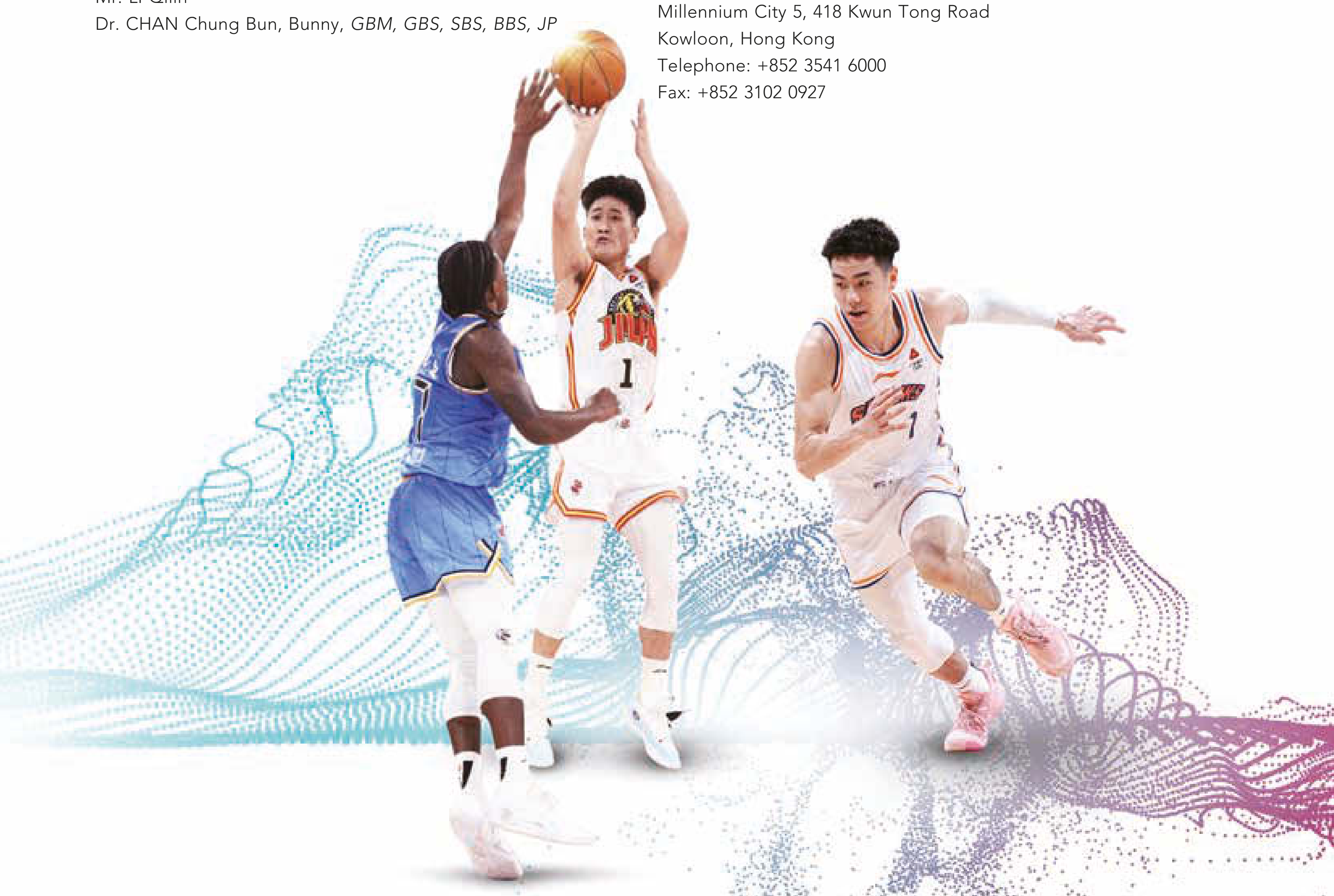

OPERATIONAL HEADQUARTERS

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Beijing Economic-Technological Development Area (Tongzhou)
Beijing, PRC 101111
Telephone: +8610 8080 0808
Fax: +8610 8080 0000

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH 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
Yang & Yang Solicitors LLP

Mainland China law
TAHOTA Law Firm

PRINCIPAL BANKERS

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

Mainland China
Industrial & Commercial Bank of China
China Construction Bank
Bank of China
China Merchants Bank
China MinSheng Banking Corporation Limited
Ping An Bank Co., Ltd.
China Guangfa Bank Co., Ltd.
Hang Seng Bank (China) Limited
HSBC Bank (China) Company Limited
DBS Bank (China) Limited

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2023	2022	2021	2020	2019
Operating results (in RMB thousands):					
Turnover	27,598,491	25,803,383	22,572,281	14,456,971	13,869,630
Operating profit	3,559,087	4,886,758	5,136,376	2,195,969	1,543,209
Profit before taxation	4,256,169	5,415,100	5,328,237	2,247,865	1,856,546
Profit attributable to equity holders	3,186,910	4,063,834	4,010,881	1,698,484	1,499,139
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6,157,208	6,541,707	6,436,060	3,292,272	2,707,649
Assets and liabilities (in RMB thousands):					
Total non-current assets	20,554,820	21,251,624	11,602,962	4,817,309	4,008,158
Total current assets	13,652,983	12,394,895	18,671,854	9,776,556	8,539,316
Total current liabilities	7,268,476	7,240,833	7,703,848	5,015,057	4,716,620
Net current assets	6,384,507	5,154,062	10,968,006	4,761,499	3,822,696
Total assets	34,207,803	33,646,519	30,274,816	14,593,865	12,547,474
Total assets less current liabilities	26,939,327	26,405,686	22,570,968	9,578,808	7,830,854
Capital and reserves attributable to equity holders	24,406,641	24,329,430	21,101,546	8,686,863	7,121,639
Key financial indicators:					
Gross profit margin	48.4%	48.4%	53.0%	49.1%	49.1%
Margin of profit attributable to equity holders	11.5%	15.7%	17.8%	11.7%	10.8%
EBITDA ratio	22.3%	25.4%	28.5%	22.8%	19.5%
Earnings per share					
– basic (RMB cents)	123.21	155.38	160.10	69.21	61.94
– diluted (RMB cents)	122.66	154.34	157.97	67.62	60.13
Dividend per share (RMB cents)	54.74	46.27	45.97	20.46	15.47
Return on equity attributable to equity holders	13.1%	17.9%	26.9%	21.5%	23.2%
Net tangible assets per share (RMB cents)	933.68	911.92	794.44	336.80	299.55
Debt-to-Equity ratio	40.2%	38.3%	43.5%	68.0%	76.2%

STANDING OUT

CHAIRMAN'S STATEMENT

Dear Shareholders,

Looking back to the past year, China's macroeconomy showed a trend of moderate recovery. Yet, the positive impacts brought by the improvement of residents' income still take time to manifest, hence there is still much growth potential in residents' consumption. The consumer sports goods market in China also faced certain challenges accordingly.

LI NING BRAND DEMONSTRATED RESILIENCE AND MAINTAINED STEADY GROWTH AGAINST ADVERSITY

In 2023, we made steady progress and proactive planning, resulting in a steady revenue growth of 7.0% to RMB27,598 million (2022: RMB25,803 million). The overall gross profit increased by 6.9% to RMB13,352 million (2022: RMB12,485 million), with the gross profit margin remained the same as the previous year at 48.4%. Net profit attributable to equity holders was RMB3,187 million with net profit margin of 11.5%.

Despite the challenging operating environment, our cash generating capability remained strong. During the year, the Group maintained a healthy cash flow position with net operating cash inflow of RMB4,688 million (2022: RMB3,914 million). As of 31 December 2023, our cash and cash equivalents, restricted bank deposits and long-term and short-term bank deposits totalled RMB17,976 million, which fully demonstrated the sound risk prevention capability and high stress tolerance of the Group.

The Board has recommended the payment of final dividend of RMB18.54 cents per ordinary share for the year ended 31 December 2023, together with the interim dividend of RMB36.20 cents per ordinary share paid in September 2023, the total dividend for the year ended 31 December 2023 will amount to RMB54.74 cents per ordinary share or a total dividend payout ratio of 45%.

FOCUS ON CORE CATEGORIES AND GIVE BETTER PLAY TO LI-NING'S EXPERIENCE VALUE

Continuing to pursue the core strategy of "Single Brand, Multi-categories, Diversified Channels", the Group has given play to its prominent competitive edges in the industry and its even stronger resilience in the evolving business environment. During the year, the Group continued to upgrade Li-Ning's experience value with a focus on professional sports in the five core categories, namely basketball, running, fitness, badminton and sports casual. Through its efforts dedicated to brand reputation and product innovation, the Group has developed a comprehensive layout of functional products and demonstrated the sports DNA of the brand.

With professionalism as the core of the brand's DNA, Li-Ning pursued improvement in the quality, functional features and fashionable style of products by continuously ramping up investment in research and development. During the year, we introduced the new COMFOAM soft bounce technology that renders significant improvement in comfortability of our footwear products. We also launched an innovative midsole structure featuring Li-Ning Carbon Core Drive System (李寧碳核芯助力系統), a system that integrates "Full BOOM" (全掌䨻) and "Impact Carbon Plate" (衝擊碳板) for enhanced sports performance. Meanwhile, China LI-NING, the fashionable product line under LI-NING brand, partnered with international artists and high-end fashion brands and launched various products with unique designs. Extra emphasis has been placed on skiing, skateboarding and other niche sports trends with an aim to attract young consumers with the brand's professionalism and product designs.

Mr. LI Ning

Executive Chairman and Joint Chief Executive Officer

Focusing on the children's sports market, LI-NING YOUNG pursued the philosophy of integrating sportsmanship with Chinese culture, and is committed to becoming the leading professional sportswear brand for kids in China. In 2023, LI-NING YOUNG further implemented its mid-to-long term business plans and strategic goals with a focus on the sports-centric strategy. The Group devoted focused efforts in stepping up the development of professional sports product lines and continued to enhance channel efficiency, with a view to promoting business growth. The brand recorded a higher sell-through mix in high-end market, and a number of high-yield flagship stores were successfully opened in major cities, which further consolidated its market position. Meanwhile, LI-NING YOUNG actively streamlined and optimized its product lines, particularly its professional products of core sports sectors, such as basketball, running and football. While pursuing functionality, LI-NING YOUNG continued to innovate its design and ingeniously blended Chinese cultural elements with modern aesthetics to launch professional and fashionable children's collections, in a bid to further strengthen its brand image and market competitiveness.

LI-NING 1990, an independent high-class fashionable sporty styled brand under the Group's "Single Brand" strategy, represented the epitome of LI-NING's high-end sports fashion line with thirty years of brand precipitation and professional technology. Over the past year, LI-NING 1990 accomplished remarkable results in product innovation, market diversification, customer development and brand upgrade. Currently, LI-NING 1990 has opened 36 stores in trendy business districts and high-end shopping centers in 23 key cities across China to highlight its positioning as a premium fashionable sporty styled brand. LI-NING 1990 strengthened its brand DNA and launched a new golf product line that integrated both professional sports attributes and unique fashion styles to reinforce the brand's presence in the high-end sports sector. We believed that by capitalizing on the trend of diversified demand and personalized consumption, coupled with close interaction with consumers and persistent innovation, the brand will usher the Group to a new peak in development.

EXPAND CORE BUSINESS DISTRICTS AND STRENGTHEN RETAIL OPERATIONS TO EXPLORE NEW GROWTH MOMENTUM

In 2023, the Group was committed to expanding the core business districts and optimizing its store layout. Focusing on the core cities, core business districts and core commercial entities across the country, the Group preferred core locations and achieved an expansion of more than 1,660 big stores. By expanding the advantages and optimizing the structure of the high-tier markets, and making precise planning and key breakthroughs in the focused core commercial entities across the country, the Group recorded an increase in the occupancy rate of the core commercial entities to nearly 90% in 2023. Continuing to upgrade the visual image of stores with the successful launch of the new ninth generation store image, we have provided a better product experience, shopping experience and sports experience for consumers.

In respect of retail operation, through continuous exploration and optimization of the single-store operation model, the Group has upgraded the single-store operation model to the stage 2.0, forming a comprehensive optimized system from planning to execution, and from process to result. The systematic realization of the store sales planning business and the steady progress of the store manager-centred management mechanism have laid a solid foundation for enhancing single-store performance and product management capabilities. The Group's standardization tools, such as "LI-NING Retail Operation Manual", have enhanced the efficiency of the practical use of retail operation standards and improved the standards execution capability of stores through internal monitoring.

In addition, we are monitoring the demands of emerging markets, improving our channels and product matrix based on changes in market demand, and will gradually tap the new growth potential in lower tier markets and international markets.

CARRY ON OUR LEGACY AND BELIEVE THAT "ANYTHING IS POSSIBLE"

Looking ahead to 2024, we will encounter new challenges and opportunities. Despite the uncertainties in the current international landscape, we believe that with the austerity control measures adopted by the government, China's economy will demonstrate a stable and positive growth trend, while the consumer market will also witness a prosperous recovery. We will seize opportunities arising from the market recovery and plan for high-quality development, efficient expansion and enhancement of brand competitiveness in the professional field. Meanwhile, we will also explore a new future of international business growth by establishing presence overseas with our base in China.

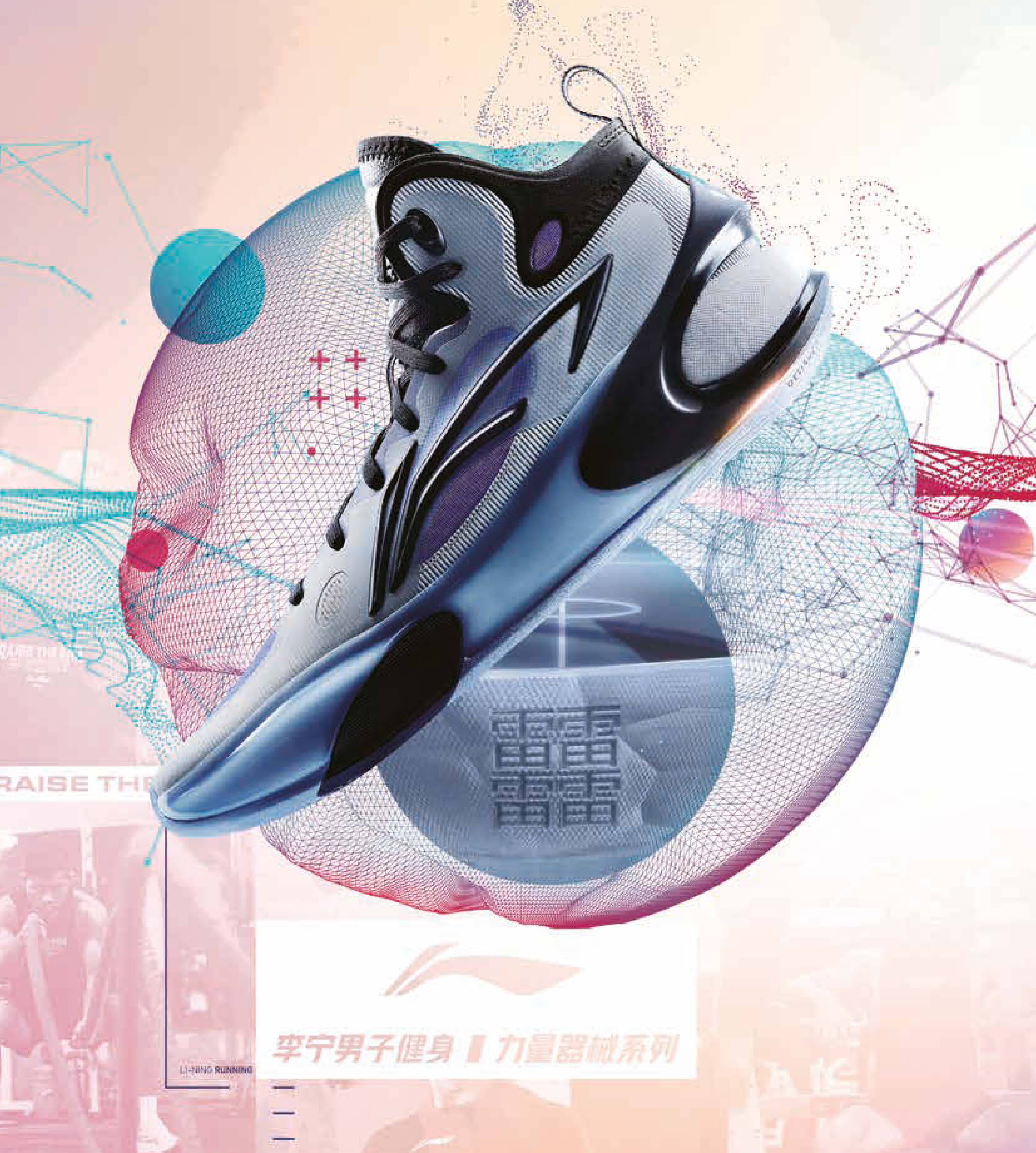
In the forthcoming year, we will continue to strengthen our retail operations, actively promote digital transformation, enhance service efficiency and optimize the shopping experience for our customers through the application of advanced technologies and innovative solutions. In addition, by further increasing our investment in R&D, we will keep abreast of the fashion trends and incorporate the spirit of innovation and vigour into our brands. We are committed to continuously launching high-performance and fashionable products to satisfy consumers' dual pursuit of quality and trendiness, ensuring that the Li-Ning brand is always at the forefront of the times.

As the founder of the Company, I am grateful for the support of our shareholders and all stakeholders. Looking ahead, we will continue to enhance our corporate governance, strengthen our sense of social responsibility and endeavour to actively contribute to society. We are committed to upholding the principles of integrity and sustainability to ensure that the Company makes positive economic, social and environmental contributions.

Last but not least, I would like to express my sincere gratitude and respect to all our dedicated employees, whose diligence and dedication have made Li-Ning what it is today. In the future, my management and I will join efforts with you to lead the Company in its constant pursuit of excellence, allowing "Anything is Possible".

Li Ning
Executive Chairman and Joint Chief Executive Officer
Hong Kong, 19 March 2024

SPORTMANSHIP




LI-NING

MANAGEMENT DISCUSSION AND ANALYSIS

NATIONWIDE DISTRIBUTION OF FRANCHISED AND RETAIL POS

(As at 31 December 2023)

	Franchised	Directly-operated retail	Total
Northern region (Note 1)	3,351	657	4,008
Southern region (Note 2)	2,661	999	3,660
Total	6,012	1,656	7,668

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, autonomous regions and special administrative regions covering Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan, Guizhou, Tibet, Guangdong, Guangxi, Fujian, Hainan, Macau and Hong Kong.

FINANCIAL OVERVIEW

The key operating and financial performance indicators of the Group for the year ended 31 December 2023 are set out below:

	Year ended 31 December		Change
	2023	2022	(%)
Income statement items			
(All amounts in RMB thousands unless otherwise stated)			
Revenue	**27,598,491**	25,803,383	**7.0**
Gross profit	**13,352,055**	12,484,793	**6.9**
Operating profit	**3,559,087**	4,886,758	**(27.2)**
Earnings before interest, tax, depreciation and amortisation (EBITDA) *(Note 1)*	**6,157,208**	6,541,707	**(5.9)**
Profit attributable to equity holders	**3,186,910**	4,063,834	**(21.6)**
Basic earnings per share *(RMB cents) (Note 2)*	**123.21**	155.38	**(20.7)**
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	**48.4**	48.4	**–**
Operating profit margin *(%)*	**12.9**	18.9	**(6.0)**
Effective tax rate *(%)*	**25.1**	25.0	**0.1**
Margin of profit attributable to equity holders *(%)*	**11.5**	15.7	**(4.2)**
Return on equity attributable to equity holders *(%) (Note 3)*	**13.1**	17.9	**(4.8)**
Expenses to revenue ratios			
Staff costs *(%)*	**8.7**	7.7	**1.0**
Advertising and marketing expenses *(%)*	**9.0**	8.8	**0.2**
Research and product development expenses *(%)*	**2.2**	2.1	**0.1**

	31 December 2023	31 December 2022
Balance sheet items		
(All amounts in RMB thousands unless otherwise stated)		
Total assets	**34,207,803**	33,646,519
Capital and reserves attributable to equity holders	**24,406,641**	24,329,430
Key financial ratios		
Asset efficiency		
Average inventory turnover (days) *(Note 4)*	**63**	58
Average trade receivables turnover (days) *(Note 5)*	**15**	14
Average trade payables turnover (days) *(Note 6)*	**43**	42
Asset ratios		
Debt-to-equity ratio *(%) (Note 7)*	**40.2**	38.3
Net asset value per share *(RMB cents) (Note 8)*	**948.27**	926.23

Notes:

1. The calculation of earnings before interest, tax, depreciation and amortisation (EBITDA) is based on profit for the year, excluding the sum of income tax expense, finance income – net, depreciation and impairment on property, plant and equipment, depreciation on investment properties under operating leases, amortisation of land use rights and intangible assets and depreciation and impairment on right-of-use assets.

2. Basic earnings per share is 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 and shares repurchased by the Company for cancellation during the year. Such weighted average number of shares outstanding shall be adjusted for events such as bonus issue and stock dividend.

3. The calculation of return on equity attributable to equity holders is based on the profit attributable to equity holders of the Company for the year, divided by the average of opening and closing balances of capital and reserves attributable to equity holders of the Company of the year.

4. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances for the year, divided by cost of sales and multiplied by the total number of days in the year.

5. The calculation of average trade receivables turnover (days) is based on the average of opening and closing balances of trade receivables for the year, divided by revenue and multiplied by the total number of days in the year.

6. The calculation of average trade payables turnover (days) is based on the average of opening and closing balances of trade payables for the year, divided by total purchases and multiplied by the total number of days in the year.

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 year.

8. The calculation of net asset value per share is based on the net asset value, divided by the number of shares in issue less shares held for Restricted Share Award Scheme at the end of the year.

* *The aforesaid indicators provided by the Group may not necessarily be the same in terms of similar calculation methods as those provided by other issuers.*

** *The Group adopted the aforesaid non-GAAP financial indicators such as EBITDA, margin of profit attributable to equity holders, return on equity attributable to equity holders, expenses (staff costs/advertising and marketing expenses/research and product development expenses) to revenue ratio, average inventory/trade receivables/trade payables turnover days, debt-to-equity ratio and net asset value per share because comparable companies in the industry in which the Group operates use the aforesaid common indicators as a supplementary measurement for results of operation, which are also widely used by investors to measure the results of operation of the comparable companies.*

Revenue

The Group's revenue for the year ended 31 December 2023 amounted to RMB27,598,491,000 (2022: RMB25,803,383,000), representing an increase of 7.0% as compared to that of 2022. In 2023, thanks to the successful prevention and control of the COVID-19 pandemic and the domestic recovery of economic and social activities, the Group actively participated in the sponsorship and promotion for various sports events and offline activities, providing professional sports equipment and services to event personnel and consumers. Also, the Group has always insisted that only with professional ability and attitude can professional products be created, and never stray from its original aspiration by serving the public and consumers with sportsmanship to win consumer trust and choice. Changes in revenue from all channels during the year were as follows: (1) the strategic layout of directly-operated stores was effective in providing consumers with more comprehensive product display, professional offline experience and outstanding service team, resulting in a growth rate of 29.6% year-on-year for the directly-operated revenue; (2) affected by the changing environment of the online platforms, the Group continued to put in resources efficiently and increased efforts in the development of various platforms, thereby maintaining stable revenue with a slight increase of 0.9% year-on-year; and (3) in order to support the sound development of the distributors and maintain its healthy operating conditions, the Group curbed some futures orders upon thorough communication with the distributors, thereby maintaining stable distribution revenue with a slight increase of 0.6% year-on-year.

REVENUE BREAKDOWN BY PRODUCT CATEGORY

	Year ended 31 December				
	2023		2022		
	RMB'000	% of total revenue	RMB'000	% of total revenue	Revenue Change (%)
Footwear	**13,389,080**	**48.5**	13,478,630	52.2	(0.7)
Apparel	**12,410,785**	**45.0**	10,708,594	41.5	15.9
Equipment and accessories	**1,798,626**	**6.5**	1,616,159	6.3	11.3
Total	**27,598,491**	**100.0**	25,803,383	100.0	7.0

REVENUE BREAKDOWN (IN %) BY SALES CHANNEL

	Year ended 31 December		
	2023 % of revenue	2022 % of revenue	Change (%)
The PRC market			
Sales to franchised distributors	**45.8**	48.5	(2.7)
Sales from direct operation	**25.0**	20.7	4.3
Sales from e-commerce channel	**27.3**	29.0	(1.7)
Other regions	**1.9**	1.8	0.1
Total	**100.0**	100.0	–

REVENUE BREAKDOWN BY GEOGRAPHICAL LOCATION

		Year ended 31 December				
		2023		2022		Revenue Change
	Note	RMB'000	% of revenue	RMB'000	% of revenue	(%)
The PRC market						
Northern region	1	**13,007,856**	**47.2**	11,987,993	46.4	8.5
Southern region	2	**14,059,033**	**50.9**	13,359,600	51.8	5.2
Other regions		**531,602**	**1.9**	455,790	1.8	16.6
Total		**27,598,491**	**100.0**	25,803,383	100.0	7.0

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, autonomous regions and special administrative regions covering Yunnan, Guizhou, Sichuan, Jiangxi, Chongqing, Tibet, Shanghai, Zhejiang, Jiangsu, Hunan, Hubei, Anhui, Guangdong, Guangxi, Fujian, Hainan, Macau and Hong Kong.

Cost of Sales and Gross Profit

For the year ended 31 December 2023, the overall cost of sales of the Group amounted to RMB14,246,436,000 (2022: RMB13,318,590,000), and the overall gross profit margin was 48.4% (2022: 48.4%), which remained flat as compared with that of the previous year. During the year, the Group improved the discount at directly-operated offline stores, leading to a slight increase in gross profit margin. However, with the increasingly competitive environment online, the gross profit margin of e-commerce channel dropped. Overall, the Group's gross profit margin remained stable.

Selling and Distribution Expenses

For the year ended 31 December 2023, the Group's overall selling and distribution expenses amounted to RMB9,080,121,000 (2022: RMB7,314,303,000), representing a year-on-year increase of 24.1%; the selling and distribution expenses accounted for 32.9% (2022: 28.3%) of the Group's total revenue with a year-on-year increase of 4.6 percentage points.

During the year, along with the increase in revenue from direct operation, rental, wages and bonuses of direct sales staff that related to revenue recorded increases to varying degrees. In order to enhance brand value and promote consumption, the Group increased the expenses in relation to advertising, promotion and sponsorship during the year. Meanwhile, owing to the Company's planning and adjustment in high-tier markets, there was a relatively significant increase in fixed rental of retail stores and amortisation charges of props for store fittings, and provisions have been made for asset impairment of certain loss-making stores. As a result, selling and distribution expenses recorded a relatively large increase.

Administrative Expenses

For the year ended 31 December 2023, the Group's overall administrative expenses amounted to RMB1,256,152,000 (2022: RMB1,113,218,000), accounting for 4.6% (2022: 4.3%) of the Group's total revenue with a year-on-year increase of 0.3 percentage points. Administrative expenses mainly comprised staff costs, management consulting fees, depreciation and amortisation charges, research and product development expenses, taxes and other miscellaneous daily expenses.

The increase in administrative expenses during the year was mainly attributable to the growth of research and product development expenses, tax increase arising from the revenue growth as well as the increase in daily expenses after the pandemic.

Share of Profit of Investments Accounted for Using the Equity Method

For the year ended 31 December 2023, the Group's share of profit of investments accounted for using the equity method amounted to RMB377,972,000 (2022: RMB201,155,000), among which, the Group shared the one-off gains not related to operation of RMB140,457,000 in relation to the disposal of certain land parcels held by one of its associates during the year.

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

For the year ended 31 December 2023, the Group's EBITDA amounted to RMB6,157,208,000 (2022: RMB6,541,707,000), representing a year-on-year decrease of 5.9%, while excluding the one-off gains not related to operation, the EBITDA was RMB6,016,751,000, representing a year-on-year decrease of 8.0%.

Reconciliations of EBITDA to profit for the year are as follows:

	2023 RMB'000	2022 RMB'000
Reconciliation of profit for the year to EBITDA:		
Profit for the year	**3,186,962**	4,063,771
Income tax expense	**1,069,207**	1,351,329
Finance income	**(500,556)**	(447,748)
Finance expenses (including amortisation of discount on lease liabilities)	**181,446**	120,561
Depreciation on property, plant and equipment	**1,015,519**	732,178
Impairment of property, plant and equipment*	**115,463**	–
Amortisation of land use rights and intangible assets	**55,447**	49,343
Depreciation on right-of-use assets	**761,748**	611,447
Impairment of right-of-use assets*	**208,028**	–
Depreciation on investment properties under operating leases	**63,944**	60,826
EBITDA	**6,157,208**	6,541,707

* Impairment charges included as an adjustment item in EBITDA primarily resulted from our impairment evaluation of non-current assets whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If these non-current assets were not impaired, depreciation of the assets would have been recorded as an adjustment item in EBITDA. Therefore, impairment charges were a non-cash item similar to depreciation and amortization of non-current assets.

Finance Income – Net

For the year ended 31 December 2023, the Group's net finance income amounted to RMB319,110,000 (2022: RMB327,187,000). During the year, the interest expenses recognised on lease liabilities increased; the exchange gains decreased; and the Group has made adjustment to its currency investment portfolio where more funds were deposited in the form of fixed term deposits for more stable returns, which led to the year-on-year growth of interest income. Taking into account the above factors, the net finance income recorded a decrease during the year.

Income Tax Expense

For the year ended 31 December 2023, the income tax expense of the Group amounted to RMB1,069,207,000 (2022: RMB1,351,329,000) and the effective tax rate was 25.1% (2022: 25.0%). Currently, the Group's income tax expense is almost in line with the standard level.

Overall Profitability Indicators

The Group's revenue growth for the year had slowed down and the gross profit margin remained flat as compared with the previous year. In order to promote consumption, the Group devoted more resources in this regard accordingly, resulting in an increase in expenses; also other gains decreased in the meanwhile. During the year, the Group's profit attributable to equity holders amounted to RMB3,186,910,000 (2022: RMB4,063,834,000), representing a year-on-year decrease of 21.6%, while excluding the one-off gains not related to operation, the profit attributable to equity holders was RMB3,046,453,000, representing a year-on-year decrease of 25.0%. The margin of profit attributable to equity holders was 11.5% (2022: 15.7%), while excluding the one-off gains not related to operation, the margin of profit attributable to equity holders was 11.0%. The return on equity attributable to equity holders was 13.1% (2022: 17.9%), while excluding the one-off gains not related to operation, the return on equity attributable to equity holders was 12.5%.

Provision for Inventories

The Group's policy in respect of provision for inventories for 2023 was the same as that in 2022. 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 that this policy can ensure appropriate provision for inventories made by the Group.

As at 31 December 2023, the accumulated provision for inventories was RMB134,727,000 (31 December 2022: RMB120,531,000). During the year, the original value of inventory increased from the beginning of the year, which led to the year-on-year growth of provision for inventories. Currently, the overall inventory ageing structure is reasonable, and the Group will continue to monitor the inventory status to maintain it at a healthy level.

Expected Credit Loss Allowance

The Group's policy in respect of provision of doubtful debts for 2023 was the same as that in 2022. The expected credit loss allowance 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.

As at 31 December 2023, the accumulated expected credit loss allowance was RMB45,738,000 (31 December 2022: RMB159,200,000), among which the accumulated expected credit loss allowance for trade receivables was RMB38,215,000 (31 December 2022: RMB152,511,000) and the accumulated expected credit loss allowance for other receivables was RMB7,523,000 (31 December 2022: RMB6,689,000). The trade receivables and other receivables written off during the year as uncollectible and the effect of change in exchange rate amounted to RMB93,824,000 (2022: RMB32,669,000). During the year, certain long-aged and uncollectible doubtful debts were written off, and the expected credit loss allowance decreased significantly as compared to the beginning of the year. The Group will continue to focus on the continuous optimization of the ageing structure to maintain a sound receivable turnover ratio.

Liquidity and Financial Resource

The Group's net cash generated from operating activities for the year ended 31 December 2023 amounted to RMB4,687,936,000 (2022: RMB3,913,604,000). As at 31 December 2023, 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 RMB5,443,883,000, representing a net decrease of RMB1,938,335,000 as compared with the position as at 31 December 2022. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB17,974,712,000, representing a net decrease of RMB1,074,126,000 as compared to 31 December 2022. The decrease was due to the following items:

Item	Year ended 31 December 2023 RMB'000
Operating activities:	
Net cash generated from operating activities	**4,687,936**
Investing activities:	
Net cash used in investing activities (including placement and redemption of short-term and long-term bank deposits)	**(2,449,105)**
Financing activities:	
Net cash used in financing activities	**(4,216,951)**
Add: Exchange gains on cash and cash equivalents	**39,785**
Net decrease in cash and cash equivalents	**(1,938,335)**
Add: Net increase in short-term and long-term bank deposits	**864,209**
Net decrease in cash balance	**(1,074,126)**

Net cash from operating activities increased during the year; in addition, the Group's net cash used in financing activities increased significantly as a result of dividend payments and share repurchases. Under the comprehensive influence, cash balance decreased. The Company will continue to place extra emphasis on its cash flow management to ensure stable development of the Company in the long run.

On 27 October 2021, the Company, a wholly owned subsidiary of Viva China Holdings Limited (subsequently renamed as Viva Goods Company Limited) and the placing agents entered into the placing and subscription agreement, pursuant to which the parties jointly proceeded with the top-up placing of existing shares of the Company and the subscription of new shares of the Company under the general mandate, and agreed to the top-up placing and subscription of 120,000,000 shares of the Company at HK$87.50 per share. On 3 November 2021, both parties completed the top-up placing and the subscription. The net proceeds from the top-up placing of shares amounted to HK$10,433,042,000 (equivalent to approximately RMB8,571,787,000). Please refer to the announcements of the Company dated 28 October 2021 and 3 November 2021 respectively for details.

For the year ended 31 December 2023, RMB2,828,015,000 of the net proceeds from the top-up placing had been used. As at 31 December 2023, RMB3,595,564,000 were unutilised. The unutilised net proceeds from the top-up placing of shares are intended to be used as follows:

Intended use of net proceeds	Percentage of total net proceeds (approximately)	Unutilised net proceeds as at 31 December 2022 (approximately RMB'000)	Amount used during the year ended 31 December 2023 (approximately RMB'000)	Unutilised net proceeds as at 31 December 2023 (approximately RMB'000)	Expected timeframe for utilising the unutilised net proceeds*
Investment in newly launched product categories as well as future business investments when opportunity arises, including international business expansion	40%	2,630,853	1,208,914	1,421,939	Before 31 December 2026
Investment in reengineered infrastructure and further improvement of the supply chain system	30%	2,137,381	640,158	1,497,223	Before 31 December 2026
Development of the brand and IT system	20%	994,411	586,611	407,800	Before 31 December 2024
General working capital	10%	660,934	392,332	268,602	Before 31 December 2024
Total	**100%**	**6,423,579**	**2,828,015**	**3,595,564**	**Before 31 December 2026**

* The net proceeds have been applied in the manner consistent with the use of proceeds as disclosed in the announcement of the Company dated 3 November 2021. The expected timeframe for utilising the unutilised net proceeds is subject to change based on the current and future development of market conditions and market opportunities made available to the Group.

As at 31 December 2023, the Group's banking facilities amounted to RMB6,223,950,000, without outstanding borrowings.

During the year, 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, Hong Kong and Macau use South Korean Won, Hong Kong Dollars and Macau Pataca, respectively, as their functional currencies. The Group has a partial amount of cash and bank deposits denominated in Hong Kong Dollars, United States Dollars, Euros, South Korean Won, Pound Sterling and Macau Pataca. The Company pays dividends in Hong Kong Dollars, certain license fees, sponsorship fees and consultation fees in United States Dollars or Euros, and certain investments in Hong Kong Dollars, United States Dollars or Pound Sterling.

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

Significant Investments

As at 31 December 2023, the Group did not hold any significant investments.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In order to satisfy the needs of the Group's commercialization layout, expand its international business by establishing a footing in Hong Kong and explore global business opportunities, a subsidiary of the Group (the "Purchaser") and a subsidiary of Henderson Land Development Company Limited (the "Vendor") entered into a sale and purchase agreement (the "SPA") on 10 December 2023. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner were independent third parties of the Company and its connected person(s). Pursuant to the SPA, the Purchaser conditionally agreed to (1) acquire the entire share capital of Vansittart Investment Limited (the "Target Company", a company incorporated in Hong Kong with limited liability) and (2) take up the assignment of the loan amount owing by the Target Company to one of its related parties as at the date of completion of the above acquisition (the "Acquisition"). The aggregate consideration for the Acquisition is HK$2,208 million (equivalent to approximately RMB2,013 million) (which is subject to adjustment as agreed under the SPA). The Target Company is principally engaged in property investment and is the sole legal and beneficial owner of a property comprising 22 storeys of commercial/office space and two storeys of retail areas in Hong Kong, which is the principal asset of the Target Company. For details, please refer to the announcement of the Company dated 10 December 2023.

As of 31 December 2023, the total expenditure for the Acquisition did not exceed the percentage of 5% of the total assets of the Group.

The completion of the Acquisition took place on 28 January 2024. Upon completion, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results of which are consolidated into the financial statements of the Group. Up to the date of this announcement, the consideration for the Acquisition has been fully paid. The Acquisition was funded by the Group's net proceeds from the top-up placing of shares and internal resources.

Future Plans for Significant Investments and Capital Assets

In order to establish a high-end intelligent manufacturing and flexible supply chain base and a high-level research and development (R&D) and experience center to meet the Group's future development needs, a subsidiary of the Group ("the Subsidiary") entered into an investment agreement and an updated investment agreement (collectively the "Investment Agreements") with a local governmental authority in Guangxi Zhuang Autonomous Region of the PRC on 8 November 2019 and 23 May 2023 respectively, pursuant to which the Subsidiary had agreed to acquire the land use right over a piece of industrial land through the listing-for-sale bidding process, and construct a supply chain base over the land for the production and packaging of high-end sports equipment (including but not limited to sports shoes, sports apparels and sports equipment) to expand its production capacity and output of differentiated sports products, as well as focusing on putting resources into R&D and experience to enhance the Group's technological R&D capability and to provide consumers with better product experience, sports experience and consumption experience. The maximum investment amount pursuant to the Investment Agreements was estimated to be approximately RMB3.3 billion, which refers to the total cost of completing the project and putting it into operation, including the cost of acquiring the land use right, the expenditure involved in the construction of the supply chain base, investment in purchasing machinery and equipment, and working capital. For details, please refer to the announcements of the Company dated 8 November 2019 and 23 May 2023, respectively.

As of 31 December 2023, the Subsidiary had successfully acquired the land use right over the relevant land and had been making investments on the construction of the supply chain base. The total expenditure above did not exceed 5% of the total assets of the Group as at 31 December 2023. The remaining investment amount will be funded by the Group's unutilised net proceeds from the top-up placing of shares and internal resources.

Pledge of Assets

As at 31 December 2023 and 31 December 2022, the Group had no pledged assets.

Contingent Liabilities

As at 31 December 2023, the Group had no significant contingent liabilities.

BUSINESS REVIEW

In 2023, China's macroeconomy staged a moderate recovery. While residents' employment and income benefited from the positive impacts of the rebounding macroeconomy, the residents' consumption power and confidence were yet to be fully unleashed. As such, the sports consumer goods market in China continued to face challenges.

During the year, the Group continued to focus on the core strategy of "Single Brand, Multi-categories, Diversified Channels" with a focus on professional sports in the five core categories, namely basketball, running, fitness, badminton and sports casual. Through its efforts dedicated to brand reputation and product innovation, the Group has developed a comprehensive layout of functional products.

In terms of product research and development, the Group focused on building the competitive advantages of products from its core categories. Capitalizing on its continuous investment in research and development to promote product innovation, the Group strived to garner recognition among young consumers with its highly professional and fashionable quality sports products. For marketing strategy, the Group has been committed to investments in professional resources, while placing emphasis on upgrading its brand image with transformation geared to attracting more young consumers. By means of product crossovers and collaboration with the entertainment sector, the Group appealed to young consumers and strengthened its professional and youthful brand image.

In respect of operation, the Group optimized the channel structure and facilitated the upgrade of channel image and enhancement of channel efficiency, aiming to help successfully completing the transformation towards the new retail model. Meanwhile, the Group continued to improve the structure of the supply chain and the logistics system, and adopted proactive inventory management based on consumers' demand. In addition, in response to the development trend of companies worldwide, the Group also promoted the production of environmentally-friendly products in an effort to realise sustainable corporate development along the supply chain.

In terms of capital market, the Group became one of the first securities that can be traded in the dual counters model during the year, offering both HKD (Stock Code: 2331) and RMB (Stock Code: 82331) counter services, hence providing more investment flexibility and stock liquidity for the shareholders and potential investors.

Latest operational update for the fourth quarter of 2023

For the fourth quarter ended 31 December 2023, the retail sell-through of LI-NING point of sale ("POS") (excluding LI-NING YOUNG) for the overall platform increased by low-twenties on a year-on-year basis. In terms of channels, offline channel (including retail and wholesale) recorded a high-twenties increase, with retail (direct operation) channel increased by low-fifties and wholesale (franchised distributors) channel increased by high-teens, while the e-commerce virtual stores business recorded a mid-single-digit increase.

As at 31 December 2023, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 6,240, representing a net decrease of 54 POS since the end of the previous quarter and a net decrease of 55 POS since the beginning of this year. Among the net decrease of 55 POS, retail accounts for a net increase of 68 POS, and wholesale accounts for a net decrease of 123 POS.

As at 31 December 2023, the total number of LI-NING YOUNG POS in China amounted to 1,428, representing a net increase of 58 POS since the end of the previous quarter and a net increase of 120 POS since the beginning of this year.

For the fourth quarter ended 31 December 2023, in respect of LI-NING POS (excluding LI-NING YOUNG) which have been in operation since the beginning of the same quarter of last year, the same-store-sales for the overall platform recorded a low-teens increase on a year-on-year basis. In terms of channels, retail recorded a high-thirties increase and wholesale recorded a mid-single-digit increase, while the e-commerce virtual stores business recorded a mid-single-digit increase on a year-on-year basis.

Focus on the Strategy of "Single Brand, Multi-categories, Diversified Channels" to Optimize LI-NING's Experience Value Continuously

Continue to expand the professional product matrix and build a technology-driven image for the brand

In 2023, with a focus on the core categories of running, basketball, badminton, fitness and sports causal, the Group pressed ahead with innovation in sports technology and integrated Chinese fashion culture into its professional products to enhance its products' trendiness. The Group also constantly improved product performance and enhanced the image of the LI-NING brand by means of technological innovation, so as to satisfy the growing consumer demand for sports products. In 2023, the five core categories recorded positive growth in retail sell-through across all channels with a total increase of 12%, including a 40% increase in running and a 25% increase in fitness, while basketball remained flat year-on-year.

Running

With high emphasis placed on the "one-million shoes" project, the running category created a well-established professional product matrix featuring the "Super Light" (超輕), "Rouge Rabbit" (赤兔) and "Feidian" (飛電) series with "LI-NING BOOM" (李寧䨻), a high-performance midsole technology, as its core. The matrix covered different sports consumer groups and was able to meet varying demands from advanced to light sports. The accumulative annual sales volume of the three product series exceeded 9 million pairs, representing a year-on-year growth of 62%. Among them, the cumulative sales volume of "Feidian 3 Challenger" (飛電3 Challenger) exceeded 1.3 million pairs during the year, which became a phenomenal IP among the carbon plate running shoes. At the same time, the Group officially tapped into the professional cross-country running sector and launched cross-country products for professional runners in this regard. It created a new IP named "Dilu Series" (的盧家族) and continued to devote great efforts in the professional field. The brand new "Shadow 2" (絕影2代) and "Yueying 3" (越影3代) products targeting beginning runners, and running shoes with anti-shock protection function under the "Furious Rider Series" (烈駿家族) were launched by the Group in an effort to enhance the core professional proposition on a continuous basis, and offer more fashion option for running shoes on different occasions, thereby creating new business growth points.

Taking a scenario-focused approach for running apparels, the Group optimized the function matrix of the "COOLSHELL Cooling Technology" (COOLSHELL涼爽科技) series, "DYNAMIC SHELL Protection Technology" (DYNAMIC SHELL防護科技) series and the "AIRSHELL Air Movement Technology" (AIRSHELL氣動科技) series to satisfy the needs of runners by adopting different materials, blocks and functional technology based on their needs in two different scenarios, i.e. marathon race and daily running. As such, we have built up the professional reputation of LI-NING's running apparels by improving product experience.

Basketball

Despite keen competition in the industry, we continued to develop our basketball products by leveraging technology platforms to upgrade the professional features of products while integrating brand resources with our products to create storyline-based professional basketball products. During the year, the China tour of celebrity basketball players has provided a boost to the professional basketball business. The top-notch signature shoe "Jimmy Butler 2" was iteratively upgraded. The newly launched "Sonic 11" (音速11) was fully optimized in terms of product performance with an upgraded midsole configuration from "LI-NING BOOM" (李寧䨻) with half-foot support to "LI-NING BOOM" (李寧䨻) with full-foot support, which can better cater to the needs for mobility during basketball games. In addition, color options such as "Ocean Blue" (淩波) and "Galaxy" (星辰) were well-received by the market. The "All City 11" (全城11) was launched with a themed story pack revolving around the classic "Dawn" color of the WADE series. This product also integrated the "LI-NING BOOM" (李寧䨻) technology with full-foot support and lightweight and high resilience features with TPU materials, which were complimented with the use of strong mesh fabric on the shoe face to further boost its game performance.

Against the backdrop of intense competition for technology in the basketball industry, LI-NING basketball launched the new GCU ground control system technology platform, and new products under the "Speed" (閃擊), "Sonic ULTRA" (音速ULTRA), "Yushuai ULTRA" (馭帥ULTRA) and other series were released. In particular, "Yushuai ULTRA" (馭帥ULTRA) achieved significant progress in enhancing the sports performance of basketball players. The product was not only able to offer a remarkably stronger bouncing force, but also accelerated the average speed of consecutive instant vertical jump by 12% and increased the average height of running vertical jump by 4.1%. Furthermore, the launch of Carbon Core Technology Platform by the Group aimed to lay a solid foundation for the sustainable development of LI-NING basketball through the integrated moulding technique and continuous innovation of technology.

Characterized by its Western-inspired style, the WADE series remained committed to its trendy and avant-garde designs with a view to further reinforcing the positioning of "Professional Technology, High Street Basketball, Delicate Fashion" of products under the series and to creating the international brand image featuring youth and basketball culture. Through the collaboration with artists and continuous exposure with NBA and CBA sports stars, arts and sports stars culture were integrated into our product story to demonstrate the integration of technology, craftsmanship and arts, thereby bringing the experience of basketball technology and culture shock in the post-Wade era to our consumers. During the year, the product line of "WADE Basketball" focused its efforts on the promotion of "Way of Wade" (韋德之道) series and "All City" (全城) series. As such, we achieved a high sell-out rate of 88% for the "Way of Wade" (韋德之道) series and a sales volume of over 1 million pairs for the "All City" (全城) series, both are testaments to the reputation of the product series for its on-court performance.

On the basis of its street basketball features, the "BADFIVE" series continued to optimize the professional functions of its products and created overall matching outfit combinations with shoes and apparel for different occasions during basketball games based on the themed story packs, which attained high popularity among young consumers. During the year, the "BADFIVE" series successfully completed the upgrade of its street basketball features and professional attributes of its products, which has reinforced its differentiated brand positioning in the market. In 2023, "BADFIVE" collaborated with Mister Cartoon, a graffiti artist, to explore city culture and the ethos of basketball and launched product series such as the PASSION, FAMILY, LOYALTY and GLORY with a goal to build up the community spirit. During the same year, we launched the project of "Synergy of Seven Cities" (七城聯動) under the city series. The project integrated regional culture with street aesthetics to provide consumers products with both street style and traditional Chinese cultural elements. The release of the BRONSON TEAM series showcased the collision between the Los Angeles Street Basketball Team of the United States and the Chinese street basketball culture, which jointly conveyed the basketball philosophy of "LIVE WITH HOOPS" that foster a deep resonance with the young street basketball communities.

Badminton

We further improved the product matrix of the LI-NING's badminton product lines during the year. In particular, two new badminton rackets, namely "Thunderstorm 100" (雷霆100) and "Halberd 9000" (戰戟9000), were launched. The addition of these new products not only enriched the "Thunderstorm" (雷霆), "Shadow" (鋒影) and "Halberd" (戰戟) series, but also significantly increased the market competitiveness of LI-NING's badminton rackets. Among which, having made a breakthrough in shaft technology, "Thunderstorm 100" (雷霆100) outperformed other mainstream products at the time and broke the current industry record of the slimmest shaft at 6.0 mm, which further demonstrated the technological capability and reserve of LI-NING's rackets.

Moreover, given its high quality and innovative designs, the badminton jersey series of LI-NING is always popular among the national team, international top-notch sports stars and consumers. This year, the Group launched its first badminton jersey adopting environmental technology, and carried out comprehensive promotion campaigns with strenuous marketing efforts in different tournaments, online and offline channels as well as collaboration with KOLs.

We also achieved significant progress in respect of LI-NING's badminton shoes products. While the "Blade PRO" (刀鋒PRO) series made extensive use of the low extension microfiber for the uppers to improve the professional performance of the badminton shoes, the "Thunderstorm PRO" (雷霆PRO) high-end series adopted the "KPU Injection" (KPU射出) materials extensively, which optimized the balance between stability and breathability to satisfy the needs of different customer groups. The "Mirage PRO" (影速PRO) series, being the lightest badminton shoes of LI-NING to date, adopted transparent ETPU yarns and fabrics featuring "BOOM FIBER" (䨻絲) technology to perfectly integrate breathability with better wrapping and support. The "HERO 2" (貼地飛行2) series enabled LI-NING to promote the features of its badminton shoes products to professional consumers. The distinctive design and color options that set it apart from conventional products in the industry allowed LI-NING to offer more personalized options to its consumers. During the year, the four major series of professional badminton shoes debuted successfully, under which we provided four color options based on the theme of "Wind, Forest, Fire and Mountain" (風林火山). The four thematic elements corresponded to four different categories of product function, namely rapid start, comprehensive balance, innovation of research and development, and stability and protection, respectively. The series has, on the one hand, enhanced consumers' recognition of professional niche sectors, and on the other hand, further highlighted the unique brand attributes of LI-NING's badminton shoes products in the market.

Fitness

Functions and technologies have always been the core of the fitness category with improving the sports performance and maintaining the best physical condition of sports enthusiasts as the purpose of its products. During the year, the Group continued to upgrade the "AIRSHELL Air Movement Technology" (AIRSHELL氣動科技) and "DYNAMIC SHELL Protective Technology" (DYNAMIC SHELL防護科技) in a bid to fulfill the clothing needs of different customer groups on different occasions by leveraging the core products of sports outfits with various functions.

Building on the comprehensive upgrades of new technologies and fabrics on the LI-NING AT technology platform, we launched the new "COOL SHELL Cooling Technology" (COOL SHELL涼爽科技), which adopted LI-NING's exclusive 3D cross yarns technique that improved the quick-dry performance tremendously and reached the industry-leading level with significantly better functions than the national standards.

In order to better cater to the women fitness market, the Group conducted in-depth research on fitness products designed specifically for women, and at the same time, enhanced the proportion of these products as the sports outfit in various scenarios, thereby developing a professional, multi-scenario and stylish women's fitness product matrix. In response to the seasonal demands for materials, the Group launched the women yoga apparel IP, "SoftTouch" (柔感) series, with a view to increasing the proportion of women fitness business.

Sports casual

For the sports casual brand, we continued to explore the deep connection between the Chinese culture and sports leveraging our profound understanding of the daily needs of consumers. We provided consumers with distinctive and fashionable sports products by creating IP stories and original designs with the brand DNA and cultural connotation.

In terms of Chinese style, the "Rich Everyday" (日進斗金) series and "Chinese Colors" (中國色) series represented the modern interpretation of traditional culture that integrated both traditional elements and modern designs, which has not only created a sense of novelty for consumers visually, but also innovated in terms of the significance of products and the convenience of outfit. The "Rich Everyday" (日進斗金) series creatively combined the Chinese zodiac signs with auspicious elements from the traditional Chinese culture during the Chinese New Year to convey the best wishes for good fortune and create brand-new outfit ideas. Taking the colors in traditional culture and art as inspiration, the "Chinese Colors" (中國色) series showcased the beauty of colors in Asian culture, and injected vitality and comfort into daily looks to create a fashion vibe for multiple indoor and outdoor settings, which has become a new driving force for business growth of the Group.

Focusing on the daily walking and commuting scenarios of the general public and capitalizing on the industry-leading research and development capabilities of the brand and its supply chain system, we launched the "SOFT" series featuring comfortability, softness and elasticity for sports casual footwear, which brought the best soft, elastic and comfortable experience with the application of "COMFOAM" technology for its self-developed and improved EVA midsole. In particular, leveraging its comfortable experience, stylish design and extremely cost-effective price advantage, the annual sales volume of the star product "SOFT GO" exceeded 150 million pairs, which has become the core growth momentum of the sports casual category in the next two to three years. An exclusive series targeting female consumers of all ages with unique features of heightened, lightweight and elegant design was launched to serve female consumers more accurately, which will create huge business potential in the future.

"China LI-NING" has launched various crossover products and created distinctive product series in collaboration with celebrities, artists or other brands. Inspired by the metaverse and digital trend, the newly launched footwear "Titan FLOW" (盤古FLOW) under the "Titan" (盤古) series represented an innovative exploration in design of "China LI-NING". Meanwhile, keeping abreast of millennial fashion trends, we launched trendy footwear IPs, such as "Yunyou SLAY" (雲遊SLAY) and "Furious Rider BOW" (烈駿BOW), which perfectly blended the brand DNA and modern aesthetics. In addition, the brand has joined hands with Los Angeles streetwear brand "PLEASURES" and launched a skateboarding series themed "PRO PLEASURES" (無樂不作). This series not only thoroughly explored the spirit and essence of street fashion, but also broke through the limitations of traditional styling, injecting new source of growth to the street culture product line of "China LI-NING".

During the year, "LI-NING 1990" launched a brand-new golf product line, marking a significant milestone in building a mindset of high-end and fashionable sports. Based on the strong professional attributes of sports products, the golf product line incorporated the brand's unique fashion style to further optimize the existing product matrix. On the premise of catering to the needs of business occasions, sports styles and functions were integrated into the commuting series to satisfy the clothing needs on various occasions such as working, commuting and travelling, hence creating an elegant sportsmanship and a relaxed and comfortable dressing style for multiple scenarios with simple design, functional fabrics and fine tailoring.

Develop professional functional products to meet diversified needs and accomplish comprehensive upgrade of product lines

The Group has long been committed to investing in research, development and innovation with strong focus placed on the iteration and upgrade of footwear technology. Having made a breakthrough of the conventional midsole design, LI-NING's Carbon Core Drive System introduced the innovative "Full Boom" (全掌䨻) technology and integrated moulding technique with a balanced plate. This improvement not only enhanced the efficiency of shock absorption and rebound, but also increased the propulsion force during sports activities, which significantly boosted the players' game performance. In addition, the abrasion resistance of the Group's upgraded GCU Ground Control System with full-foot support was effectively improved by 70%, and its slip resistance in dry and humid environments also improved by 8% and 30%, respectively, which allowed athletes to use theirs speed stop and go moves more easily during basketball games.

At the same time, the optimization of the "SAS Synchronised System" (SAS同步協調系統) and "Independent Future EVA System" (獨立未來EVA系統) has also been completed and applied to the basketball shoes product lines more extensively. The systems effectively enhanced the dynamic fit of the shoes during sports activities, which has strengthened the products' ability to cope with changing rhythms, and protect the arch of the foot by providing stable support, hence further enhancing the professional protection for athletes.

In addition, the Group has successfully launched the "Comfoam Plus" and "Comfoam Lite" formulas which are more elastic and lightweight, respectively and significantly reduces the overall weight of the shoes and improves the wearing comfortability. Meanwhile, the Group has developed professional products with moisture-absorbing and quick-dry capability, including the industry-leading yarn-knitted fabric with quick-dry capability. It was first applied to tops for running and training purposes, and has then been expanded to the full range of products, including sports tops, sports pants and sports towels, thereby forming an application matrix of the yarn technology platform.

Comprehensive layout for universal marketing to enhance communication with young consumers

During the year, the Group strengthened the universal marketing layout by focusing on the characteristics of the professional functions and sports casual category. Through the continuous cooperation with sports stars and professional events, the Group has reinforced the image of LI-NING's professional products among consumers and further scaled up its consumer groups. Moreover, LI-NING further diversified the marketing with entertainment modes for the sports causal category and constantly created opportunities for experiencing its products and brought up various promotional topics. A platform was also established for direct communication with consumers. Such measures have helped increase the influence of LI-NING brand and consolidate consumers' loyalty to the brand, and thus realized omni-channel and multi-dimensional exposure of its products.

In respect of the basketball sector, the brand launched marketing campaigns for the new game season based on core athlete assets and key basketball events resources. During the summer time, the Group organized its first post-pandemic tour in China featuring two contracted NBA stars, Jimmy Butler and Dwyane Wade, which fostered in-depth engagement with consumers through interactions at retail outlets, thereby realizing efficient consumer conversion. As the new CBA season began, the brand focused its efforts on promoting the CBA shoes and home jerseys to propel the development of LI-NING basketball's urban community culture. In addition, the Li Ning Company sponsored the Junior CBA National Challenge Competition, with a view to providing more platforms and support for teenagers in China to pursue their basketball dreams, facilitating the development of sports in school as well as youth basketball in China and contributing to discovering and cultivating Chinese basketball talents.

For the running sector, the Group systematically focused on its professional running shoes series in terms of product, promotion and retail, and highlighted its capability to comprehensively satisfy diversified needs of runners through omni-channel marketing. Thanks to its collaboration with Tmall and other essential platforms for traffic conversion, the endorsements by sports stars and word-of-mouth marketing through marathon races, the Group strengthened the recognition of the products under its professional running shoes series. It capitalized on the marathon races to demonstrate the professional features of its products and maximized the close connection with the runner community. In particular, the Group launched a new cross-country running shoes series with distinguished features of "Anti-Slip Champion" (止滑大磨王), and successfully garnered interests and positive responses for LI-NING's new cross-country product line through media campaigns such as the "LI-NING Dilu Adventure Race" (李寧的盧越野挑戰賽). For running apparel, the Group put in place marketing initiatives that precisely addressed the current concerns of consumers regarding outdoor sports, and rolled out product concepts of "Ultra-light UV Defense" (超輕防曬) and "Ultra-strong UV Defense" (超強防曬) in response to the hot topics related to sun protection. These efforts were dedicated to further upgrading the product experience of consumers and accumulating the professional reputation of LI-NING's running products.

As to badminton products, professional functions remained the focus of LI-NING badminton's marketing, while "We match better with you" (羽你更合拍) continued to be the promotional theme of its online and offline promotion campaigns. The Group consolidated its sponsorship resources and integrated various activities, including new product launch as well as amateur IP events, while carrying out promotions on different media platform to enhance its brand reputation and develop various hot-selling products in support of the realization of the marketing goals. For its online marketing layout, the Group placed emphasis on the application of social media channels during the year, including organizing the "LI-NING · Chen Long Badminton Singles Open" (李寧諶龍羽毛球單打公開賽) which sparked off the topic of "No singles, No badminton" (無單打，不羽球). With omni-channel and multi-media promotions, this topic successfully garnered over 10.41 million and 13.40 million views on Weibo and Douyin (抖音), respectively. Besides, LI-NING badminton was committed to offering a diversified platform for product experience, sports experience and competition services. For instance, the Group set up interactive badminton games at the competition venues, rendered LI-NING badminton sports equipment experience and arranged professional racket stringers to provide services. These measures helped to attract the participation of badminton enthusiasts, foster seamless connection between online and offline operation, and fully convey the sportsmanship of LI-NING badminton.

For women fitness, the LI-NING brand upheld the all-new brand philosophy of "Dare to be Me" (敢為自己) for women through close communication with consumers. On the back of the active promotion with our contracted artist and contracted athlete of the brand, LI-NING exhibited its support for women power to general consumers, which helped to rapidly build up its "confident, self-caring, beautiful and powerful" (自信自愛、美而有力) image for women fitness and develop a professional and fashionable Chinese women fitness brand in the same league as the world's leading brands. The brand did not merely focus on disseminating content via short video platform, but also took the initiative to explore the development of offline communities. Currently, LI-NING established the "Possible" (可能) Women Space Community in 8 cities across China. Leveraging its long-standing cooperation with KOLs, professional trainers, major gym centers in urban areas and community organization, LI-NING made consistent efforts to build an offline community matrix for women fitness with a focus on yoga and dancing. Furthermore, the brand also collaborated with professional and vertically-related online fitness platform, through which it jointly created professional fitness programmes and challenges to not only provide fitness enthusiasts the opportunities to "check-in" their sports activities and experience our products online, but also form an online-offline interactive experience model.

For sports casual, LI-NING endeavored to pass on the "innovative ideas" and "sincerity" of its brand and developed the "Rich Everyday" (日進斗金) series as the signature story pack for Chinese New Year. Based on the core spirit of "Conjure New Interpretations, Grow Rich Everyday" (自有新意，日進斗金), LI-NING extended the concept with profound implications and inspired new insights on time and value. The brand endowed the concept of "Rich Everyday" (日進斗金) with a new interpretation that went beyond wealth accumulation. It casted a spotlight on the experiences, support, companionship, friendship, sense of achievement, self-recognition and other new values in life that can be gained through perseverance in daily life. During the year, promotional campaigns led by Xiao Zhan (肖戰), Elaine Zhong (鍾楚曦) and VaVa (毛衍七), the brand's spokespersons, portrayed such themes, and hence marketing contents focusing on the "Rich Everyday" themed products received 710 million views across all platforms with remarkable growth in terms of both topic discussions and authentic output by users as compared with last year.

For marketing campaigns with entertainment, the Group continued to work with Xiao Zhan (肖戰), the global spokesperson of LI-NING brand's fashionable sports products, to light passion with sports and release the energy of fashion. During the year, the Group expanded its entertainment marketing line-up again, and engaged TNT (Teens In Times) (時代少年團) to be the global spokesperson of LI-NING's youth sports products. With their lively teenager image, TNT demonstrated versatile mix-and-match style and conveyed a young, positive, optimistic and healthy sports and fashion attitude. Under the theme of "TNT brings you the unlimited possibilities of youth" (時代少年創造青春無限可能) jointly proposed by the brand and TNT, this collaboration connected with Z-generation consumers that have a passion for sports and fashions, to feel the charm of sports and create unlimited possibilities for youth together.

Focus on expansion and optimization of channels to promote their efficiency and upgrade of image continuously

In 2023, the Group was committed to optimizing its channel structure and enhancing the channel efficiency by proactively closing low-efficiency stores, thereby improving the overall store structure. The Group continued to expand its business presence in premium shopping malls and outlets. During the year, the Group achieved a key breakthrough in premium outlets. It carefully planned the opening of stores throughout China to further rationalize the store layout and established communication and negotiation mechanisms with major commercial groups to optimize channel costs.

During the year, the Company continued to upgrade the visual image of its stores and successfully launched the latest 9th generation store image to provide a better product experience, shopping experience and sports experience for all consumers. As of 31 December 2023, the number of conventional stores, flagship stores, China LI-NING stores, LI-NING 1990 stores, factory outlets and multi-brand stores under LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 7,668, representing an increase of 65 POS as compared to 31 December 2022. The number of distributors was 46 (including sales channels of China LI-NING stores), representing a net decrease of 6 as compared to 31 December 2022. The number of POS breakdown as of 31 December 2023 is as follows:

LI-NING Brand	31 December 2023	31 December 2022	Change
Franchised	**4,742**	4,865	**(2.5%)**
Directly-operated retail	**1,498**	1,430	**4.8%**
LI-NING YOUNG	**1,428**	1,308	**9.2%**
Total	**7,668**	7,603	**0.9%**

NUMBER OF LI-NING BRAND POS BY GEOGRAPHICAL LOCATION

Regions	31 December 2023 LI-NING Core Brand	31 December 2023 LI-NING YOUNG	31 December 2023 Total	31 December 2022 LI-NING Core Brand	31 December 2022 LI-NING YOUNG	31 December 2022 Total	Change
Northern Region *(Note 1)*	3,163	845	4,008	3,184	786	3,970	1.0%
Southern Region *(Note 2)*	3,077	583	3,660	3,111	522	3,633	0.7%
Total	6,240	1,428	7,668	6,295	1,308	7,603	0.9%

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, autonomous regions and special administrative regions covering Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan, Guizhou, Tibet, Guangdong, Guangxi, Fujian, Hainan, Macau and Hong Kong.

Enhance operational efficiency of stores, strengthen execution capability and optimize management loop to foster sustainable development with improved efficiency and quality

In the past year, the Group continued to explore the store operation model and the digitalisation of logistics system in an effort to enhance the execution capability of the entire retail end and the quality and efficiency of logistics services.

Through continuous exploration and optimization of the single-store operation model, the Group has upgraded the single-store operation model to the stage 2.0, developing a system comprehensively optimized from planning to execution and from processes to results. The accomplishment of the systematic store sales planning business and the steady progress of the store manager-centered management mechanism laid a solid foundation for enhancing single-store performance and product management capabilities. The Group's standardization tools such as the "LI-NING Retail Operation Manual" have enhanced the efficiency of the application of retail operation standards and the ability to enforce the standards at the retail end through internal monitoring.

The Group established an additional retail operation and execution team to realize a management loop of "order giving by headquarters, information confirmation by retail end, business execution by stores and supervision by headquarters" and ensure the normalized management of business execution. Meanwhile, the development of the four core competencies in the new retail business enabled the Group to enhance interaction among communities and profitability driven by live streaming, improve the out-of-store shopping experience and upgrade the overall consumer experience through standardized content production processes and digital tools.

In respect of the digitalisation of logistics system, the Group promoted the layout of regional central warehouses and ensured transparency throughout the logistic information chain of products through logistics informatization. With the opening of the East China Smart Logistics Centres and continuously improved quality of the logistics network, the quality and timeliness of direct delivery of products to directly-operated stores and wholesale stores were enhanced significantly. The Group also refined the management of the logistics business and continued to increase the proportion of direct delivery at stores and the proportion of the use of same packaging box for the same product, further enhancing the quality of its logistics services.

The full launch of the logistics management platform realized the all-round coverage of the logistics business scenarios by the middle-end information platform, which streamlined the processes and enhanced the efficiency at retail front. In particular, the launch of the warehouse automation project boosted the efficiency of logistics operations significantly, providing better services to consumers in East China region and across the country.

In terms of supply chain management, the Group has further strengthened its flexible supply system, giving play to its technological advantages in products. Focusing on building a sustainable supply chain, the Group has shifted from "passive production" to "proactive production", and created greater value through further development of the "value supply chain" by reducing wastage and enhancing efficiency. At the same time, the Group has established an equal and win-win relationship with the suppliers to jointly fulfil its environmental and social responsibilities, promoted the development of environmentally-friendly products, and continuously upgraded its product strengths through innovations to provide better consumer experience.

Further develop professional products and strengthen traffic conversion to establish an efficient business ecosystem of e-commerce

In 2023, despite the profound changes and severe challenges faced by the entire e-commerce industry, the e-commerce team of Li Ning Company remained focused on high-quality products, and strived to organize innovative and diversified marketing campaigns in combination with festival events on e-commerce platforms, ensuring a stable and orderly development of all business operations.

Adhering to its focus on functional products, the e-commerce of Li Ning Company continued to consolidate its market position in the professional basketball shoes category and proactively explored new growth drivers. With in-depth consumer insight and effective communication, the e-commerce of Li Ning Company accurately captured the diversified needs of consumers and adopted scenario-based marketing strategies to increase business volume. In promoting the "Hot Pot Down Jacket" (火鍋羽絨服) series, the team creatively chose the hot pot scenario as the theme to publicize the product functions on e-commerce platforms, and successfully gained a foothold in the down jacket market. In the Tmall Super Brand Day campaign, LI-NING coordinated with top athletes and celebrities and organized a series of interactive and experiential activities to demonstrate the professional and fashionable features of its products through practical living scenarios, thereby deepening consumers' awareness of LI-NING brand.

In response to the traffic arising from various marketing campaigns, the e-commerce business of Li Ning Company guaranteed an immediate traffic conversion and accumulation of private traffic through convenient shopping experience and comprehensive customer group management. In terms of traffic enhancement, the "Infinite Possibilities Games" (無限可能運動會) fully capitalized on the advantages of fan communities as well as the entertainment and sports media and realized effective brand exposure. The campaign accumulated 3.11 billion views with 14.16 million comments reposted, representing a significant increase as compared to 2022. In terms of traffic conversion, the e-commerce of Li Ning Company achieved remarkable sales performance in a series of major shopping festivals such as Taobao Queen's Day, Tmall Gathering Day and 618 Shopping Festival. In respect of traffic accumulation, the Company continued to promote membership recruitment and management and strengthened the accumulation of membership as an asset. The total number of members and the cross-channel transaction volume through incentivized diversion of online membership registration to offline transactions recorded a significant growth.

LI-NING YOUNG

In 2023, LI-NING YOUNG proactively consolidated its market positioning as a professional brand and enhanced customer confidence by strengthening brand image management and improving the brand image of benchmark stores. In terms of product development, LI-NING YOUNG continued to optimize its product lines and refine its product structure, particularly professional products for sports such as basketball, running and football. The Group continued to promote innovation in product technology, material, categorization and style, and focused on devoting greater efforts in research and development of footwear products. At the same time, based on the characteristics of the body shape of kids and their needs of sports, the Group has set tone for the block design and direction of research and development, thereby further developing products suitable for kids in combination with the existing technology resources.

In terms of channel strategy, LI-NING YOUNG insisted on benchmarking against quality projects to enhance brand recognition. The Group enhanced the efficiency of channel management by improving the structure of channels, customers and stores with reasonable allocation of clearance channels and full-price channels. In addition, the Group continued to increase the proportion of stores in the high-end market and improve the brand image of key stores, with a view to enhancing customer confidence. LI-NING YOUNG also actively promoted the large store model, expedited the development of high-efficiency stores with store efficiency enhancement as the priority, and perfected the digitalized system to strengthen its management capability of retail stores. Meanwhile, the Company proactively integrated resources from distributors and optimized the channel structure with a focus on directly-operated stores in a bid to further develop exclusive markets. The Group has completed the integration of market resources in Liaoning, Henan, Hefei, Hebei and Hunan regions, and expanded its quality customer base.

For marketing, LI-NING YOUNG consolidated its marketing resources, pushed forward the implementation of integrated marketing campaigns and actively explored omni-channel marketing and community operation. On 1 June, the Children's Day, the Group held the themed event "Kids Sports Day" (小小運動會) in 48 cities, which successfully boosted customer orders by 78% and sales per transaction by 33%. In addition, the "China Tour" (中國行) campaign featuring basketball stars, Butler and Wade, ignited the passion of the young generation for basketball and thus boosted sales. During the campaign period, the 330 participating stores saw a 95% increase in basketball orders and a 62% increase in orders over RMB1,000. LI-NING YOUNG also actively promoted the brand on social media and formed an omni-channel marketing matrix covering all major social platforms. In the second half of 2023, the brand gained over 60 million online exposure and registered an 80% leap in the number of followers on its video channel platform with a significant growth in interactions.

As of 31 December 2023, LI-NING YOUNG had a total of 1,428 stores. The Group will continue to intensely develop its kidswear business. Leveraging the LI-NING brand, the Group will enhance the marketing efforts of the kidswear brand, take a product-focused approach to upgrade core product technology and design, and advance the exploration of market demands and product categorization. Consistent efforts will be devoted to channel expansion, retail operations and supply chain resources, so as to develop LI-NING YOUNG into a leading professional sportswear brand for kids in China.

HUMAN RESOURCES

Based on the Company's strategies, the human resources department pushed forward organizational reform, talent development, upgrade of performance system and promotion of the core values of corporate culture in an orderly manner, while staying committed to the principle of building teams of hand-picked elites to establish a highly efficient organization.

Regarding organizational development, in an effort to enhance the operational efficiency and competitiveness of the organization, the Group continued to optimize the management strategies for its organizational structure. It improved and adjusted its organizational structure, functional setting and staffing allocation to gradually build a coordinated, efficient and synergistic operational management organization. Meanwhile, the Group further resumed the integration and synchronization of various functions, including merchandising, product development, marketing and operation, based on its product and operational responsibilities, which are conducive to accomplishing the Company's mid-to-long term strategic goals.

In terms of talent management, the Group optimized its talent structure on a continuous basis and stepped up its efforts in talent cultivation and development. For the establishment of development mechanism, the Group continued to enhance its talent standards and refine its evaluation and development mechanism in an endeavor to support the growth of talents. In respect of the cultivation of key personnel, the Group continuously improved its talent cultivation system, bolstered the capabilities of its core management team and provided robust talent support for the high-quality development of its business through projects of fostering young talents and empowering personnel in key positions with professional skills.

In terms of performance incentive management, the Group made consistent efforts to propel the reform of its performance appraisal system and reinforce the management of performance targets of the organization and employees, thereby establishing a result-oriented and high-performance culture that upholds strategic collaboration, fairness and integrity. In the meantime, it strengthened the evaluation of organizational capacity and efficiency, further promoted the philosophy of value distribution, and designed targeted and differentiated short-, mid- and long-term incentive projects. While relentlessly boosting its market competitiveness, the Group also facilitated better management and control over its labor expenses.

Regarding culture and employee care, through organizing seminars on core values for the management, offering training and certification to all employees, and applying and putting the core values into practice in business scenarios, the Group devoted continuous efforts in building a cultural atmosphere to motivate full engagement by all employees and promoted the implementation of the core values of its corporate culture. At the same time, it has set up an honorary incentive system with detailed awards to fully demonstrate the power of role models and promote the learning and putting into practice of values by all employees. In addition, the Company actively cooperated with the labor union to organize activities such as employees' health seminars, tree planting activities, movie-viewing events, club competition and festival campaigns in a bid to enrich employees' life. Furthermore, activities on bringing love and warmth were carried out regularly to provide assistance and support to staff members in difficulty, so as to enhance their sense of belonging.

As at 31 December 2023, the Group had 4,845 employees (31 December 2022: 4,610 employees), among which 4,662 employees were at the Group's headquarters, Guangxi Supply Base and retail subsidiaries (31 December 2022: 4,422 employees), and 183 employees were at other subsidiaries (31 December 2022: 188 employees). For the year ended 31 December 2023, total staff costs, including directors' emoluments, amounted to approximately RMB2,392 million (2022: RMB1,989 million).

OUTLOOK

With the onset of 2024, the global economy is still in the process of recovery, and China's macroeconomic recovery also remains its signs of buoyancy. It is expected that China's economy will maintain its recovery momentum, further expand the domestic demand and steadily boost consumption so as to maintain the long-term positive development trend. The Group will continue to pursue the "Single Brand, Multi-categories, Diversified Channels" model, focus on the seven major segments under business transformation, and push forward the implementation of key strategic tasks in an orderly manner, and accelerate the pace of reforms in order to further promote the growth and profitability of the LI-NING brand.

1. **Implement a dual-driven strategy of merchandise and products.** The Group will continue to improve its product portfolio and optimize the types of products and price matrix. Meanwhile, the Group will also continue to explore new sports scenarios, develop the market segments of sports product category, and incorporate fashion elements into its professional products to better showcase the sports fashion culture and provide consumers with diversified consumer experiences, thereby expanding the influence of the brand;

2. **Enhance investment in research and development and promote innovation-driven development.** The Group will continue its efforts in the research and development for improvement of product functions and technological innovation, so as to provide consumers with more professional and functional sports products integrated with fashionable elements, which will better showcase the sports fashion culture. Meanwhile, the Group will continue to optimize the professional product matrix and increase the proportion of professional products by upgrading the fabrics and enhancing the technological attributes of products;

3. **Accelerate the establishment of the general e-commerce business system.** The Group will strengthen cooperation with mainstream e-commerce platforms to expand online sales channels and increase brand exposure and sales. It will also further enhance the user experience and functions of e-commerce platforms, optimize the shopping process and increase the conversion rate. In addition, through precise marketing strategies, the Group is able to enhance user stickiness and loyalty, resulting in a two-way transformation of the online and offline consumption scenarios;

4. **Optimize the efficient retail model.** The Group will continue to optimize its efficient channel layout to provide more excellent product experience, shopping experience and sports experience. In the future, the key objective of the Group is to accelerate the rectification of low-efficiency stores with the focus on enhancing store efficiency as our main goal. On the basis of refined operations, the Group will continue to improve the efficient retail model and develop the replicability and scalability of the model, so as to provide professional safeguard for the new business layout;

5. **Upgrade the supply chain system.** The Group will continue to strengthen the building of fundamental supply chain capabilities and improve its structure to enhance the flexibility and rapid response ability of the supply chain in order to flexibly adapt to the market changes. It also matches with high quality supply chain resources to ensure the safety, efficiency and stability of LI-NING's supply chain. New supply chain resources will be introduced according to the changes in demands to further optimize the supply chain matrix. The Group aims to accelerate the upgrade and reform of product development progress system by continuous reform and innovation, creating competitive advantages and deeply cooperating with strategic suppliers. It also facilitates the establishment of supply chain information system to achieve the digital transformation of both upper and lower streams of supply chains;

6. **Develop marketing consolidation and closed-loop consumer operation.** The Group will place emphasis on the investments in marketing resources and strive to upgrade our professional brand image as well as enhance consumers' awareness of LI-NING brand with an aim to establish the brand as their first-choice professional sports brand. The Group will actively promote community operations to attract marketing traffic, and accomplish the conversion of high-quality traffic into revenue, thereby fostering a completely closed-loop consumer operation. In 2024, the Group will make full use of its professional resources to conduct universal marketing oriented with competitions and events, organize online and offline community operations to strengthen consumer awareness. Meanwhile, it will actively develop long-term relationship with customers based on brand values;

7. **Carry out a comprehensive personnel system reform.** By optimizing the internal management processes and incentive mechanisms, the creativity and motivation of employees will be encouraged. The Group will build an efficient and professional team by nurturing and introducing high-calibre talents. Through these measures, the Group expects to enhance the overall organizational effectiveness and ensure that the Company will maintain its leading position under fierce market competition.

With the continuous support and encouragement of the national policies, the Group will continue to delve into China market, and contribute to the fulfilment of the noble national blueprint of building a "strong and healthy sports nation". The Group will focus on its main business, and keep abreast of the ever-changing consumer market. Upholding the spirit of "Anything is Possible", it will continue to launch sports products of higher quality for the society and public, and facilitate the Chinese sports industry to expand its global presence, so as to make contribution to the development of Chinese sports industry.

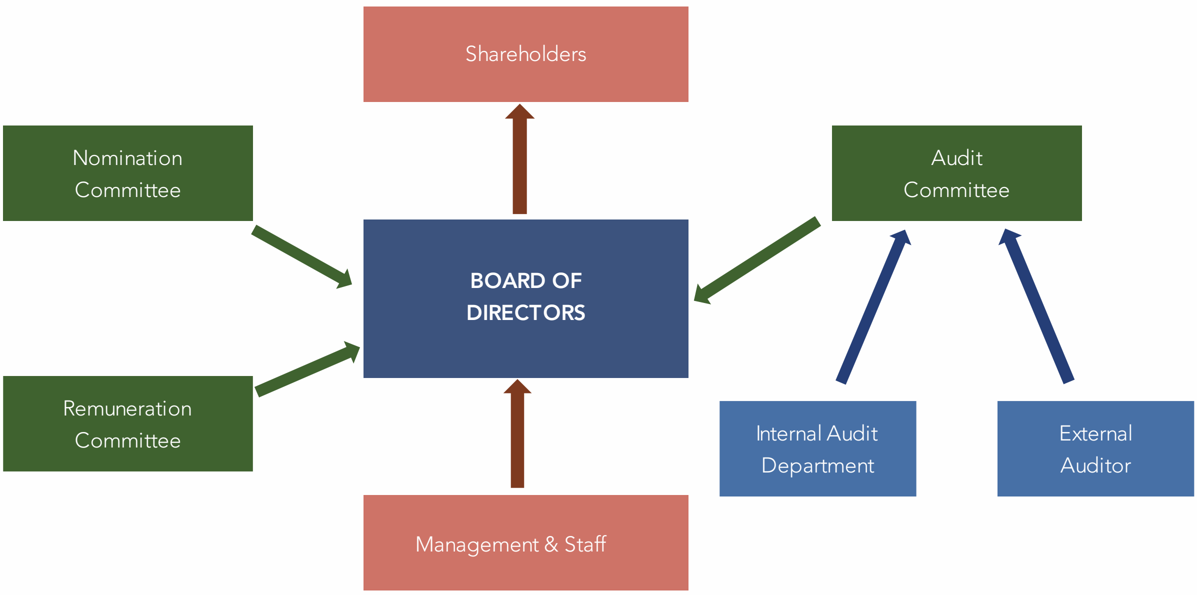
CORPORATE GOVERNANCE REPORT

Adapting and adhering to recognized standards of corporate governance principles and practices has always been one of the top priorities of the Company, which enables the Company to keep abreast of the corporate governance level oriented to its business needs in an effective and efficient manner. The Board believes that good corporate governance safeguards the long-term interest of the Shareholders and enhances the Group's performance. The Board endeavours to uphold a high standard of corporate governance with focuses on internal control, fair disclosure and accountability to all Shareholders.

Throughout the year ended 31 December 2023, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the Listing Rules, except for certain deviations specified with considered reasons as explained below.

CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of the Company is as follows:



The corporate governance functions are performed by the Board.

The Company adopted code provision A.2.1 of the CG Code as the duties of the Board in performing its corporate governance functions.

During the year of 2023, the Board has performed the following duties in respect of its corporate governance functions:

a. reviewing the Company's policies and practices on corporate governance;

b. reviewing and monitoring the training and continuous professional development of the Directors and the senior management of the Company ("Senior Management");

c. reviewing and monitoring the Company's policies and practices to ensure they are in compliance with legal and regulatory requirements;

d. reviewing and monitoring the code of conduct applicable to employees and Directors; and

e. reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

THE BOARD OF DIRECTORS

Being accountable to the Shareholders, the Board has the responsibility of providing leadership for and monitoring and controlling the Company and is collectively responsible for promoting the long-term sustainable and healthy development of the Group by directing and supervising the Company's affairs.

Composition of the Board

The Board currently comprises seven Directors, of which three are executive Directors and four are independent non-executive Directors. During the year of 2023 and up to the date of this report, the composition of the Board are as follows:

Name 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, *GBM, GBS, SBS, BBS, JP*
Ms. Wang Yajuan

The composition of the Board is well-balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. Except that Mr. Li Qilin is the nephew of Mr. Li Ning, the Executive Chairman and Joint Chief Executive Officer of the Company, there are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board. Biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

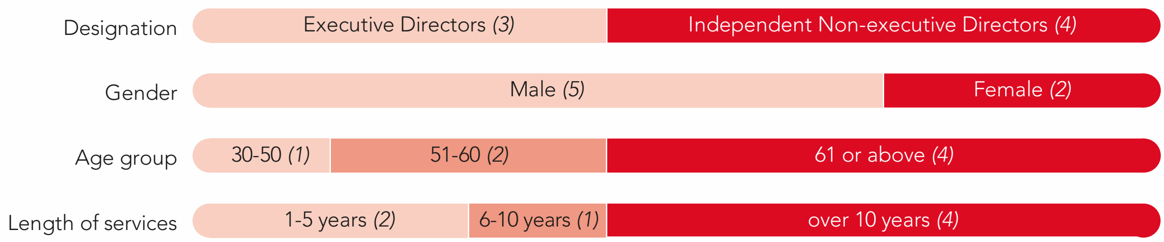
All Directors have disclosed to the Company the number and nature of offices they held in other public companies or organisations and other significant commitments, with the identity of the public companies or organisations, and an indication of the time involved. They are also reminded to notify the Company and confirm to the Company any change of such information in a timely manner pursuant to the disclosure requirements of the Listing Rules. The Board is of the view that each Director has given sufficient time and attention to the affairs of the Company for the year under review.

Board Diversity Policy

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board has approved and adopted a board diversity policy of the Company ("Diversity Policy") setting out the approach to achieve diversity of the Board members.

In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on meritocracy, and candidates are considered using objective criteria having due regard to the benefits of diversity on the Board, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board's diversified composition was summarized as follows:



The nomination committee of the Company ("Nomination Committee") reviews and assesses the composition of the Board and makes recommendations to the Board on the appointment of new Directors and Senior Management in accordance with its terms of reference and the Diversity Policy.

The Nomination Committee made an annual review on the composition of the Board with reference to a number of factors, including but not limited to diversity, and monitored the implementation and effectiveness of Diversity Policy. The Company has complied with Rule 13.92 of the Listing Rules, with respect to board diversity during the year. Further details on the review of the composition of the Board are set out in the section headed "Nomination Committee" below.

The Group also continues to adopt employee diversity measures to promote the diversity at all levels of its workforce. All eligible employees enjoy the equal opportunities for employment, training and career development without discrimination. Currently, the male to female ratio in the workforce of the Group (including Senior Management) is approximately 1:1, which is in line with the distribution in the same industry and the Board considers that the gender diversity in workforce is currently achieved.

Nomination Policy

The Board has approved and adopted a nomination policy of the Company ("Nomination Policy") setting out the guidelines for the administration of the nomination, evaluation and termination of each Board member. Nomination Policy shall be administered by the Board, and the Board shall authorize the Nomination Committee to revise, replace or abolish any term in the Nomination Policy, and delegate the Nomination Committee to execute the functions of appointment and termination under the Nomination Policy.

The Board shall consist of the number and ratio of Directors as required by the Articles of Association and the Listing Rules, and shall be composed of members with a balance of skills, experience and diversity of perspectives. All Board appointments will be based on meritocracy, and with respect to the selection of candidates, the Board should consider the board diversity from a number of aspects including but not limited to gender, skill and length of service etc as well as the contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The Nomination Committee will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Chairman and Chief Executive Officer

According to code provision C.2.1 of the CG Code, the roles of the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. During the year of 2023, Mr. Li Ning, the Executive Chairman and Joint Chief Executive Officer (the "Joint CEO"), and Mr. Kosaka Takeshi, the Executive Director and the Joint CEO, jointly assumed the role of chief executive officer of the Company. Therefore, there was no separation of the roles of the chairman and the chief executive as both roles were undertaken by Mr. Li Ning during the year. Notwithstanding the above, the Board is of the view that given that Mr. Li Ning is familiar with the business operations and management of the Group, the assumption of the roles of Executive Chairman and the 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 can complement with each other in performing the roles of the Joint CEOs, and create synergy effect which is in the interest of the Company and its Shareholders as a whole.

In addition, the operations and management of the Company is constantly subject to the scrutiny and valuable contributions of the independent non-executive Directors. The Board will continue to review the management structure regularly to ensure that it continues to meet these objectives and is in line with industry practices.

Principal Responsibilities of the Board

While delegating the authority and responsibility for implementing business strategies and managing the day-to-day operations of the Group's business to the management, the Board is collectively responsible for formulating the strategic business directions of the Group and setting objectives for the management, overseeing its performance and assessing the effectiveness of management strategies. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. The Board reviews the operating performance against agreed targets and budgets on a regular basis, and also exercises a number of reserved powers, including:

- formulating long-term objectives and strategies;
- approving strategic, operational and financial plans;
- monitoring and controlling the Group's operational and financial performance;
- approving financial statements and public announcements;
- setting the dividend policy;
- approving major acquisitions and disposals, formation of joint ventures and capital transactions; and
- developing and reviewing the Company's policies and practices on corporate governance, and performing other duties set out in code provision A.2.1 of the CG Code.

Directors' Induction and Continuous Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives a comprehensive, formal and tailored induction to ensure that he or she has a proper understanding of the business and operations of the Group and that he or she is fully aware of his or her duties and responsibilities and ongoing obligations as a Director under the applicable rules and requirements. Directors are updated on any developments or changes of the laws and regulations affecting their obligations from time to time. Professional trainings and update programmes are provided to the Directors on a regular basis in order to enhance the Board members' professional and regulatory knowledge. During the year, the Company organized training sessions for the Directors on "Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises", "Responsibilities of Listed Companies in Anti-money Laundering" and "Environmental, Social and Governance".

According to the records maintained by the Company, the Directors received the following trainings and updates in 2023:

Name of Directors	Attending seminars and/ or conferences and/or forums relating to rules and regulations or duties of the directors	Reading newspapers, journals and updates relating to the economy and business management and duties of directors
Executive Directors		
Mr. Li Ning *(Executive Chairman and Joint CEO)*	✓	✓
Mr. Kosaka Takeshi *(Joint CEO)*	✓	✓
Mr. Li Qilin	✓	✓
Independent non-executive Directors		
Mr. Koo Fook Sun, Louis	✓	✓
Ms. Wang Ya Fei	✓	✓
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	✓	✓
Ms. Wang Yajuan	✓	✓

Independent Non-executive Directors

Independent non-executive Directors play an important check-and-balance role in safeguarding the interests of the Company and the Shareholders as a whole, and will take the lead when potential conflicts of interests arise. The incumbent independent non-executive Directors have extensive professional experiences and have participated in the meetings of the Board in a conscientious and responsible manner. They actively serve on the Board and its committees to provide their independent and objective views, in particular, on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct and to promote critical review and control. They have been appointed for a specific term and are subject to re-election and rotation according to the applicable Listing Rules and the Articles of Association.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of his or her independence as required under Rule 3.13 of the Listing Rules, which confirmed to the Company that he/she has met the independence guidelines set out in the Listing Rules. Independence of each of the independent non-executive Directors has been assessed by the Board and the Board continues to consider each of them independent in accordance with the Listing Rules.

Directors' Appointment and Re-election

Each of the executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a term of three years. All Directors are subject to retirement by rotation at least once every three years and are eligible for re-election in accordance with the Articles of Association. New Director appointed to fill casual vacancy shall subject to re-election by the Shareholders at the first general meeting after his or her appointment in accordance with the Articles of Association. To further enhance accountability, any further appointment of an independent non-executive Director who has served the Company's Board for more than nine years will be subject to a separate resolution to be approved by the Shareholders.

Directors' and Officers' Liability Insurance

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers. The scope of coverage of the insurance is subject to review annually.

BOARD COMMITTEES

The Board is supported by a number of committees, including the Nomination Committee, the remuneration committee ("Remuneration Committee") and the audit committee ("Audit Committee") of the Company. Each of the Board committees has its own defined and written terms of reference as approved by the Board covering its duties, powers and functions, which are in compliance with the Listing Rules and have taken into account the specific business needs of the Company. The Board committees are provided with sufficient internal and external resources to discharge their duties, and upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense. Each Board committee reports the outcome of the committee's meetings to the Board, addressing major issues and findings, and making recommendations to assist the Board in its decision making. Meetings of the Board committees are convened and conducted in accordance with the Articles of Association and its terms of reference.

Nomination Committee

The Nomination Committee has been established since June 2005. The primary duties of the Nomination Committee are to formulate and execute nomination policies of the Board members and the Senior Management, to evaluate the structure, size and composition of the Board, to make recommendations to the Board on the appointment and succession planning for the Directors, the chairman, the chief executive officer and the chief financial officer ("CFO") of the Company, to evaluate the structure and organisational strategy of the Group, and to assess and identify the appropriate staffing for the Senior Management.

The Nomination Committee has adopted the terms of reference as outlined under the CG Code. The current terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently consists of the following three Directors:

Mr. Li Ning *(Chairman of the Nomination Committee)*	Executive Chairman, Joint CEO & Executive Director
Ms. Wang Ya Fei	Independent non-executive Director
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	Independent non-executive Director

The Nomination Committee normally engages professional recruitment consultants in discharging its duties and functions. Candidates who satisfy the criteria are short-listed and interviewed by the Nomination Committee before the final candidate is nominated to the Board for consideration. The process ensures that the Board and the Senior Management have sound knowledge, experience and/or expertise required in the business operations and development of the Group.

The following is a summary of the major tasks carried out by the Nomination Committee in 2023:

- nomination of Mr. Song Chun Tao to act as the Chief Human Resources Officer and nomination of Mr. Wang Yi to act as the Chief Marketing Officer;
- assessing the independence of each of the independent non-executive Directors;
- reviewing the structure, size and composition of the Board, the time involvement, work framework, duties and responsibilities of the Directors on an annual basis, and keeping records of the most updated information of each Director pursuant to Rule 13.51B of the Listing Rules;
- reviewing the Nomination Policy and the Diversity Policy; and
- reviewing the Board performance during the year.

During the year, the Nomination Committee reviewed the composition of the Board, including its diversity, based on a range of perspectives with reference to the Company's business model and the Diversity Policy requirements, including but not limited to gender, age, cultural and educational background, ethnicity, professional expertise, skills, knowledge and length of service.

The Nomination Committee considered that the current composition of the Board is balanced in terms of diversity and is able to meet the objectives of the Board. The Board's diversity provides the Company with experienced individuals and professionals with proven and extensive industry experience whose opinions and expertise are useful for the decision-making of the Board and the implementation of its business objectives.

Remuneration Committee

The Remuneration Committee has been established since the Company was listed on the Stock Exchange in June 2004. The primary responsibility of the Remuneration Committee is to formulate remuneration policies and structure for the Directors and the Senior Management to enable the Company to attract, retain and motivate talents which are essential to the long-term success of the Company.

The Remuneration Committee has adopted the terms of reference as outlined under the Code Provisions. The current terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee currently consists of the following three Directors:

Ms. Wang Ya Fei *(Chairperson of the Remuneration Committee)*	Independent non-executive Director
Mr. Li Qilin	Executive Director
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	Independent non-executive Director

The primary goal of the Remuneration Committee is to make recommendations to the Board on the policy and structure of the remuneration package for all the Directors and Senior Management and to establish a formal and transparent procedure with reference to corporate objectives, operating results and comparable market conditions. The principal elements of the remuneration package of the Directors include basic salary, discretionary bonus, participation in the Company's share option schemes and/or restricted shares award schemes and other benefits and allowances, taking into account the duties and responsibilities of the respective Directors.

No Directors participated in deciding his or her own remuneration. The emoluments of each Director for the year ended 31 December 2023 are set out in note 36 to the consolidated financial statements. The remuneration of Senior Management for the year ended 31 December 2023 are set out in note 34 to the consolidated financial statements.

The following is a summary of the major tasks carried out by the Remuneration Committee in 2023:

- making recommendations to the Board on the remuneration packages of all the Directors and Senior Management for the year 2023;
- reviewing and approving the bonus plan for the year 2023;
- reviewing and approving the salary adjustment plan for the year 2023;
- reviewing, monitoring and approving the implementation of employee share option program (ESOP) and the 2016 Restricted Share Award Scheme for the year 2023;
- Based on the performance of the Company and considering the post contribution and individual performance of each Director and employee of the Group, reviewing and approving the name list and amount of grants in 2023 under the 2016 Restricted Share Award Scheme, to establish a competitive remuneration system to push the management to take responsibility for achieving the strategic objectives of the Group;
- reviewing and approving the recommendation of short-term and long-term incentives for the year 2023;
- reviewing, monitoring and approving the human resources work plans for the year 2023; and
- approving the budget of human resources expenses for the year 2024.

To discharge its obligations, the Remuneration Committee consults and seeks advice from the Joint CEOs and the human resources division of the Company during the review of the remuneration policy and incentive plans. External professional consultants are engaged to provide advice on issues when the Remuneration Committee considers necessary.

Audit Committee

The Audit Committee was established since the Company was listed on the Stock Exchange in June 2004. The primary responsibilities of the Audit Committee are assisting the Board in discharging its responsibilities for monitoring the integrity of the Group's financial statements, overseeing the Group's financial reporting systems, risk management and internal control procedures and the Company's relationship with the external auditor.

The Audit Committee has adopted the terms of reference, which follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and are in compliance with the CG Code. The current terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee currently consists of the following three Directors:

Mr. Koo Fook Sun, Louis *(Chairman of the Audit Committee)*	Independent non-executive Director
Ms. Wang Ya Fei	Independent non-executive Director
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	Independent non-executive Director

The external auditor, the CFO, the head of the internal audit department ("Internal Audit Department") and the head of the accounting management department of the Company attended the meetings and provided necessary information to the questions raised by the Audit Committee.

During the year of 2023, the Audit Committee held three meetings with the external auditor of the Company to discuss issues they considered necessary.

The following is a summary of the work performed by the Audit Committee in 2023:

- reviewing the external auditor's statutory audit plan and the nature and scope of audit before commencement of audit work;
- reviewing and recommending for the Board's approval for the annual results announcement and annual financial statements for the year ended 31 December 2022 and the interim results announcement and interim financial statements for the six months ended 30 June 2023 with particular focus on changes in accounting policies and practices, compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;
- discussing with the external auditor and the management on possible accounting risks and major findings in the course of audit/review;
- reviewing the independence of the external auditor and recommending to the Board on the re-appointment of the external auditor;
- approving the audit fees and terms of engagement of the external auditor;
- reviewing 2023 internal audit findings and recommendations and approving 2024 internal audit plan;
- reviewing the effectiveness of the Company's risk management functions and internal control system, including the financial reporting and compliance functions; and
- approving and adopting the concurrence policy/framework for non-assurance services.

Anti-Corruption and Anti-Bribery System and Complaint and Whistleblowing Procedure

The Company has implemented a number of Group-wide governance policies and systems, which are subject to regular review, to support its commitment to high standards of business, professional, and ethical conduct, and to ensure best practices across the organization:

- "Anti-Corruption and Anti-Bribery System" has been established in order to strengthen the internal governance and compliance management, reduce operation risks and maintain business reputation of the Group; and
- "Complaint and Whistleblowing Procedure" has been set out for all employees and stakeholders (e.g. investors, direct suppliers, partners, customers, etc.) of the Company to raise concerns, in confidence, to the Audit Committee about the possible improprieties in any matters related to the Company.

For further details in relation to the Anti-Corruption and Anti-Bribery System and Complaint and Whistleblowing Procedure, please refer to relevant information in the section headed "Corporate Governance" of the Company's website at http://ir.lining.com.

Board and Committee Meetings

The Board holds at least four regular Board meetings each year at approximately quarterly intervals and additional Board meetings are held as and when necessary. Regular Board meetings are scheduled a year ahead to achieve the maximum attendance of the Directors. Notice of at least fourteen days is served for regular Board meetings. The meeting agenda is set after consulting with members of the Board so that all Directors have the opportunity to include matters in the agenda. The agenda and accompanying papers are sent to the Directors in a timely manner before the date of the meeting in compliance with the CG Code. Directors can also seek independent professional advice in performing their duties at the Company's expense, if necessary.

Directors can access relevant information as requested at any time. The management provides the Directors with comprehensive reports on the Group's business progress, financial objectives and strategic and development plans to enable them to make informed decisions on matters submitted for their approval at the Board meetings. The Board arranges, where appropriate, relevant members of the Senior Management to attend their meetings and report the latest situation about operations and respond to queries from the Directors.

Directors are required to declare their direct or indirect interests, if any, in any matter to be considered at the Board or committee meetings. Interested Directors are required to abstain from voting and will not be counted in the quorum present in the Board or Committee meetings in accordance with the Articles of Association. Before voting, Directors are given ample time to speak, express their view and raise any concerns. When going through each agenda item, the chairman of the meeting asks the Directors whether they have any objections or any questions to raise for discussion, ensuring that each Director can present his or her independent views.

The Board will review the implementation and effectiveness of the mechanisms for the independent views of the Board annually. The Board has reviewed the implementation and effectiveness of the mechanisms during the year and considered that the mechanisms remain effective.

The attendances of the Directors at the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee during the year are as follows:

	Number of meetings attended/ number of meetings held during the respective tenure in the financial year ended 31 December 2023			
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive Directors				
Mr. Li Ning *(Executive Chairman and Joint CEO)*	6/6	3/3	N/A	N/A
Mr. Kosaka Takeshi *(Joint CEO)*	6/6	N/A	N/A	N/A
Mr. Li Qilin	6/6	N/A	2/2	N/A
Independent non-executive Directors				
Mr. Koo Fook Sun, Louis	6/6	N/A	N/A	3/3
Ms. Wang Ya Fei	6/6	3/3	2/2	3/3
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	6/6	3/3	2/2	3/3
Ms. Wang Yajuan	6/6	N/A	N/A	N/A

Notes:

1. Minutes of the foregoing meetings were recorded in sufficient detail of the matters discussed and the decisions made at the meetings, which include the issues raised or dissenting views expressed by Directors. Draft and final version of the minutes are circulated to all Directors for their comments and records within a reasonable time after the relevant meetings.

2. All such minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on request by any Director.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors, with support from the finance team, acknowledge their responsibilities for preparing the financial statements of the Group and ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards on a going concern basis. The Board also ensures timely publication of the financial statements of the Group.

Prior to commencement of the audit of the Company's accounts for the year of 2023, the Audit Committee had received a confirmation from the external auditor on their independence and objectivity. External audit partners are subject to periodic rotation.

The statement of the external auditor of the Company, PricewaterhouseCoopers, about their reporting responsibilities on the consolidated financial statements is set out in the section headed "Independent Auditor's Report" of this annual report.

During the year, the management had provided all members of the Board with monthly financial updates in order to give a balanced and reasonable assessment of the Company's performance, position and prospects.

External Auditor's Remuneration

PricewaterhouseCoopers has been appointed as the external auditor of the Company since the Company was listed on the Stock Exchange in 2004. The re-appointment of PricewaterhouseCoopers as the external auditor of the Company has been recommended by the Audit Committee, endorsed by the Board and is subject to approval by Shareholders at the forthcoming annual general meeting.

For the year ended 31 December 2023, the fees for the audit services and non-audit services provided by the external auditor are as follows:

Type of Service	2023 (RMB)	2022 (RMB)
Audit fee for the Group	**6,680,000**	6,220,000
Tax compliance and other advisory services	**2,675,000**	1,345,000
Total	**9,355,000**	7,565,000

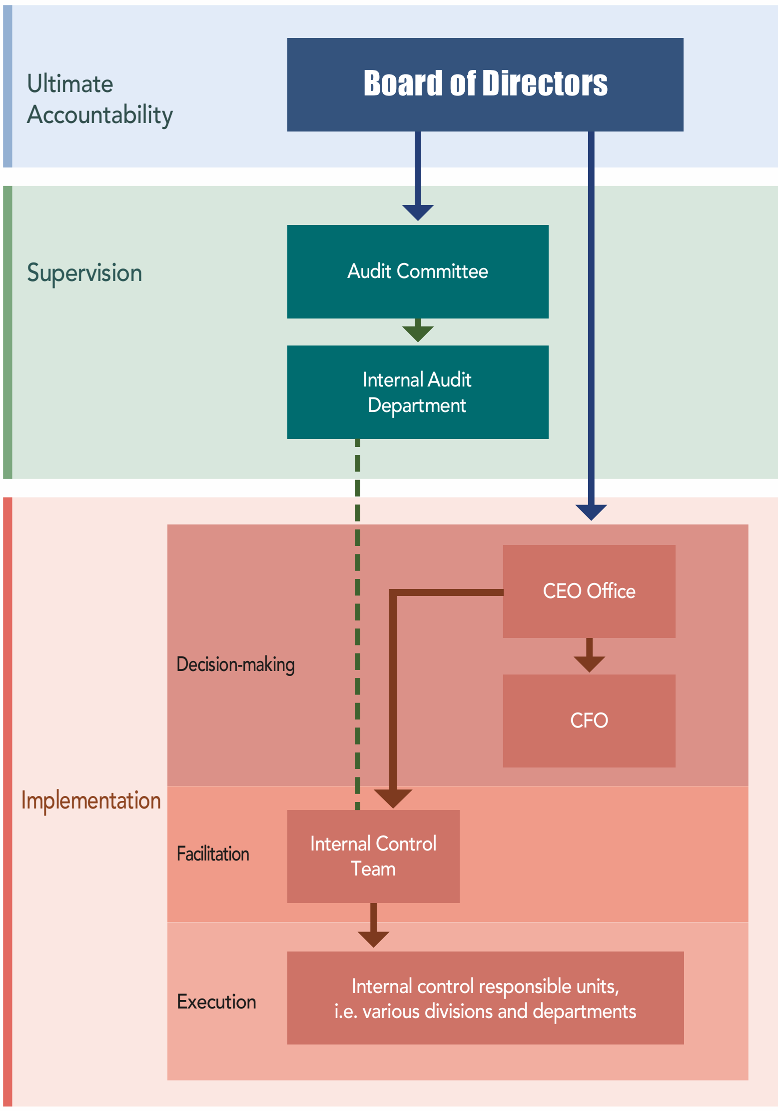
Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives and reviewing the effectiveness of the Group's risk management and internal control systems on an annual basis. In 2023, the Board, with the support of the Audit Committee, reviewed the adequacy of resources, qualifications and experience of staff in performing the accounting and financial reporting functions, and the appropriateness of their training programmes and budgets.

Risk Management and Internal Control System

Based on the experience in operation control over the years, the Company has put in place an integrated system of risk management and internal control. The system adopts the globally recognised framework outlined by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), taking into account the Group's business, operational and financial risks, corporate culture and management philosophy. The system is designed to (i) achieve effectiveness and efficiency of operations; (ii) enhance the reliability of internal and external financial reporting; and (iii) ensure compliance with the applicable laws and regulations. The system serves to provide reasonable, but not absolute, assurance against material misstatement, fraud or loss. During the year, the Group continued to improve its internal control system aiming at providing effective control and strong support, reflected mainly in the following aspects:

(1) With an optimized organizational structure of internal control and risk control, the normal operation of the organizational structure set up on the basis of the COSO risk management and internal control framework is promoted continuously, which is depicted as follows:



The Company has established a top-down organizational and management structure with clear-cut responsibilities and authorities for internal control purposes, embracing three levels which are responsible for ultimate accountability, supervision and implementation, respectively: (i) the Board bears the ultimate accountability and has the ultimate authority in internal control management. It is externally accountable to the Shareholders for corporate governance responsibility, whereas internally it acts as the highest authority to foster internal control management; (ii) the Audit Committee is responsible for supervising the establishment and operation of the internal control system by the management, monitoring the Group's risk management and internal control procedures and advising the Board on the effectiveness thereof. Independent test and assessment on the effectiveness of risk management and internal control are conducted by the Internal Audit Department which reports directly to the relevant management and the Audit Committee; and (iii) the implementation level comprises a decision-making group, a facilitation body (namely, the Internal Control Team, which is responsible for supporting the planning and establishment of the Group's internal control system and facilitating the promotion and implementation of the internal control structures in different systems) and execution units (namely, the operational and functional divisions, which are responsible for executing various management and control measures).

During the year, in light of the changes in the Company's organizational structure, staff and business flow, the staff arrangement under the Internal Audit Department and Internal Control Team structure was promptly updated and necessary training was carried out by the Company. The Internal Audit Department reported at every meeting of the Audit Committee in relation to the progress of the examination on the effectiveness of the Group's risk management and internal control for the supervision and guidance of the Audit Committee and the Board.

(2) Possession of effective and forward-looking information on strategic management and operation management and financial and accounting management systems supports the supervision of the implementation and performance of business strategies and plans. Operational reports and monthly financial updates are timely and regularly submitted to and reviewed by the Senior Management, the Board or its designated committees. This allows them to monitor and manage the established annual operating and financial targets, and to consider necessary actions as well as to ensure such actions are being carried out promptly so as to remedy any significant mistakes or inadequacies.

(3) The Internal Control Manual of Li Ning Company Limited ("Internal Control Manual"), which represents the codification of the Group's existing internal control policies and operational procedures to enhance its internal control system, is implemented on an ongoing basis. The Internal Control Manual currently covers areas including the management procedures in respect of wholesale sales, direct sales marketing, procurement and trade payables, assets, capital, financial reporting, administration and human resources, intellectual property rights, contracts management, and research and development management process system. The Internal Control Manual is revised from time to time on the circumstances, depending on the needs for business changes and procedural refinement, so as to further improve and monitor the effectiveness of the internal control system on a continuing basis.

(4) An effective annual self-assessment and evaluation mechanism under the internal control framework was established with satisfactory results and attained the following goals:

(i) fostering middle management and Senior Management to review and comment on whether control targets at corporate level can be achieved, and to identify inadequacy and make improvement in a timely manner;

(ii) prompting the persons in charge of business processes to actively conduct process review on procedural control, assess the design and effectiveness of execution, identify problems in a timely manner and formulate improvement measures; and

(iii) assisting the Audit Committee and the Board in assessing the effectiveness of the Company's internal control system as a whole.

(5) Independent reviews of risk management and internal control in relation to key operations, financial and compliance functions are performed by the Internal Audit Department. Significant issues, if any, together with recommendations for improvement, are reported to the Audit Committee or the Board.

ANNUAL REVIEW

The Board is fully aware of its accountability in respect of the Group's risk management and internal control systems and its responsibility of reviewing the effectiveness of the systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's internal control system is subject to continuous review and improvement to enable timely responses to any changing risks the Group faces with.

A comprehensive review on the effectiveness of the Group's risk management and internal control system is conducted by the Board annually, covering all material controls including financial, operational and compliance monitoring. The review is performed internally on a self-assessment approach with a complete set of reporting forms. Persons-in-charge of each division and department are requested to fill in the self-assessment review questionnaire against key items of internal control. In 2023, the Company continued to improve methods for self-assessment. In accordance with the Company's organizational structure and business expansion, the process of self-assessment covers numerous divisions and departments. In addition, members of the Senior Management were required to assess the effectiveness of the corporate internal control system according to the outlines of the COSO internal control system, including control environment and risk assessment, information and communication. The review process has enabled the persons-in-charge to verify whether the internal control system is operated as intended, to identify deficiencies or inadequacies, and to take relevant remedial actions. The Internal Audit Department also carried out independent examination and analysis on the review process and the results, and submitted a declaration to the Audit Committee and the Board certifying the adequacy and effectiveness of the Group's risk management and internal control systems.

The results of the review for the year ended 31 December 2023 have been reported to the Audit Committee and the Board. According to the results, the Audit Committee and the Board confirm that the systems and procedures of the Group's risk management and internal control are in good order and are able to identify, control and report on significant risks involved in achieving the Group's strategic objectives. The areas of the systems and procedures pending further improvement have been identified and remedial actions have either been taken or designated to be taken. No material weaknesses have been identified by the Group so far and there are no significant areas of concern which may affect the Shareholders.

The Audit Committee and the Board have also received the annual review results regarding the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff and the sufficiency of their training programmes and budget. Based on such results, the Audit Committee and the Board are of the view that the Group has adequate workforce to fulfil accounting and financial reporting duties. These personnel possess necessary professional qualifications and practical experience to effectively perform their respective functions, and there have been appropriate training programmes and related budget for the staff.

The Board considers that the Group's risk management and internal control system is adequate and effective and the Company has complied with the CG Code for the year ended 31 December 2023.

INTERNAL AUDIT AND INTERNAL CONTROL AND MANAGEMENT

The Internal Audit Department was established soon after the Company's listing on the Stock Exchange in 2004. The main functions of the Internal Audit Department are reviewing the operational and financial conditions of the Group to disclose potential risks, and following up with related remedial measures, with a view to continuously enhancing the operational effectiveness and efficiency of the Group. The Internal Audit Department plays an important role in the Group's internal control and risk management framework with an aim to provide the Audit Committee and the Board with objective assurance that the internal control system and risk management system are effectively maintained and operated and that the risks associated with the achievement of business objectives are being managed properly and circumvented. The Internal Audit Department reports directly to the CFO and refers matters to the Audit Committee directly if necessary. The head of the Internal Audit Department attended every meeting of the Audit Committee and maintained constructive communications with the Company's external auditor during year 2023. The Internal Audit Department also collaborates with the external auditor where appropriate.

The Internal Audit Department formulates the annual internal audit plan every year in accordance with the Group's strategic goals and risk assessment results, and engages in related tasks with the approval and support of the Audit Committee. The tasks of the Internal Audit Department include (i) regular audits and evaluation of the operational effectiveness and efficiency of various business and functional systems; and (ii) special audits in areas designated by the management and the Audit Committee based on the assessment of risks. In the year of 2023, the Internal Audit Department conducted audits on the sales system, product system, retail subsidiaries, supply chain system and non-core business systems of LI-NING brand, as well as internal control and risk management systems, and submitted the relevant audit reports to the Audit Committee and the management.

For significant audit findings and risk factors, the Internal Audit Department will notify the Audit Committee and the management of such risks in a timely manner, and will regularly follow up on the improvement progress. The Internal Audit Department submits formal work report to the Audit Committee three times a year, which enables the Board to assess control of the Group and the effectiveness of risk management. As at 31 December 2023, various audit findings and risk factors had been properly handled by the management, and there were no material irreparable audit findings and risk factors.

The Internal Audit Department also plays an important role in internal control and risk management system and is responsible for reviewing and assessing the adequacy and compliance level of the Group's internal control system and risk management system, and providing an independent and objective opinion on the effectiveness of the systems.

The Internal Control Team of the Company is responsible for designing the Company's internal control system framework, instructing business departments to design the specific systems and processes, arranging and urging business departments to thoroughly implement the systems, as well as coordinating and sorting out various issues that may arise during the implementation of the systems, with a view to lowering the operational risks of the Company and ensuring that the Company has a sound risk control system in place.

The Internal Control Team evaluates and optimizes the internal control system, improves the development of the systems and processes, and prompts business departments to thoroughly implement the systems based on the Group's risk assessment and warning on an annual basis. In 2023, it refined the internal control in a number of areas, including the management of sales, the supply chain, non-productive procurement, IT, the table tennis, badminton and football business division, product planning and marketing of the LI-NING brand.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is fully aware of its obligations under Chapter 13 of the Listing Rules and the overriding principle that inside information of the Company should be announced immediately. The Company reviews from time to time its internal guidelines on inside information or potentially price sensitive information with reference to its own and industry circumstances and the Guide on Disclosure of Inside Information issued by the Securities and Futures Commission. The Company's policy contains a strict prohibition on unauthorized use of confidential or inside information and has established and implemented procedures for responding to external enquiries about the Group's affairs.

During the year, the Company followed the rules and procedures on regulating the disciplines and actions of all employees in external media communications and that the designated authorized persons of the Company are the key spokespersons of the Company in all external media communications. The human resources division of the Company is responsible for monitoring and reviewing the due compliance by all staff of the Group. The purpose of streamlining the communications of the Group with the media is to regulate all media communication activities, protect the interests of the Company and keep inside information strictly confidential prior to its disclosure.

COMPLIANCE WITH THE MODEL CODE ON SHARE DEALINGS

The Company has adopted the Model Code regarding securities transactions by the Directors. Directors are reminded regularly of their obligations under the Model Code. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

Employees of the Group who are likely to be in possession of unpublished inside information of the Group are also subject to guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company in the year of 2023.

COMPANY SECRETARY

During the year, Ms. Tai Kar Lei is the company secretary of the Company ("Company Secretary"). Ms. Tai is a full-time employee of the Company and is familiar with the daily affairs of the Company, and is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. All Directors have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, all applicable rules and regulations are followed. During the year, Ms. Tai reported to the Executive Chairman and/or the CFO. In addition, she has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company has a number of formal communication channels to provide the Shareholders with accurate, clear, comprehensive and timely information of the Group. These include interim and annual reports, announcements, circulars and other corporate communication on the websites of the Company and/or the Stock Exchange.

In terms of shareholder communication strategy, the Board has approved and adopted a shareholders' communication policy of the Company ("Shareholders Communication Policy"), which enable Shareholders to engage actively with the Company and exercise their rights as Shareholders in an informed manner such as corporate communications, general meetings, the Company's website, Shareholders' enquiries and investors' engagement. The Company will review the Shareholders Communication Policy annually to ensure the effectiveness of the policy. For further details in relation to the Shareholders Communication Policy, please refer to "Shareholders Communication Policy" in the section headed "Corporate Governance" of the Company's website at http://ir.lining.com.

The implementation and effectiveness of the Shareholders Communication Policy has been reviewed by the Board during the year. In view of the formal communication channels have been setup, the Board considered the current channels would be sufficient for the Company to communicate with the Shareholders.

Procedures for Shareholders to Convene a General Meeting/Put Forward Proposals

Pursuant to the Articles of Association, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require the Board to hold an extraordinary general meeting to put forward proposals for the transaction of any business specified in such requisition. Such requisition can be deposited at the Company's principal place of business in Hong Kong at Unit 3301, 33/F., BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kowloon, Hong Kong for the attention of the Company Secretary, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself or herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

As regards to the procedures for proposing a person for election as a Director, please refer to "Procedures for Shareholders to Propose a Person for Election as a Director" in the section headed "Corporate Governance" of the Company's website at http://ir.lining.com.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may send their written enquiries which require the Board's attention to the Company Secretary at the Company's principal place of business in Hong Kong at Unit 3301, 33/F., BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kowloon, Hong Kong.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has passed a special resolution at the annual general meeting held on 14 June 2023 to adopt the amended and restated memorandum and articles of association of the Company (the "Amended and Restated Memorandum and Articles of Association"). Details of the amendments were set out in the circular of the Company dated 18 April 2023. The Amended and Restated Memorandum and Articles of Association have been published on the websites of the Company and the Stock Exchange.

Save as disclosed above, there was no change in the memorandum and articles of association of the Company during the year.

SHAREHOLDERS' MEETINGS

Shareholders' meetings provide a principal channel of direct communication between the Company and the Shareholders. They provide an opportunity for Shareholders to better understand the Group's operation, financial performance, business strategies and outlook.

Since the Company was listed on the Stock Exchange in 2004, all resolutions put forward at the Shareholders' meeting were voted by way of poll, of which each fully paid share of the Company is entitled to one vote. The procedures for demanding and conducting a poll with reference to the Articles of Association are explained at the beginning of the Shareholders' meeting. The results of the poll are published on the websites of the Company and the Stock Exchange.

To encourage Shareholders to attend the meetings, more than twenty clear business days' annual general meeting notice and ten clear business days' extraordinary general meeting notice, and the circular containing necessary information are given to the Shareholders so as to enable them to make informed decisions on the resolutions proposed to be considered at the meetings.

Board members (including the chairman of the Board, the chairmen/chairperson of each of the Audit Committee, the Nomination Committee and the Remuneration Committee) and the Company's external auditor were present at the annual general meeting and extraordinary general meeting of Company both held on 14 June 2023. A question-and-answer session was held for the Shareholders to raise questions. The next annual general meeting of the Company will be held on 13 June 2024. Details of the 2024 AGM and necessary information on issues to be considered are set out in the circular to be despatched to the Shareholders.

The attendance records of the Directors at the Shareholders' meetings held in the year of 2023 are set out below:

Name of Directors	Number of meetings attended/number of meetings held
Executive Directors	
Mr. Li Ning *(Executive Chairman and Joint CEO)*	2/2
Mr. Kosaka Takeshi *(Joint CEO)*	2/2
Mr. Li Qilin	2/2
Independent non-executive Directors	
Mr. Koo Fook Sun, Louis	2/2
Ms. Wang Ya Fei	2/2
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	1/2
Ms. Wang Yajuan	2/2

WAY FORWARD

The Board will continue to review and improve its corporate governance with an aim to maintain a high degree of transparency, accountability and responsibility.

By order of the Board

Li Ning
Executive Chairman and Joint CEO

Hong Kong, 19 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PARTICULARS OF THE REPORT

Report Summary

This report is prepared to provide stakeholders with an update on the work of Li Ning Company Limited ("the Group") and its subsidiaries (collectively "the Group", "we/our" and "Li Ning") in the environmental, social and governance ("ESG") fields in 2023. This report was prepared in accordance with *Environmental, Social and Governance Reporting Guide* (the "ESG Reporting Guide") which is set out in Appendix C2 to the Listing Rules of The Stock Exchange of Hong Kong Limited. This report should be read in conjunction with the section "Corporate Governance Report" in the 2023 Annual Report of the Group and the column "Corporate Social Responsibility" on the Group's website.

Report Period

The reporting period of this report is from 1 January 2023 to 31 December 2023. To ensure the consistency of the report, some contents are out of this time period.

Report Scope

The disclosure scope of this report is consistent with that covered by the annual report, which has not changed compared with the scope of ESG reports in previous years, unless otherwise specified.

BOARD STATEMENT

Environmental, social and governance issues have always been central to the development of the Group. The Board of Directors ("the Board") of the Group is responsible for the overall supervision of ESG matters, and the ESG Management Committee and Executive Team under the Board are responsible for the specific deployment and implementation of ESG-related work. The Board regularly listens to reports from the ESG Management Committee, reviews the overall ESG strategic planning of the Group, the evaluation results of key ESG issues and the identification and management of ESG risks, and regularly checks the progress of ESG objectives.

The Group actively promotes and deepens its work in ESG field, fully fits the business characteristics in practice, integrates sustainable development vision and strategy into the Group's development operation and overall strategic planning, and its update and optimization are regularly reviewed by the Board. At the beginning of 2023, the Board of Directors of the Group reviewed and approved the sustainability vision and strategy update, the sustainability objectives update, the review of the Group's environmental objectives, the results of the identification and assessment of climate change risks and opportunities, and the response strategies.

The Board pays close attention to the requirements of stakeholders, continuously participates in the identification, evaluation and management of key ESG issues, actively carries out ESG risk management, and reviews and guides the implementation of relevant risk management strategies.

In 2023, the Group adhered to the development goals in terms of employee, environment, community and innovation, and firmly promoted the achievement of relevant goals. The progress in achieving each goal is consistent with the overall planning, and breakthroughs and progress have been made in stages, which are reviewed and approved by the Board along with this report.

This report, which discloses the Group's management practices in the above work and other ESG areas, was reviewed and approved by the Board on 19 March 2024.

Reporting Principles

Materiality: The Group has identified, evaluated and ranked key ESG issues, and disclosed ESG issues based on the materiality assessment results. Refer to the "Communication with Stakeholders and Key Issues Identification" section for details of the key ESG issues identification and assessment process and stakeholder participation.

Quantification: This report adopts a quantified manner to measure the applicable key performance indicators and sets quantified environmental goals. Information on the criteria, methods, assumptions and/or calculation tools used for the quantification of emissions and energy consumption, as well as the sources of the conversion factors used, is disclosed in the section where appropriate.

Consistency: The preparation methods, statistical methods, measurement criteria, methods, assumptions and/or calculation tools of quantitative data, and conversion factors used in this report remain the same as those used in previous years, and there are no changes that may affect meaningful comparison with previous reports.

I. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MANAGEMENT SYSTEM

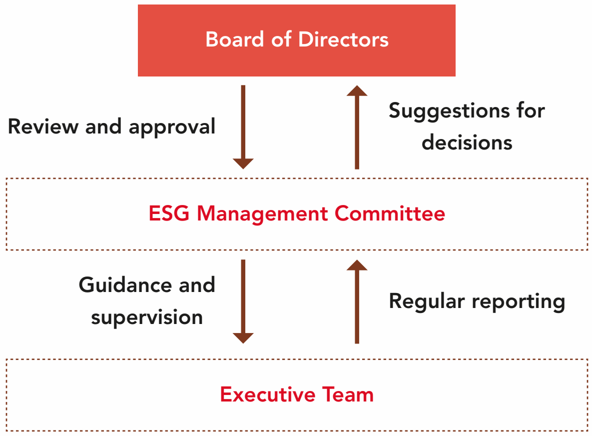
The Group firmly pursues and strives to realize its corporate vision, and is committed to "to be the renowned fashionable world-leading professional sports brand originated from China ", with the mission of "Let Sports Light Your Passion ", and upholding the commitment to serve the society with sports spirit. Around its core values of "serving the public with sports spirit", "surpassing yourself to win the competition", "win-win for individuals and teams", "fairness and transparency are competition principles and enterprise principles" and "harmonious development of employees, enterprises, society and nature", the Group tries to create a cultural atmosphere and working environment that is equal and diversified, self-confident and self-improvement, accommodating and inclusive, as well as a win-win situation together. Following the business philosophy of "Anything is Possible", the Group has deepened its exploration of practical innovations in the field of professional sports in China, focusing on product experience, sports experience and purchase experience, and creating the "Li Ning's experience value". The Group continues to improve its ESG management system, promote the construction of a sustainable value chain in all aspects, incorporate the concept of responsibility in the whole process, and promote the public welfare and social values of sports, so as to drive the sustainable and high-quality development of the enterprise through innovation and change.

ESG Management Structure

The Group has continuously improved its ESG management structure, strengthened its ESG management capabilities, and clarified the responsibilities, functions and process mechanisms of ESG-related work. It strives to improve the quality and efficiency of ESG work and promote the scientific and orderly deployment of ESG work.

The Board is responsible for the overall supervision of ESG matters, and reviewing and supervising the optimization of ESG strategy, the importance assessment of ESG issues, the identification and response of ESG risks, the revision of ESG objectives and the regular review of ESG report. The Group has established an ESG Management Committee chaired by the Group's Executive Director and Joint Chief Executive Officer. The committee is responsible for analyzing the medium and long-term ESG strategies and objectives of the Group, sorting out and analyzing key ESG issues, submitting ESG suggestions to the Board for review and decision, and guiding and supervising the ESG Executive Team in work.

The ESG Executive Team is led by the Environment and Sustainability Development Department of the Group and is composed of the heads of ESG departments concerned. The team is responsible for coordinating all departments concerned to promote the implementation of ESG strategies and policies, and regularly reports the work progress to the ESG Management Committee. The Environment and Sustainable Development Department of the Group consists of four personnel, including one person in charge and three professionals in social responsibility, environment and carbon management. The Environment and Sustainable Development Department reports to the Executive Member of ESG Management Committee.



ESG Management Structure and Flow

ESG Strategy and Management Concept

The Group is deeply committed to the application and exploration of innovation in the field of ESG. Based on our corporate strategy, operation mode and business development, we have continued to improve our ESG strategy and management system in line with the sustainable development of the Group. We actively respond to the national "30 • 60" carbon peak and carbon neutral strategy, and put forward the sustainable development slogan and logo of "Look Further Run Further". We continue to implement green and low-carbon operational measures, deepen the assessment and management of climate change risks and opportunities, and strengthen the sustainability of the entire value chain. The Company continues to promote the linkage between the assessment indicators of its executives and sustainable development, and gradually incorporates more ESG-related indicators into the assessment system of its executives in an effort to enhance the quality and effectiveness of sustainable development management; firmly protects the legitimate rights and interests of its employees, and strengthens its support for the career development of its employees, so as to promote the development of the Company together with its employees; rigorously monitors the quality and safety of its products, and establishes higher product and service standards; strengthens the building of a corruption-free environment and solidly promotes anti-corruption and corruption-free work; actively undertakes corporate social responsibility, and continues to carry out the concept of public welfare. In addition, we attach great importance to the concerns and aspirations of all stakeholders in the area of sustainable development of the Company, and continue to optimize the exchange, sharing and co-creative mechanism of sustainable development concepts, experiences and opinions, and devote ourselves to the exploration of sustainable development methods and modes in the industry with a firm sense of mission and responsibility.

每一步 都向前
LOOK FURTHER RUN FURTHER

Li Ning Group's Sustainability Slogan and Logo

The Group strives for its sustainable development vision of "constantly surpassing ourselves to achieve the sustainability of products and operations, and let employees, enterprises, society and nature develop harmoniously and build a healthier and better world together", and has developed and followed its overall sustainable development strategy, which is: "on the basis of ensuring production and operation compliance, we integrate the concept of responsibility into the whole value chain of product design, material procurement, production and processing, marketing and waste disposal, improve the social and environmental management system, and move towards our sustainable development vision by innovation and reform". We have fully optimized our management strategies and working mechanisms in ESG-related areas such as environmental protection, employee care, supply chain management, product responsibility, anti-corruption and community investment, and implement sustainable management initiatives, so as to move steadfastly toward a better future.

Environmental protection:

- Strictly comply with national environmental protection laws and regulations, proactively fulfill our environmental protection responsibilities, pay attention to the trend of climate change, cope with challenges and take opportunities, and help the country's "goal of carbon peak and carbon neutrality" to advance steadily;
- Strengthen emissions management, implement energy saving and consumption reduction measures, enhance resource and energy efficiency, and promote low-carbon operations.

Employee care:

- Strictly comply with national laws and regulations, follow the principle of "people-oriented" employment, and resolutely eliminate all illegal employment practices;
- Continuously improve the management of employees' salary, benefits and attendance, enhance humanistic care, and improve the employment environment;
- Optimize the talent training mechanism and launch diversified training activities to empower employees to grow and energize the development of the enterprise;
- Actively launch employee health care programs to fully protect the occupational safety and physical and mental health of our employees.

Supply chain management:

- Conduct all-round supervision on the acceptance, management and disqualification of suppliers, standardize suppliers' social responsibility and environment-related supervision and auditing, strengthen suppliers' capacity building, and contribute to the sustainable development of the supply chain;
- Pay attention to the environmental performance of our suppliers and advocate the research and development of environmentally friendly products and carbon footprint measurement to create a green supply chain;
- Actively participate in industry exchanges and continue to explore sustainable development trends and industry best practices to promote the green transformation of the industrial chain;
- Encourage suppliers to carry out environmental certification, improve environmental management and reduce environmental risks in the supply chain.

Product liability:

- Standardize product quality review and management, strictly control product quality, and provide consumers with quality products;

- Pay attention to customer feedback and strengthen customer complaint management to enhance customer satisfaction;

- Upgrade the information security protection technology, improve the management mechanism, comprehensively prevent the risk of data leakage, and protect the legitimate rights and interests of consumers;

- Realize the concept of responsible marketing, strengthen intellectual property management and brand protection, and shape a good brand image.

Anti-corruption:

- Improve the anti-corruption monitoring mechanism, implement the requirements of the anti-corruption system, and establish a clean and honest brand image;

- Improve corruption whistle-blowing channels, standardize the whistle-blowing process, and strengthen corporate integrity building;

- Organize anti-corruption training activities to enhance the awareness of honesty and integrity and create a clean corporate culture.

Community investment:

- Proactively fulfill our corporate social responsibilities, contribute to charitable causes, and enhance social well-being;

- Integrate our own resources to efficiently promote the popularization and development of sports;

- Utilize the brand's advantages, promote the integration of sports culture into public life and create a healthy lifestyle of sport for all.

Sustainable Development Action

China actively implements the development concept of innovation, coordination, green, openness, as well as sharing, and comprehensively promotes the implementation of the United Nations *2030 Agenda for Sustainable Development* and the 17 Sustainable Development Goals (SDGs). It has released *China's National Plan on Implementation of the 2030 Agenda for Sustainable Development* (the "National Plan"), which summarizes its development achievements and experiences for implementing relevant practices required by the Sustainable Development Goals.

In 2023, the Group focused on its development strategy and business operation strategy, studied and formulated action plans to respond to the sustainable development goals, and continued to expand its sustainable development practices to contribute to the sustainable development of society. The following table sets forth the Group's sustainable development action and our specific plans to contribute to the realization of our sustainable development goals.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2023
SDG1 No poverty	• Improve social security system and implement the plan for universal participation in social insurance	• Paid full contributions to social insurance and housing fund for our employees, and provided additional supplementary medical insurance.
SDG2 Zero hunger	• Ensure that everyone has safe, nutritious and sufficient food throughout the year	• Established Chinese and Western style restaurants and strictly managed the hygiene environment of the restaurants and controlled the quality of ingredients to provide safe, nutritious and diversified meal choices for our employees.
SDG3 Good health and well-being	• Promote equality of and accessibility to basic medical and healthcare services	• Provided all employees with entry-level and annual medical checkups, and offered targeted medical checkup programs to meet the needs of their positions, so as to comprehensively prevent the risk of occupational diseases. • Set up a health consultation room to provide staff with preventive medicine against diseases. • Provided employees with statutory medical insurance, supplementary medical insurance, personal accident insurance and critical illness insurance to realize comprehensive health protection for employees.
SDG4 Quality education	• Improve the operating conditions of weak schools and boarding schools	• Donated basketball, badminton, table tennis and other sports equipment to rural schools in Xihua County, Henan Province together with the China Rural Development Foundation, to promote the development of sports in impoverished areas.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2023
SDG5 Gender equality	• Adhere to the basic national policy of gender equality to eliminate all forms of discrimination and bias against women • Enhance the working and entrepreneurial capability of women by developing public childcare services	• Implemented the principle of equal employment and eliminated all sex discrimination in recruitment, promotion, training, payment of salary and benefits. • Suppliers were required to refrain from prejudice or discriminatory acts on the basis of sex in all aspects of their work, so as to protect the legitimate rights and interests of women.
SDG6 Clean water and sanitation	• Significantly increase the proportion of treated compliant wastewater by strengthening the supervision and monitoring over major water functional zones and river outlets • Comprehensively promote the development of a water-saving society by strengthening the management over water demand and water utilization process	• Regularly checked the integrity of taps and pipes to prevent wastage of water resources caused by problems such as running, dripping and leaking. • Vigorously launched water conservation publicity and education, posted water conservation publicity signs, and integrated water conservation awareness into daily work. • Strengthened the requirements for wastewater treatment and reviewed the suppliers' wastewater monitoring reports, discharge permits and other relevant documents to achieve stringent control over wastewater discharges. • In 2023, the order volume of the secondary main suppliers carrying out ZDHC wastewater detection was over 95%.
SDG7 Affordable and clean energy	• Optimize the energy structure by enhancing the utilization rate of fossil fuel energy and increasing the proportion of clean energy consumption • Build a clean, low-carbon, safe and efficient modern energy system	• Made full use of the temperature-sensitive canopy to control the indoor temperature on hot days and reduce the electricity consumed by air-conditioning use. • Actively used clean energy by building photovoltaic power stations and equipping them with solar panels to fully utilize solar energy. • Installed charging piles for electric vehicles to facilitate staff charging and promote low-carbon travel. • Beijing Park received a nationally recognized Green Power Certificate for the consumption of green power produced by the PV project.
SDG8 Decent work and economic growth	• Improve the employment and entrepreneurial service system and implement a life-long vocational skills training system	• Established a sound employee development system, provided employees with diversified learning opportunities, promoted the continuous improvement of their professional skills and comprehensive abilities, and provided more possibilities for employee development. • Offered a wide range of training programs, including new employee induction training, business training, core values and leadership training.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2023
SDG9 Industry, innovation and infrastructure	• Accelerate the upgrading and transformation of traditional industries and promote low-carbon industrial energy	• Participated in the Global Textile Green and High Quality Development Forum and Carbon Peak and Carbon Neutral Action Summit. • Participated in the TUV Rheinland Green Energy Innovation and Sustainable Circular Economy Development Forum.
SDG10 Reduced inequality	• Attach great importance to providing equal opportunities and ensuring equal rights of participation and development for all employees • Consistently promote growth of both resident income and the economy, as well as growth of both salary and work productivity at the same time	• Strengthened employment management and implemented the employment principles of equality, respect and democracy in the recruitment, promotion and termination of staff to ensure equal job opportunities. • Continued to optimize our remuneration policy and structure to provide employees with fair and competitive remuneration packages to help attract, motivate and retain talent.
SDG11 Sustainable cities and communities	• Strengthen the construction of natural disaster monitoring and early warning system and engineering defense capacity, improve the social mobilization mechanism for disaster prevention and reduction, and establish smooth channels for social participation in disaster prevention and reduction	• Maintained a high sensitivity to sudden public health events such as natural disasters, and raised funds and materials based on the needs of disaster-stricken areas to assist in post-disaster reconstruction. During the year, we made donations to the earthquake-stricken areas in Gansu and the flood-stricken areas in Beijing, Tianjin, Hebei and Pakistan to promote the resumption of work and production in the aftermath of disasters.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2023
SDG12 Responsible consumption and production	• Reduce the adverse impact of chemicals on human health and the environment • Significantly enhance the level of green chemical engineering technology • Strenuously develop circular economy with significant increase in the recycling of major types of wastes • Comprehensively promote the extended producer responsibility system to encourage enterprises to fully implement the concept of sustainable development in their production management	• Integrated the environmental protection requirements on suppliers into the whole supplier management process, comprehensively supervised the use of chemicals, controlled the quality of raw materials, and ensured the health of customers from the source. • Formulated the *Technical Requirements for Product Safety of Li Ning Company Limited* and required suppliers to sign documents declaring compliance with the standards to realize strict control over the use of chemical products by suppliers. • Expanded the application of BOOM FIBER uppers in shoe manufacturing and promoted the diversification of eco-friendly products. • GCR (lightweight non-slip rubber technology) and GCU (ground control system outsole technology) were used for the soles to ensure the performance of the products and to fulfill the concept of sustainable development. • The use of recycled yarns in the production of apparel products effectively reduced carbon emissions.
SDG13 Climate action	• Popularize the knowledge about climate change and low-carbon development concepts with guidance to the general public for active participation in actions against climate change	• Integrated the concept of sustainable development into production and operation practices, raised employees' awareness of environmental protection, and promoted full participation in climate change action. • Actively launched carbon footprint measurement, strictly controlled the carbon footprint of products, and reduced the negative impact of greenhouse gas emissions on the climate. • Strengthened suppliers' awareness of energy saving and emission reduction, and conducted regular carbon audits to promote the green development of the supply chain.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2023
SDG15 Life on land	• Launch large-scale actions to green the country's soil, strengthen the construction of key projects in the forestry industry, improve the protection system for natural forests, completely stop commercial logging of natural forests, and protect and cultivate forest ecosystems	• Launched a parent-child tree-planting activity named "Big Hands with Small Hands, I Plant a Tree for Low Carbon", to advocate environmental protection and low-carbon actions.
SDG16 Peace, Justice and strong institutions	• Implement the *Law on the Protection of Minors of the People's Republic of China*, and crack down, in accordance with the laws, on the unlawful and criminal acts such as use of child and forced labor	• Strictly enforced the section of identity card verification before the signing of labor contracts to verify the age of the applicants and to avoid the employment of child laborers. • Reasonable work and vacation arrangements were made on the basis of employees' willingness to work, and forced labor practices were firmly resisted.
SDG17 Partnerships for the goals	• Actively participate in the establishment of global partnerships to promote more balanced global partnerships for development • Actively participate in the works in relation to the establishment of mechanisms for enhancing the use of global technology	• Participated in the 28th Sino-European CSR Roundtable Forum. • Joined the United Nations Global Compact (UNGC).

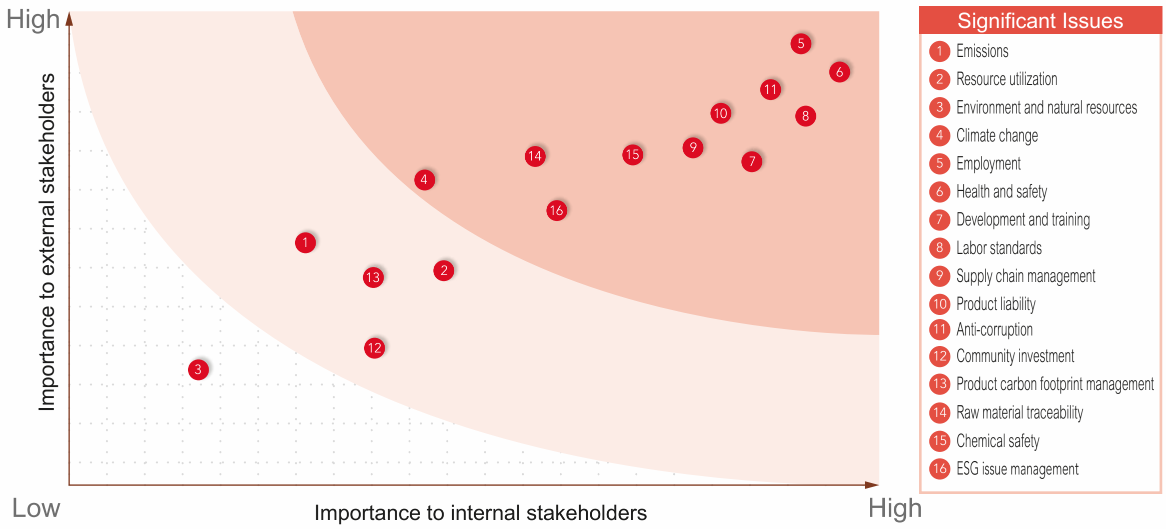
Stakeholder Communication and Identification of Key Issues

The Group's major stakeholders include government and regulatory authorities, shareholders and investors, consumers, distributors and suppliers, communities and the public, media and non-governmental organizations, senior management and employees. The Group, together with a wide range of stakeholders, has been actively developing innovative ESG management practices, continuously improving the mode of stakeholder communication, establishing diversified communication channels, and initiating close cooperation and exchanges with all parties, so as to fully respond to the concerns and demands of all parties on ESG issues of concern. We deeply share and exchange ESG concepts with all parties involved, jointly explore practical ways to enhance ESG management, fully evaluate communication results and feedback, and promote the implementation and integration of ESG management mechanisms in our business operations, so as to steadily strengthen our corporate sustainable development capability.

Communication with Key Stakeholders and Response

Key stakeholders	Communication channel	Issues concerned	Response
Government and regulatory authorities	Policy guidelines Regulatory document Industry meeting On-site inspection Off-site regulation	Energy saving and emission reduction Corporate governance Compliance operation Implementation of policy	Implement regulatory policy Persist in paying tax in accordance with law Accept supervision and assessment Carry out green operations Improve corporate governance system
Shareholders and investors	Information disclosure General meeting Road show Results announcement	Operation strategy Profitability Transparency of information disclosure Environment and social management	Strengthen ESG management Maintain brand value Regularly publish results announcement Promote risk and internal control management
Consumers	Customer service hotline Satisfaction survey Marketing activity Official website	Product quality After-sales service Privacy protection	Establish and improve the quality control and management system Improve service quality Protect consumers' rights and interests Safeguard customer data security
Distributors and suppliers	Regular communication meeting Daily communication and visits Cooperation agreement Strategic negotiation	Fair cooperation Integrity and compliance Mutual development	Formulate a transparent and fair procurement system Enhance environment and social risk awareness and improve environment and social management level Establish a good relationship in business cooperation
Community and general public	Charity activity Volunteer action Community activity	Charity activities Community development Community relations	Regularly conduct volunteer activities Increase external donations Promote professional sports knowledge
Media and non-governmental organizations	Press Release Media platform Site visit	Corporate influence Transparency of information disclosure Ability in public relation	Regularly organize the open day for media Real-time news release Timely and objective information disclosure
Senior management	Management meeting Democratic communication conference Intranet mailbox Corporate activity	Labor standards Health and safety Supply chain management Product quality management	Promote the implementation of the ESG system Improve ESG workflow Promote internal communication Strengthen operational supervision
Employees	Trade union Staff representatives meeting Intranet mailbox Corporate activity	Employee remuneration and benefits Community charity Development and training Safety and protection	Fulfill the role of trade union Enrich employees' life Care about health of employees Establish a learning platform Protect employees' rights and interests

After communicating with various stakeholders, the Group has identified 16 ESG key issues, which cover the disclosure of 4 environmental and 8 social aspects under the *Environmental, Social and Governance Reporting Guidelines* of the Hong Kong Stock Exchange. Based on this, the Group has also identified 4 key issues, namely, carbon footprint management of products, raw material traceability, safety management of chemicals, and governance on ESG issues, taking into account the characteristics of its own business operations and the concerns of its stakeholders. Combining internal and external stakeholder research insights with issue materiality analysis, we present the level of materiality of ESG key issues for the Group through the following materiality matrix:



Matrix of Importance of ESG Issues

II. ENVIRONMENTAL MANAGEMENT

Environmental Management Policy

The Group strictly abides by the *Environmental Protection Law of the People's Republic of China*, *Atmospheric Pollution Prevention Law of the People's Republic of China*, *Water Pollution Prevention and Control Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, *Measures for the Administration of Municipal Solid Waste*, *Energy Conservation Law of the People's Republic of China* and *Renewable Energy Law of the People's Republic of China* and other relevant laws and regulations. The Group firmly fulfills its environmental protection responsibility as an enterprise. We continuously optimize the green operation management system, improve the environmental management system, and implement green measures effectively to promote green innovation, and respond to the impact of climate change proactively. In 2023, the Group did not identify any matters that caused serious pollution or material adverse impact on the environment during production and operation.

Environmental Management System and Measures

The Group has formulated its internal management systems such as *Li Ning Energy Conservation Management Standard*, *Li Ning Energy Conservation Work Guidelines* and *Li Ning Energy Conservation Implementation Rules*, to continuously strengthen the management of emissions and resource utilization, implement management measures related to energy saving and emission reduction, and fully realize the practice of sustainable development.

In 2023, to further strengthen ESG information management, we initiated the construction of an ESG smart management platform, which was launched and put into use in January 2024. Based on this platform, a data, process, supervision, and decision-making mechanism has been established to standardize data management processes, build product carbon footprint tracking capabilities, and promote ESG performance insights and carbon asset optimization. This platform is equipped with a three-layer application architecture, including a data collection layer, a model calculation layer, and an analysis and display layer. Data can be reported and automatically collected through system tools to achieve automation in calculating greenhouse gas related data indicators for Scope 1 and Scope 2. It also enables online collection and calculation of carbon emission data for important materials and key suppliers in Scope 3.

Emission Management

In 2023, the Group continued to strengthen the management of emissions such as waste, waste water and waste gas, and endeavored to minimize the negative impacts of our daily office and operational activities on the environment. We encourage our staff to adopt green travel methods and implement low-carbon logistics strategies to reduce greenhouse gas emissions. We will continue to promote waste separation and have professional third-party organizations to carry out separate collection, storage and transfer of waste, and adopt corresponding measures for treatment, recycling and reuse to ensure compliant treatment of waste.

Appropriate disposal of waste	• Strictly enforce the separation of garbage for disposal, with professional companies responsible for recycling and disposal, and launching regular publicity and education campaigns on garbage separation. • Fully implement paperless office, set up waste paper recycling bins in office areas and recycle single-sided printing paper. • Centralized collection and recycling of carton packaging from warehouses and stores. • Unified collection and separate storage of hazardous waste such as waste toner cartridges and waste fluorescent tubes generated in the offices, which are handed over to a professional third party for recycling and disposal. • Guangxi Li Ning adopts independent packaging for chemical hazardous waste, which is stored in a special warehouse for hazardous chemicals and processed and recycled by a company with professional qualifications.
Adopt low-carbon logistics transportation	• Cooperate with third parties to promote the application of new energy vehicles in logistics and reduce carbon emissions. • Utilize advanced logistics management systems and algorithms to optimize transportation routes and reduce fuel consumption and carbon emissions. • Optimize cargo loading, follow the principle of maximizing the volume of cargo transported, and improve transport efficiency. • Reasonable planning of transportation time and avoidance of peak hours to enhance transport efficiency and reduce carbon emissions. • Electronic signatures have been fully promoted in all directly-managed stores across the country, reducing the use of paper and carbon emissions.
Promote green commuting	• Encourage employees to prioritize public transport for commuting and provide transport subsidies to support environmentally friendly travel. Set up a shuttle bus service at the headquarters to provide employees with convenient commuting options. • Set up electric vehicle charging piles in the headquarters office park to provide convenient charging services for employees who drive environmentally friendly electric vehicles.

Case: Badminton factory waste gases emission management

Badminton factory is committed to creating a green production process by adopting advanced equipment and technology for waste gases emission management. Waste gases generated during the painting process in the painting workshop are adsorbed and settled by a water curtain and led to the top floor by an exhaust pipe, and then discharged after treatment by an activated carbon adsorption device, which effectively reduces atmospheric pollution. In addition, a water spray system for dust treatment has been installed in the factory processing workshop, to further reduce dust emissions effectively. Badminton factory attaches great importance to the management of emissions and regularly organizes and conducts emissions monitoring to ensure that the management of emissions is in compliance with the regulations.

Case: Wastewater disposal management of Guangxi Li Ning

We have actively strengthened our wastewater management to ensure wastewater discharge compliance. For domestic wastewater, Guangxi Li Ning requires all domestic wastewater networks to be treated in septic tanks before being connected to municipal sewage interceptors at sewage treatment stations. For production wastewater, Guangxi Li Ning has set up a special wastewater treatment station for pre-treatment, and recycles part of the wastewater that meets the standard during the treatment process, in order to realize the conservation and recycling of water resources. The remaining wastewater is connected to the municipal sewage interceptor to avoid pollution of the surrounding environment.

Resource Usage Management

The Group has always been committed to the effective management of resources and energy, the implementation of green operational concepts, the active promotion of the application of clean energy, the implementation of diversified energy-saving and consumption reduction initiatives, and the promotion of low-carbon and environmentally-friendly development.

Promote smart office

- Beijing Headquarters Park is equipped with a building automation system, which regularly activates intelligent control of electricity consumption to improve the energy-saving effect of buildings. The service time of air conditioners is strictly controlled by means of temperature inspections every day to adjust the temperature in real time and ensure that the room temperature is controlled at 18℃ in winter and 26℃ in summer. All air conditioners are shut down automatically half an hour before leaving work every day, reducing energy consumption. A temperature-controlled induction awning is installed on the roofs of buildings and venues, which will be automatically opened in case of high temperature, so as to reduce the indoor temperature in time and reduce the energy consumption of air conditioners.
- For Jingmen Park, we have established standards for indoor lighting and switching systems in different areas to minimize the use of electricity. Daily inspections are conducted to ensure that electrical equipment is turned off in a timely manner. In addition, time-controlled switches have been installed for street lights in the peripheral areas of the Park to adjust the control periods according to the seasons, thereby saving electricity consumption.

Promote the use of clean energy

- A 1.16MW photovoltaic power plant with more than 5,000 solar panels was constructed at Beijing Headquarters Park to support the use of clean energy. The solar panels are cleaned annually to ensure optimal efficiency. In 2023, the average monthly generation capacity of the PV power plant in the Beijing Park reached 125,000 kWh.
- In 2023, we entered into a "Green and Low Carbon Partnership" with Beijing Branch of China Merchants Bank Co., Ltd., and received a certificate for 5 million kWh of green electricity issued by the National Renewable Energy Information Management Center (NREMC).
- In 2023, Guangxi Innovative R&D Supply Base planned the first phase of a 3.29MW photovoltaic power generation project, which is scheduled to be completed in 2024.

Strengthen water management	• Publicity signs on water conservation are posted in Beijing Headquarters Park to raise awareness of water conservation. Faucets and valves in pantries, restrooms and other areas are checked on a daily basis. Workers regularly inspect the pipelines, joints, and faucets in the cafeteria and office area tea rooms to prevent water resource waste. • Badminton factory has adopted water recycling for production equipment and has increased water treatment and purification equipment.
Enhance energy consumption management	• Beijing Headquarters Park carried out an energy-saving lighting retrofit in the office area in 2023, replacing a total of 3,210 energy-saving lamps to reduce electricity use and carbon emissions. • Jingmen Park has implemented energy-saving modifications to some of its warehousing areas by adopting energy-saving lighting, which is expected to save 93,000 kWh of electricity per year and effectively reduce energy consumption. • Badminton factory makes analysis of the electricity consumption in the workshop every month and implements energy-saving modifications by replacing the electric heating system with natural gas heating to improve the heating efficiency and reduce energy consumption. • Guangxi Ningzhan Company innovatively modified the steam system to recover the residual heat of steam produced by the small foaming process, using the residual heat to significantly reduce the energy consumption of the bottom of the footwear product paste. • The stores actively promote the use of energy-saving light bulbs and high-efficiency air-conditioning to reduce electricity consumption.
Promote paper saving	• Promote paperless office and digital transformation, set up an e-statements platform in 2023 to realize e-statements for customers and suppliers, and sent a total of 3,500 e-statements for customers and 2,000 e-statements for suppliers, thereby reducing the use of paper by about 45,000 sheets. • Upgraded the iterative invoicing system to realize fully electronic invoicing functions for some wholesale, retail and e-commerce businesses online, reducing the use of paper. 982,000 electronic invoices were issued in 2023, which correspondingly saved the same number of paper invoices. • Implement double-sided printing and set up waste paper recycling bins to recycle discarded paper.
Packaging management	• Actively recycle and reuse cardboard boxes and hand them over to professional companies for 100% recycling. • Some of the original cartons arrived from the factory are used for shipment of customer orders, and an average of 300 cartons per day could be reused. • Continuously use environmentally friendly packaging materials, with the proportion of FSC-certified shoeboxes reaching 30% in 2023, and actively promote the use of environmentally friendly packaging bags made of 100% recycled polyethylene material, with the proportion reaching 90%, which reduce carbon emissions by approximately 1,500 tons compared to native plastic packaging.

Case: Shanghai Jiading Logistics Park enhances energy saving and emission reduction management

Shanghai Jading Logistics Park actively strengthens its energy saving and consumption reduction management and promotes photovoltaic energy renovation projects. It plans to complete the laying of photovoltaic panels covering a volume of 2.5MW by 2024, which will efficiently utilize the idle space on the roof and promote the use of clean energy. Meanwhile, relying on the smart park platform, we have invested in the construction of 9,000 m^2 of automated areas, using robotic arms and robotic automated equipment to enhance the operational efficiency and accuracy of unloading, warehousing, picking, packing, and sorting in and out of warehouses, and we have also proactively constructed a black-light factory, which enables operations to be carried out without lighting conditions, effectively reducing the energy consumption of the warehouses.

Appearance of Shanghai Jading Logistics Park

Robot arm in the Logistics Park

Case: Shenzhen Headquarters fully practices green and low-carbon development

Shenzhen Headquarters is actively involved in sustainable development and has launched a variety of initiatives to promote low-carbon and environmental protection:

- Water conservation: adopt municipal direct water supply systems to reduce water transportation and treatment costs while safeguarding water quality; promote highly efficient water-saving facilities such as induction faucets and water-saving toilets; conduct regular inspections and management to strictly monitor and control the problem of water pipes running, dripping and leaking; and actively launch publicity and education campaigns on water conservation to raise public awareness.
- Garbage collection: a comprehensive garbage classification and reduction management system has been implemented. Dedicated garbage cans have been set up for the collection of food waste, hazardous waste and recyclables respectively, and publicity and education campaigns on garbage classification are conducted.
- Energy management: a comprehensive energy management system has been established, including the adoption of a building automation time-control model and the implementation of a nighttime energy usage inventory; LED lighting retrofit for lighting fixtures to improve energy efficiency; intelligent monitoring and control retrofit to ensure precise energy supply while meeting actual demand through optimized energy algorithms; and replacement of efficient VRV air-conditioning units, which is estimated to result in an annual energy savings of approximately 230,000 kWh.
- Air quality: a high efficiency ventilation system and energy saving stoves have been installed, with regular maintenance to ensure efficient operation; air quality testing instruments are used to monitor the concentration of indoor air pollutants at regular intervals and upgrade the equipment of the fresh air system on the floors; regular exhaust treatment is made in the garage area, with control of vehicular emissions and use of greening disinfecting agents in compliance with environmental protection regulations.
- Yanziling Apartment environmental renovation: In terms of electricity, the shared areas have been converted to a reservation system to reduce energy consumption during the vacancy period, air-conditioning time control switches have been installed, and sensor-activated light tubes are applied to reduce electricity consumption. In terms of water consumption, the water taps have been changed to pressure type to reduce the speed and flow of water, and the frequency of cleaning in the garden area is strictly controlled for water consumption. In terms of garbage classification, we cooperate with the community to carry out garbage classification and educate the customers in the park on garbage classification.

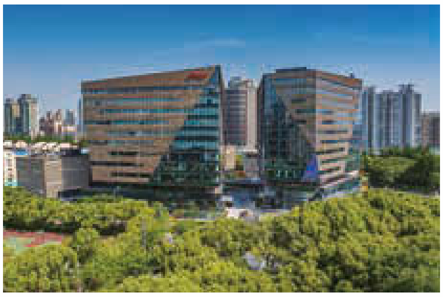
Li Ning Shenzhen Headquarters

Waste classification in Shenzhen Headquarters

LED lightings in Shenzhen Headquarters

Case: Shanghai Li Ning Center – implementing smart office

On 9 June 2023, Shanghai Li Ning Center was officially put into operation. The center, with a building area of approximately 22,000 m^2 and an exterior design of "clouds, sea, mountains and stones", will continue to empower the brand as the Group's business headquarter in the Yangtze River Delta region, and will contribute to its sustainable development. The park is equipped with an intelligent office system, which monitors the internal and external environmental data in real time, and adjusts the duration of outdoor lighting and air-conditioning according to the seasons, thus effectively reducing the consumption of electricity.

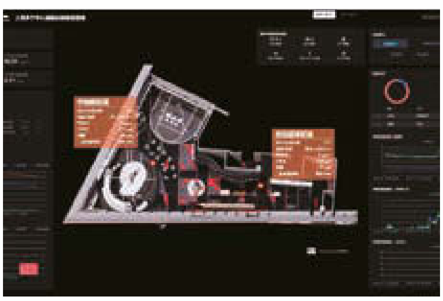


Shanghai Li Ning Center Office Park

Case: Shanghai Li Ning Center Flagship Store – creating a low-carbon smart store

On 1 December 2023, Shanghai Li Ning Center Flagship Store was officially opened. The store has more than 800 m^2 of usable floor area, with a display area for many types of products such as basketball series, running, fitness and sports life, as well as a café area, making it a brand new sports experience center that integrates shopping, sports and leisure.

Shanghai Li Ning Center Flagship Store has deeply integrated the concept of environmental protection in store design and operation. On the one hand, a series of environmentally friendly building materials and technologies are adopted, such as the use of straw boards based on straw, which, while realizing zero formaldehyde and biodegradability, reduces the reliance on increasingly scarce wood resources; and the use of acrylic materials with a high recycling ratio, which further realizes the saving of resources. On the other hand, a series of energy-saving and emission reduction measures have been actively launched for the stores. Firstly, the lighting scheme has been adjusted, with the new scheme reducing the number of lights by 18% compared with the traditional scheme. A real-time energy consumption monitoring and intelligent control system has been set up, covering major equipment such as air-conditioning, lighting, air curtains and advertising screens, with shopkeeper mode (50% air-conditioning on, 60% lights on), business mode (all lights and air-conditioning on) and closing mode (all lights and air-conditioning off), thus realizing intelligent switching and enhancing energy management efficiency.



Carbon data billboard in Shanghai Li Ning Center Flagship Store

Shanghai Li Ning Center Flagship Store

Case: Hong Kong Headquarters won Hong Kong Green Shop Alliance Award

The Group's Hong Kong Headquarters "Harbour East", focuses on green operations and has launched various energy-saving and consumption-reduction initiatives, including a rainwater irrigation system that reduces the use of water resources; daylight sensors that automatically adjust indoor lighting according to the intensity of natural light, which ensures comfort and at the same time achieves an energy-saving effect; and charging facilities for electric vehicles to encourage green mobility. The Hong Kong Headquarters building has been awarded the LEED Platinum Certification (Core & Shell), WELL Building Standard Gold Level Pre-certification (Core & Shell) and BEAM Plus (New Buildings) Platinum Rating, as well as the Hong Kong Green Building Council Green Building Award 2016 Merit Award (New Buildings Category), the 2nd APIGBA Awards Competition Gold Award (Design Category) and other awards. In addition, the Hong Kong headquarters was awarded the the "Hong Kong Green Shop Alliance Award 2023 - Collaborative Project of the Year (Circular Economy)", which is an award that actively seeks to establish best practices for the industry by reviewing and evaluating annual practices in protecting the environment in shopping malls and retail outlets.

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED)
PLATINUM CERTIFICATION (CORE & SHELL)

WELL BUILDING STANDARD (WELL)
GOLD LEVEL PRE-CERTIFICATION
(CORE & SHELL)

BEAM PLUS (NEW BUILDINGS)
PLATINUM RATING

MERIT AWARD 優異獎

HONG KONG GREEN BUILDING COUNCIL GREEN BUILDING AWARD 2016
MERIT AWARD (NEW BUILDINGS CATEGORY)

ASIA PACIFIC INTELLIGENT GREEN BUILDING ALLIANCE (APIGBA)
THE 2ND APIGBA AWARDS COMPETITION
GOLD AWARD (DESIGN CATEGORY)

HONG KONG GREEN SHOP ALLIANCE AWARD 2023
COLLABORATIVE PROJECT OF THE YEAR
(CIRCULAR ECONOMY)

Certifications and awards received by the Hong Kong Headquarters "Harbour East"

Environmental Goals

The Group has set comprehensive environmental goals in reducing greenhouse gas emissions, waste generation and energy consumption and saving water resources, effectively guiding the development of green and low-carbon operations and promoting the implementation of ESG management measures. We reviewed the results and progress of environmental goals management for the year as follows:

Type of target	Content	Progress
Carbon emission	By the end of 2040, Li Ning Center Park will achieve the carbon neutrality.	We have further investigated the potential of carbon emission reduction, and gradually formed specific plans for future carbon emission reduction, which will be implemented in conjunction with the purchase of carbon offset to finally achieve carbon neutrality.
Waste	By the end of 2022, garbage classification was fully promoted throughout the Company. 100% of the waste generated in Li Ning Center Park was treated by other enterprises with professional qualifications.	Garbage classification has been strictly implemented in daily operations, and office waste and kitchen waste have been classified and treated by a third party with professional qualifications.
Energy use	By the end of 2024, 100% of the lamps in Li Ning Center Park will be LED energy- saving. Since 2022, the average annual consumption of purchased power per square meter of floor area in Li Ning Center Park is no more than 66.5 kWH/m^2. In 2022, at least one energy-saving reform project was carried out in Li Ning Center Park.	The energy-saving renovation of the lighting of the venues was completed in 2022, and the energy-saving renovation of the lighting of the workstations and public areas were completed in 2023. The annual average electricity consumption per square meter of building area in the Li Ning Center Park in 2023 was 61.7 kWH/m^2.
Water resources use	Since 2022, the annual average daily water consumption per square meter of gross floor area in the Li Ning Center Park is not higher than 0.62 ton/m^2.	In 2023, the average annual daily water consumption per square meter of floor area in Li Ning Center Park was 0.33 ton/m^2.

2023 Environmental Performance

Unless otherwise stated, the statistical basis of environmental performance herein covered the Group's headquarters and major operating premises of retail subsidiaries in the PRC, including Li Ning Center situated in Beijing, Shanghai Li Ning Center office area, Shenzhen Headquarters office area, Foshan office area and Jingmen Logistics Park as well as each of the retail subsidiaries. We are gradually starting the work of carbon emission sorting and analysis, and will extend the scope of statistic as and when appropriate in the future.

1. EMISSION[1]

Indicator	Performance
Total emission of greenhouse gases (Scope 1, Scope 2 and Scope 3) (ton)[2]	7,385.08
Emission of greenhouse gases per square meter of floor area (Scope 1, Scope 2 and Scope 3) (ton/m²)	0.03
Direct emission (Scope 1) (ton)	1,313.14
Company car oil consumption	4.31
Natural gas	854.77
Refrigerant	454.06
Indirect emission (Scope 2) (ton)	5,973.72
Purchased electricity	5,973.72
Indirect emission (Scope 3) (ton)	98.22
Company bus oil consumption	98.22
Total amount of hazardous waste (ton)[3]	4.99
Weight of hazardous waste per square meter of floor area (ton/m²)	0.000021
Total amount of non-hazardous waste (ton)[4]	826.76
Weight of non-hazardous waste per square meter of floor area (ton/m²)	0.0035

Notes:

1. Due to the nature of the Group's operation, the number of company cars is small, so the emission of nitrogen oxides, sulfur oxides and other exhaust gases is small. The major types of gas emissions are greenhouse gases as well as electricity and fuels converted from fossil fuels.

2. Greenhouse gases included carbon dioxide, methane and nitrous oxide, which were mainly from purchased electricity, fuel and refrigerants. Greenhouse gas emission data is presented in carbon dioxide equivalents and is computed with reference to the *2021 Baseline Emission Factors for Regional Power Grids in China for Emission Reduction Projects* issued by the Ministry of Ecology and Environment of the People's Republic of China and the *2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventory* issued by the Intergovernmental Panel on Climate Change ("IPCC").

3. Types of hazardous waste generated from the Group's operation mainly included waste fluorescent tubes, waste lead-acid batteries and waste ink cartridges, waste toner cartridges and waste toner incurred by the printing equipment in offices, etc. The waste fluorescent tubes and waste lead-acid batteries were disposed of by qualified professional companies, while the waste toner cartridges, waste ink cartridges and waste toner incurred by the printing equipment in offices were replaced and recycled by the respective print service providers.

4. Non-hazardous wastes generated from the Group's operation mainly included office and household waste, kitchen waste, office equipment waste, and electronic consumables waste. Office and household waste, as well as kitchen waste, were centrally processed by the property management firms. Office equipment waste and electronic consumables waste were collected and processed by recyclers. In particular, the office and household waste of the Group's retail subsidiaries in Xinjiang, Shenyang and Foshan office areas were centrally processed by the respective property management firms at the premises where they are located, which cannot be measured separately. However, we have estimated according to the *Coefficient Manual of the First National Census on Pollution Sources for the Pollutant Generation and Discharge from Urban Living* issued by the State Council.

2. ENERGY AND RESOURCES CONSUMPTION

Indicator	Performance
Total energy consumption (MHz)[1]	16,201.35
Energy consumption per square meter of floor area (MHz/m^2)	0.07
Direct energy consumption (MHz)	6,111.13
Gasoline	17.59
Natural gas	4,371.40
Solar energy	1,722.14
Indirect energy consumption (MHz)	10,090.22
Purchased electricity	10,090.22
Daily water consumption (ton)[2]	63,141.50
Daily water consumption per square meter of floor area (ton/m^2)	0.27
Total amount of paper used (ton)[3]	19.60
Total amount of packaging material used for finished products (ton)[4]	25,785.93
Amount of packaging material for finished products consumed per million revenue (ton/million revenue)[5]	0.93

Notes:

1. Energy consumption data, including purchased electricity, solar energy, natural gas and company car oil consumption, is computed according to the relevant conversion factors provided under the *General Rules for Calculation of the Comprehensive Energy Consumption (GB/T2589-2020)*, the national standard of the People's Republic of China.

2. Daily water consumption of the Group includes tap water and reclaimed water, mainly from municipal water supply, and there were no problems found in obtaining applicable water sources. In particular, daily water consumption of the Group's retail subsidiaries in Lanzhou, Xiamen, Hefei, Tianjin, Guangzhou, Chengdu, Hangzhou, Wuhan, Shenyang, Xi'an, Chongqing, Changsha and Jinan were controlled by the premises where they are located and the water charges are included in property management fees. Since water consumption cannot be measured separately, we have estimated the water consumption with reference to the national standard *Standard for Design of Water Supply and Drainage of Buildings (GB50015-2019)* issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China.

3. Copying paper includes both A4 and A3 copying paper.

4. Packaging material mainly includes plastic packaging bags, paper boxes, cartons and paper bags.

5. Amount of packaging material consumed per million revenue represents the weight of packaging material consumed per million income of the Group.

Climate Change Risk Management

The Group continuously keeps an eye on the impact of climate change on its operations and business development. We always comply with relevant policies and regulations, actively respond to the challenges posed by climate change, and capitalize on the opportunities related to climate change, so as to meet the expectations of the capital market and investors on the issue of climate change.

The Board of Directors is ultimately responsible for reviewing and making decisions on climate change risks and strategies, while the ESG Committee under the Board of Directors follows up on the results of the actions taken by the corresponding departments in accordance with the strategies and indicators set to ensure the management and implementation of the climate change risk strategy of the Group, and the ESG executive team is responsible for the implementation of the strategy on the ground. In 2023, we further identified and analyzed the risks related to climate change and formulated a response strategy, and have gradually started carbon emission reduction and carbon neutral planning at the Group level, covering Scope 1, Scope 2 and part of Scope 3 carbon emissions.

				Risk rating		
Risk/opportunity type	Potential impact/opportunity scenarios		Possibility	Influence degree	Grade	Coping strategies
Transition risk						
Changes in national policies, laws and regulations	Short-term (1-3 years)	The Chinese government's increased requirements for listed companies to disclose information on climate risk have resulted in more complete disclosure by listed companies, and the completeness and marketability of operational emissions data have been tested, while upstream and downstream suppliers may not be fully prepared. The Carbon Peak Action Plan requires an annual reduction of 3.6% in unit carbon emissions over the period 2020-2025.	High	Medium	Medium -high	1. Establish an electronic data collection platform for energy and environmental information from suppliers, self-operated factories, logistics centers, and sale stores, continuously analyze emission hotspots in operational processes, establish and promote low-carbon operational standards for each segment, and assist suppliers and sellers in each segment. 2. Establish product lifecycle indicators and product examples from design to disposal. 3. Owned factories and facilities take the lead in promoting renewable energy.
	Medium-term (4-10 years)	The year 2030 is the target year set by the Chinese government for carbon peaking, and companies that do not meet the target may be required to purchase nationally certified credits or carbon taxes to compensate for their failure to meet the target. Although footwear and clothing are not national key emitting industries, they may still be subject to local government administrative restrictions on development. The Carbon Peak Action Plan calls for a 6% reduction in unit carbon emissions per year over the period 2025-2030. Listed companies would need to conduct more detailed verification of information disclosure.	High	Medium	Medium -high	1. Regularly track changes in environmental protection, energy conservation and low-carbon policies and regulatory requirements, including those that have been implemented, those that will be implemented soon and those that are in the discussion stage, identify and analyze regulatory requirements that may have an impact on the production of supply chain factories, and take opportunities for policy subsidies. 2. Promote the implementation of low carbon standards by suppliers and self-operated factories to form a preferential mechanism. 3. Include the proportion of Li Ning's products that are low-carbon compliant in the indicator. 4. The proportion of renewable energy use is included in the indicator of supplier requirements.

Risk/opportunity type	Potential impact/opportunity scenarios		Possibility	Risk rating Influence degree	Grade	Coping strategies
	Long-term (more than 10 years)	The 2060 target year for carbon neutrality set by the Chinese government means that from 2030 onwards, companies will need to progressively find ways to offset emissions from their own operations, which will be extremely difficult for both companies and suppliers as there is not much energy savings and renewable energy left in the early stages.	High	High	High	1. Actively seek cooperation or investment with developers of large-scale carbon reduction projects (e.g. planting trees and making forests, carbon capture, etc.) to ensure a stable supply of carbon credits in the long term. 2. Actively seek cooperation with academic institutions and suppliers to promote the widespread use of innovative raw materials and production and energy technologies.
Foreign policies and laws and regulations	Short-term (1-3 years)	Currently, there is no international mandatory requirement for footwear and textiles to report product carbon emission information and collect carbon tax, but listed companies are required to disclose their carbon emissions, and the carbon footprint of their products has already affected their ratings.	Low	Low	Low	1. Keep an eye on the update of the relevant national and industry systems and standards, and explore the problems encountered to find solutions. 2. Keep track of the compliance status of self-operated and supplier factories, adjust the targets according to their own standards, and disclose them legally.
	Medium-term (4-10 years)	It is expected that some countries or regions will require enterprises to declare their carbon emission data when importing products.	Medium	Low	Medium -low	Keep track of the information of carbon emissions of the products in order to comply with possible carbon disclosure requirements in the future.
	Long-term (more than 10 years)	It is expected that some countries or regions will require enterprises to declare carbon emission data and pay relevant taxes when importing products.	High	High	High	We will continue to pay attention to the update of relevant national and industry standards, explore the problems encountered, and seek solutions in accordance with the market and our own conditions.
Changes in operating costs	Short-term (1-3 years)	In response to climate change, the international community is advocating a reduction in the use of coal and petroleum fuels. While new energy technologies are not yet fully matured and popularized, the cost of natural gas will continue to rise due to demand, coupled with the national policy of discouraging the distributed use of biomass, it is estimated that factories requiring large amounts of heat energy will be hit.	High	Medium	Medium-high	1. Promote electrification and waste heat recovery to enhance production heat efficiency and reduce direct use of Scope 1 fuels. 2. Promote renewable energy, including solar photovoltaic and hot water, to effectively reduce reliance on fossil fuels. 3. By introducing product production emission estimation and raw material carbon emission life cycle analysis at the product design time, the production process and product design are optimized, and the use of low-carbon innovative materials is introduced.

Risk/opportunity type	Potential impact/opportunity scenarios		Risk rating			Coping strategies
			Possibility	Influence degree	Grade	
	Medium-term (4-10 years)	Energy storage technologies, battery recycling, and charging facility standards are expected to grow even further over the next decade as EVs further expand their use and costs are further reduced. In addition, the application and promotion of green technologies related to textile and footwear manufacturing, such as automation, 3D printing and low-temperature materials further popularized in the footwear industry, and technological innovations in raw materials and auxiliaries, will pose new challenges and opportunities for reform in future supply chain production.	Medium	Medium	Medium	1. Promote the use of energy storage facilities by owned facilities and suppliers to solve the problem of emergency power outages and to take advantage of staggered price differentials. 2. In conjunction with the changes in carbon emission data in the supply chain and the implementation of the Group's carbon reduction targets, the Group will pay attention to the dynamics of the application of green technologies in the textile industry, and in conjunction with the needs of the Group's operational development and the achievement of its targets, the Group will gradually advocate and implement mature and feasible green technologies in the supply chain. 3. Promote and establish internal management and product-related carbon emission indicators and targets, and promote performance management.
	Long-term (more than 10 years)	The cost of renewable energy will be further reduced due to technological advancement and popularization, with green hydrogen and green electricity becoming the mainstream.	Medium	Medium	Medium	Taking into account the changes in carbon emission data in the supply chain and the implementation of the Group's carbon reduction targets, the Group will pay attention to the dynamics of the application of green technologies in the textile industry, and gradually advocate and implement mature and feasible green technologies in the supply chain in light of the needs of the Group's operational development and the achievement of its targets.
Supply of raw materials	Short-term (1-3 years)	Due to the occurrence of extreme weather and changes in climate in some areas, the quality and cost of raw materials used in products may occasionally be affected in localized areas, resulting in short-term shortages and cost increases.	Medium	Medium	Medium	Pay attention to the climatic conditions in the places of origin of raw materials and price fluctuations in the raw materials market. If the quality of raw materials is affected or the price increase is relatively large, we will replace the suppliers of raw materials in a timely manner or develop and use other types of substitutes.
	Medium-term (4-10 years)	The quality and cost of raw materials may be affected more frequently over a wider geographical area, resulting in more persistent shortages and cost increases.	High	Medium	Medium -high	1. Reduce the use of materials by design, promote material recycling and safeguard the supply of raw materials. 2. Apply statistics and big data to enhance the material and order system's estimation of market demand, optimize the efficiency of material supply logistics, and enhance its resilience.
	Long-term (more than 10 years)	Some raw material areas may become permanently unavailable due to climate change.	Medium	High	Medium -high	Pay attention to the climate conditions of the origin of raw materials, and develop and use other types of substitutes. Seek to establish longer-term partnerships with other suppliers for materials with strategic needs.

Risk/opportunity type	Potential impact/opportunity scenarios		Possibility	Risk rating Influence degree	Grade	Coping strategies
Changes in consumption concept and demand in the end consumer market	Short-term (1-3 years)	As consumers become more concerned about climate change and their awareness of environmental protection and low-carbon issues increases, it will have an impact on their consumer demand, behavior and habits, and competing brands are eager to launch low-carbon and environmentally friendly products.	Low	Medium	Medium -low	Pay attention to the changes in consumer demand and the potential business opportunities of new products, start from the changing trends of consumption habits and consumer behaviors, integrate the green concept into the design, manufacturing, packaging and transportation process of products, and promote and publicize them on the product side, so as to meet the consumer demand of the terminal consumer market for the green concept of products and explore market opportunities for green products.
	Medium-term (4-10 years)	Demand for sporting goods that can provide high degree of comfort in hot weather will increase due to rising temperatures. The volume and seasonal sales of fall and winter clothing products will be impacted.	Medium	Medium	Medium	Pay attention to the changes in consumer demand and the potential business opportunities of new products, start from the changing trends of consumption habits and consumer behaviors, introduce new materials or textile technology, integrate them into the design, manufacturing, packaging and transportation process of products, and promote and publicize them on the product side to meet the consumer demand of the end consumer market for the green concept of products, and adjust seasonal product pairing, optimize seasonal product input and income and create brand advantages through differentiation.
	Long-term (more than 10 years)	Rising temperatures will have a serious impact on outdoor activities, which may shift to indoor and home-based activities, and the market for sporting goods designed for outdoor environments may be impacted.	High	High	High	Pay attention to the changing trends of consumers' consumption needs, consumption habits and consumption behaviors, and the development of indoor and home sports activities (such as video games), and actively develop products that can meet the consumption needs of the end consumer market for indoor and home sports activities, and make good arrangements to win the market.
Competitive changes in brands	Short-term (1-3 years)	As product carbon footprints are part of the ESG scoring items in some foreign countries, it is expected that many domestic and foreign counterparts will gradually develop products with product carbon footprint certification, and at the same time, there will be an increasing demand for information from the supply chain, as well as joining the SBTi with the goal of reducing carbon emissions by 4.5% per annum by 2030.	High	Medium	Medium -high	We are actively considering joining the SBTi to promote the establishment and optimization of the Company's supplier, material, design and order systems, and the establishment of a product carbon emission index for management.
	Medium-term (4-10 years)	To achieve the SBTi, with a target of reducing carbon emissions by 4.5% per annum by 2030, peers are expected to invest more in renewable energy or purchase carbon-related assets such as green power certificates.	High	Medium	Medium -high	Key suppliers are required to increase the proportion of renewable energy inputs, and at the same time formulate and improve procurement policies and strategies to achieve low-carbon design, low-carbon raw materials and low-carbon production.
	Long-term (more than 10 years)	Rising temperatures will have a serious impact on outdoor activities, and the market for sports equipment designed for outdoor environments may be impacted by a possible shift in sports activities to indoor and home-based activities.	High	Medium	Medium -high	Focusing on trends in consumer demand, consumption habits and behavior, and the development of indoor and home sports activities (e.g., video games), we will actively meet the consumer demands for indoor and home sports activities in the end consumer market.

Risk/opportunity type	Potential impact/opportunity scenarios		Possibility	Risk rating Influence degree	Grade	Coping strategies
Physical risk						
Increase in extreme weather events/Harsh working environment	Short-term (1-3 years)	Rising water prices, hot days and power outages due to increased peak usage will continue to increase production costs; rising temperatures have caused distribution room cable temperatures to exceed 68 degrees for three hours.	Medium	Medium	Medium	We will continue to encourage our own facilities and suppliers to optimize the management of electricity consumption in their plants, and to promote water conservation and water recycling projects as an adaptation measure.
	Medium-term (4-10 years)	According to the current situation, the rise in temperature has already led to an increase in the subsidy for high-temperature work in some regions. Combined with the trend that young people in the labor market are reluctant to enter traditional industries because of the working environment, the recruitment difficulties and the turnover rate will increase as a result.	High	Medium	Medium -high	Continuously promote the optimization of factory ventilation and cooling by our own facilities and suppliers to improve the working environment.
	Long-term (more than 10 years)	Rising temperatures will have a serious impact on production activities, resulting in a severe loss of labor.	Medium	High	Medium -high	Pay attention to the application dynamics of automation technology, and to promote and implement mature and feasible automation technology.
Increased damage to self-owned facilities due to extreme weather events – typhoons and floods	Short-term (1-3 years)	Self-owned facilities are stricken by red level rainfall of 100mm above within 3 hours every year, with water accumulation of 1 meter above, causing damage to goods and equipments; and storm level with wind speed of 28.5m/s above, destroying houses and blowing away temporary buildings.	Medium	Medium	Medium	In view of all the potential flooding and for the coastal area's own facilities (drains less than 30 years old), establish an advance warning mechanism to arrange for water barriers, sandbags, and temporary off-ground stacking space for goods; replace or strengthen temporary building wind protection levels as soon as possible, including solar equipment that must be insured and approved by a professional structural engineer, and roofs that need to be inspected and maintained on an annual basis.
	Medium-term (4-10 years)	Self-owned facilities are stricken by red level rainfall of 100mm above within 3 hours every year, with water accumulation of 1 meter above, causing damage to goods and equipments; and storm level with wind speed of 28.5m/s above, destroying houses and blowing away temporary buildings.	High	Medium	Medium -high	
	Long-term (more than 10 years)	Self-owned facilities are stricken by red level rainfall of 100mm above within 3 hours every year, with water accumulation of 1 meter above, causing damage to goods and equipments; and storm level with wind speed of 28.5m/s above, destroying houses and blowing away temporary buildings.	Medium	High	Medium -high	Enhance the drainage capacity of upgraded buildings while ensuring that warehouse machinery and racking are designed to avoid flooding, that new facilities need to be raised if they are in risk areas, and that climate insurance is properly considered for the annual rainy season.

Note: "Possibility" refers to the possible frequency of predicted events during the evaluation period. "High" means that the predicted event will last and be irreversible during the period; "Medium" means that the predicted event will repeat during the period; "Low" means that the predicted event will repeat or may not occur during the period.

"Influence degree" refers to the economic impact brought by predicted events when they occur during the evaluation period. "High" means that the predicted event will directly affect the enterprise's operational stability and significantly affect its market share in the industry; "Medium" means that the predicted event will affect the enterprise's profitability and investors' decisions; "Low" means that the predicted event will have less impact on the enterprise's profitability and return on investment.

"Grade" refers to the product of possibility and influence degree, which is divided into five grades: high, medium-high, medium, medium-low, and low. Risk priority and resource allocation are subject to risk grade.

III. EMPLOYMENT MANAGEMENT

The Group strictly complies with relevant laws and regulations such as the *Labor Law of the People's Republic of China*, the *Law of the People's Republic of China on Labor Contracts*, the *Law of the People's Republic of China on Employment Promotion* and the *Law of the People's Republic of China on Social Insurance*, and has formulated the *Staff Handbook* and other relevant systems to safeguard the lawful rights and interests of the employees in various aspects such as recruitment, promotion, termination, remuneration, benefits and welfare, equality, diversity and anti-discrimination. The Company has further revised and improved the *Staff Handbook* and other internal policies, and completed the updating and optimization of the protection of personal information in 2023, so as to ensure the legality and compliance of employee management. We have actively built a fair and inclusive working environment to ensure fairness and diversity in employment management; optimized the remuneration and benefit system to safeguard the legitimate rights and interests of our employees; enhanced our efforts in the cultivation and development of talents to provide strong talent support for the high-quality development of our business; and organized diversified employee care activities to create a harmonious and united working atmosphere and to promote the mutual growth and win-win development of the Company and its employees. At the end of the reporting period, the Group had a total of 4,845 employees, of which 4,662 were employed by the Group's head office and retail subsidiaries (including the innovative R&D supply base in Guangxi), and 183 by other subsidiaries. In 2023, the Group continued to improve the construction of its human resources management system, and endeavored to create a good employer image, and was awarded a series of employer branding-related honors.

Honor	Awarding Body
King's Boat – Favorite Talent Employer	BOSS Zhipin (zhipin.com)
Top 50 Employers of the Year in Beijing	Zhilianzhaopin (zhaopin.com)
The Favorite Employer of the Year	Shixiseng (shixiseng.com)
Outstanding Award in Human Resource Management	Qianchengwuyou (51job.com)
Top 50 Employers for University Students	58Tongcheng (58.com)
Outstanding Practice Award for Campus Recruitment	Yonyou Dayee
AICPA & CIMA Certified Partner Employer	AICPA & CIMA

Lawful Employment to Safeguard Rights and Interests

In order to build an equal, diversified and harmonious talent team, the Group adheres to the principles of "openness, equality, competition and merit-based" in carrying out employment management. We have formulated comprehensive and reasonable management regulations, make decisions on appointment, promotion or termination of employment, and protect the rights and interests of employees, with an orderly employment management mechanism established.

The Group's recruitment channels cover online channels, internal referrals, headhunter/RPO recruitment and other types of channels. We adhere to the principle of "openness, transparency, fairness and equity" and have formulated the *Recruitment Practice Manual* to guide the actual recruitment work. We are committed to the provision of equal employment opportunities and firmly prohibit discrimination on the basis of gender, ethnicity, race, age and nationality. For employees who have seriously violated laws and regulations or the Company's rules and systems, or whose personal abilities do not meet the requirements of their positions, we will uphold the principles of fairness, impartiality, and reasonableness, and will communicate with and confirm with the employees based on a full investigation of the implementation of the situation, and will carry out the relevant termination work in accordance with the law.

The Group is committed to promoting anti-discrimination and equal opportunities in all human resources and employment decisions, fostering a fair, mutually respectful and diverse work environment, encouraging employees to report any incidents involving discrimination to the Company, conducting thorough investigations into such incidents and taking necessary management actions.

We strictly comply with national and local laws and regulations regarding the age of employment, and clearly emphasize in the *Staff Handbook* that recruits must be of the age required by law. At the same time, in order to ensure that our recruiters fully understand and comply with the requirements of the relevant rules and regulations, we have arranged for all human resources related personnel to participate in specialized anti-forced labor training, and to seriously learn and master the relevant contents. We strictly enforce identity verification in the recruitment process and require applicants to provide valid identity documents before confirming employment to eliminate child labor. We clearly describe job duties to employees during recruitment, sign labor contracts with employees in accordance with legal requirements, protect employees' legal rights and interests regarding working hours and leave, and strictly eliminate forced labor. In the event of child labor or forced labor, we will conduct timely investigations and take measures such as communicating with the guardians of child laborers and understanding the work wishes of the employees who are subjected to forced labor, etc. Based on the investigation results, we will take measures such as adjusting the work, terminating the employment, and pursuing responsibilities, etc. In 2023, the Group did not find any cases of child labor or forced labor.

Adhering to the concept of open communication and the principles of open channels, transparent methods and smooth processes, the Group has continued to improve the employee feedback communication mechanism by providing employees with designated, formal and open channels of communication, and actively listening to their views and suggestions through various means of communication such as labor unions, suggestion boxes and face-to-face exchanges, and by opening up the employee feedback mechanism. At the same time, the Company has set up a specialized commercial insurance survey to collect employees' views and suggestions on the Company's policies, processes and environment through regular questionnaire surveys. Regular employee meetings, team building activities and training courses are also held to provide an open communication platform to promote effective exchanges among employees and between employees and the management.

The Group has rationalized its promotion rules and channels, giving priority to suitable employees who meet the job requirements and have outstanding performance in selection and promotion. At the same time, we have opened up internal recruitment competitions to provide equal opportunities and fair treatment to all employees. In order to promote the continuous growth of employees with different qualities and to give full play to each individual's strengths, we have set up a dual channel of management and professional sequence, so that employees can choose the direction of development and promotion channel that suits them according to their personal development wishes. In addition, in order to more effectively promote the development of store staff, mobilize the initiative of store staff, we set up a sales consultant, foreman, store manager, treasurer and other positions, to provide staff with multiple positions in the store development.

Employee Employment[1]

Indicator		As of 31 December 2023
By gender	Male employees (person)	1,447
	Female employees (person)	1,658
By employee type	Full-time employees (person)	3,105
	Part-time employees (person)	0
By age	Employees under 30 years old (person)	770
	Employees aged 30 (inclusive) to 50 (exclusive) (person)	2,271
	Employees aged 50 (inclusive) or above (person)	64
By region	Employees in China (person)	2,979
	Employees in Hong Kong, Macau and Taiwan (person)	120
	Overseas employees (person)	6

Employee Turnover Rate[2]

Indicator		As of 31 December 2023
Employee turnover rate (%)		15.80
By gender	Male employees turnover rate (%)	15.18
	Female employees turnover rate (%)	16.35
By age	Turnover rate of employees under 30 years old (%)	34.04
	Turnover rate of employees aged 30 (inclusive) to 50 (exclusive) (%)	10.02
	Turnover rate of employees over 50 years old (inclusive) (%)	1.61
By region	Employee turnover rate in China (%)	14.76
	Employee turnover rate in Hong Kong, Macau and Taiwan (%)	53.01
	Overseas employee turnover rate (%)	0

1 The statistical coverage includes the headquarters and retail subsidiaries, and excludes the innovative R&D supply base in Guangxi.

2 The statistical coverage includes the headquarters and retail subsidiaries, and excludes the innovative R&D supply base in Guangxi.

Creating Harmony through Humanistic Spirit

The Group has continued to strengthen the protection of staff remuneration and benefits. The Company has set up a remuneration and welfare management department to monitor changes in relevant regulations in real-time, continuously optimize the staff remuneration management system, formulate remuneration strategies that match market competitiveness, and regularly adjust remuneration policies and structures to attract, motivate and retain outstanding talents. The Group conducts performance appraisals on a regular basis to scientifically assess the performance of its employees. The Group continues to improve its incentive mechanism to stimulate the motivation and initiative of its employees by means of sales bonuses, sales commissions, annual bonuses, share options and share incentives, etc.

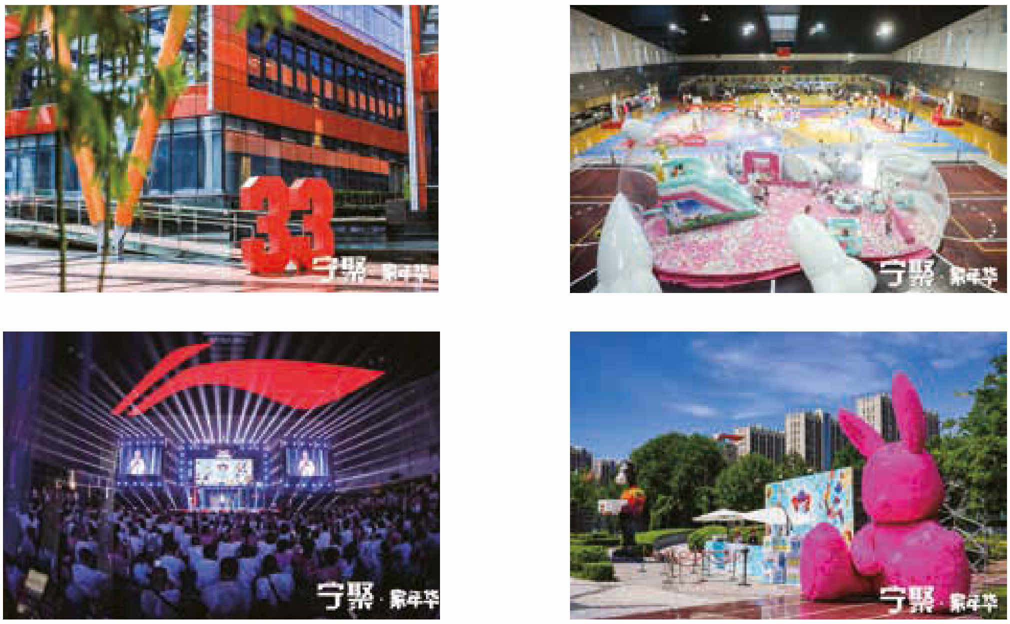
As a responsible enterprise, we are always committed to building a healthy and sustainable welfare system and realizing the continuous innovation of the care system. The Company has adopted a flexible welfare system to create a diversified flexible welfare platform, and follows a differentiated welfare strategy to meet the individualized needs of employees and enhance their happiness and satisfaction. We pay social insurance and housing provident fund for our employees according to the laws, and on the basis of the relevant regulations of the national and local governments, we provide additional benefits such as supplemental medical insurance, as well as catering and transportation allowance, communication allowance, cloth purchase fees, expatriate allowance, the Spring Festival and holiday benefits, wedding and childbirth gratuities, and funeral allowance, etc. For our senior employees, we provide them with age commemorative items and organize farewell ceremonies for our retired employees.

The Group is committed to assisting its employees in balancing their work and life by formulating the *Employee Attendance and Leave Management System*, adopting scientific and appropriate attendance management measures, making reasonable arrangements for the working hours of its employees, and adequately safeguarding the rest and leave rights of its employees. In case of any work demand exceeding the statutory working hours, we will compensate the employees by arranging for a transfer of time off or payment of overtime wages. Employees are entitled to various types of leave in accordance with the law, such as statutory holidays, annual leave, marriage leave, prenatal examination leave, maternity leave, breastfeeding leave, paternity leave, sick leave, bereavement leave, overseas family visit leave, parental leave, nursing leave, and personal leave.

The Group continues to optimize and innovate in caring for the children of its employees. Take the family child protection program as an example, we have set up Li Ning Oriental Cambridge Kindergarten in our working parks, which provides top-notch teachers to help "Li Ning Second Generation" achieve all-round development in terms of ethics, intellect, physicality, aesthetics and labor, while facilitating the pick-up and drop-off of children by the employees. In addition, the Company has set up an "Employee Home Care Center" to provide free care for employees' children during summer and winter vacations or in extreme weather conditions to ensure that employees can work with peace of mind. We are eager to help employees in difficulty, and actively create a warm, harmonious, united and upward corporate atmosphere, and constantly strengthen the team's centripetal force.

➢ Celebration Activity

The Group organizes an annual celebration activity to which all employees and their families are cordially invited. The celebration activities include garden parties, creative games, evening parties, etc., and a special area for children's activities, which create a relaxing and enjoyable atmosphere, convey positive energy and corporate culture to employees and their families, and enhance the sense of belonging and cohesion of the employees. In 2023, a total of 1,805 people from the headquarters and bases across the country participated in this year's "Ningju – Family Carnival (寧聚·家年華)".



Scenes of "Ningju – Family Carnival " celebration activities

Festive activities

The Group actively organizes and carries out diversified festive activities to convey festive blessings to its employees and fully demonstrate its humanistic care:

– During the Lantern Festival, we organized festive activities such as riddle-guessing, DIY lanterns, ring-pulling, wrapping lanterns, and sending blessings to strengthen the team's centripetal force.

– During the Arbor Day, a parent-child tree-planting activity, "Big Hands with Small Hands, I Plant a Tree for Low Carbon", was organized to advocate environmental protection and low-carbon awareness of caring for the earth.

– On National Day and Mid-Autumn Festival, we provided staff with special meals for the festivals and organized DIY activities for iced mooncakes and ancient lanterns to share the sweetness and warmth of the festivals.

– During Christmas and New Year's Day, we organized activities such as reunions, dinners and tea breaks to help our employees look back on their harvests and look forward to the New Year.

New Year and Christmas celebration activities

Help employees in need

The Group has continued to promote the implementation of the work of helping employees in need by setting up a trade union committee and establishing a mutual assistance fund to help employees who have difficulties in their living due to accidents or major illnesses, thus alleviating the burden of the employees to a certain extent. In the 2023 Spring Festival, we organized a sympathy activity to send warm consolation subsidies to employees in need in the New Year, demonstrating the humanity of our enterprise.

Female employee wellness program

In order to enhance the self-care ability of female employees and popularize health knowledge, the Group organizes a seminar on women's health knowledge every year on the 8th of March and invites renowned health experts to give on-site lectures in order to escort the health of the Company's female employees. This year, we also invited skin beauty experts to conduct scientific skin examination and management for female employees and provide skin care products to help solve female employees' skin health problems.

Safety Security and Health

The Group strictly complies with the *Labor Contract Law of the People's Republic of China*, the *Production Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and the *Fire Protection Law of the People's Republic of China*, and continues to optimize its employee health management system, strengthen the safety management of its offices, and endeavor to create a safe and comfortable workplace, in order to provide a comprehensive safeguard for the health and safety of its employees.

Care for Staff Health

We attach great importance to the physical and mental health of our employees, and we have launched a variety of management initiatives to create a comfortable and safe working environment and to safeguard the occupational health and safety of our employees.

➢ Health protection

The Group provides each employee with different types of induction and annual medical check-ups according to the needs of the position in order to reduce the risk of occupational diseases. The Group also organizes health knowledge seminars from time to time and informs the employees by email to encourage their active participation, which serves as a reminder and warning to the employees on the prevention of occupational diseases. We have in place a health consultation room in Beijing Headquarter Park, which provides basic medication for disease prevention on a daily basis, providing basic protection for the health of employees.

➢ Physical exercise

In order to enrich the spare time life of our employees and enhance their physical fitness, the Group has set up sports clubs for table tennis, badminton, tennis, soccer, swimming and running, etc. In conjunction with the club activities and program arrangements, the Group provides professional sports courses for our employees to enroll and learn. The park is equipped with a full range of exercise facilities such as badminton courts, basketball courts, tennis courts, swimming pools, soccer fields, yoga studios, gyms, etc., to meet the needs of employees for various types of sports, providing perfect conditions for employees to strengthen their physical fitness and help them relax physically and mentally and maintain a positive state of mind. The clubs carry out regular activities and actively participate in and organize various friendly competitions such as badminton, tennis, swimming, etc. In 2023, the Company's tennis club participated in the "Boda Cup" Beijing Economic Development Zone 2nd Staff Tennis Tournament and achieved excellent results such as winning the youth group championship.

The 2nd Staff Tennis Tournament in Beijing Economic Development Zone

Badminton Club activities

- ### Healthy diet

  The Group has set up Chinese and Western restaurants to strictly safeguard the hygiene of the restaurants and the quality of food ingredients for its employees, to fully ensure food safety, and has established a scientific dietary system for its employees to provide them with healthy and nutritious dietary choices.

- ### Supplementary medical insurance

  We provide comprehensive commercial insurance for our employees, including supplemental medical insurance, personal accident insurance and critical illness insurance, etc. to realize comprehensive protection for their health. Commercial insurance reduces employees' medical expenses and provides financial support in the event of unexpected accidents and major illnesses, effectively alleviating their personal burden. At the same time, in order to address the concerns of employees, we cooperate with insurance companies to provide supplementary medical insurance services for employees' families to supplement the inadequacy of social security reimbursement and provide effective protection for employees and their families.

- ### Popularization of health knowledge

  In order to raise employees' awareness of self-care, we organize regular health seminars to raise awareness of occupational diseases and the prevention and treatment of common diseases. Every year, we invite famous health experts to give lectures on women's health on Women's Day to protect the health of female workers. At Guangxi Li Ning and Guangxi Ningtai, we conduct occupational health and safety training and position training for new employees to learn about the hazards of occupational diseases and preventive measures.

Strict Observance of Fire Safety

The Group attaches great importance to fire safety and continues to strengthen its fire safety management and practices. We have formulated and implemented a series of regulations and emergency plans, such as the *Emergency Evacuation Plan of Li Ning Center*, *Fire and Electricity Safety Management System*, *Fire Patrol and Inspection System* and *Safety Evacuation Management System*, in order to strengthen fire safety standards and establish a comprehensive fire safety emergency response mechanism. Meanwhile, we have been actively raising the fire safety awareness of our staff, and have continued to carry out training on fire fighting facilities, fire fighting emergency drills and publicity activities on fire safety knowledge in our office premises.

At our Beijing Headquarter Park, we have set up a micro fire station, which conducts monthly drills on the use of firefighting equipment, demonstrates the donning of firefighting suits and the operation of fire hydrants, and conducts regular firefighting knowledge training for new employees, property management staff and kitchen staff, so as to practically enhance the firefighting safety awareness and emergency response capability of our staff. Jingmen Logistics Park regularly maintains and inspects fire-fighting equipment, conducts quarterly emergency fire evacuation drills, and annually tests the condition of building fire fighting facilities and conducts a large-scale all-staff fire fighting drill to strengthen fire safety awareness and help employees improve their self-rescue, escape, and mutual-rescue abilities. Li Ning Group Guangxi Ningzhan Company organizes fire safety training for its staff and holds fire safety drills and knowledge competitions from time to time to popularize fire safety knowledge and enhance risk prevention awareness.

Guangxi Ningzhan Company held fire safety drill and knowledge competition

Occupational Health and Safety[3]

Indicator	Data
Number of work-related deaths	0
– Number of work-related deaths in 2021 (person)	0
– Number of work-related deaths in 2022 (person)	0
– Number of work-related deaths in 2023 (person)	0
Proportion of work-related deaths	0
– Proportion of work-related deaths in 2021 (%)	0
– Proportion of work-related deaths in 2022 (%)	0
– Proportion of work-related deaths in 2023 (%)	0
Loss of working time (day) due to work-related injuries	12

3 The statistical coverage includes the headquarters and retail subsidiaries, and excludes the innovative R&D supply base in Guangxi.

Talent Training and Value Creation

The Group adheres to the concept of talent-oriented development and continues to strengthen its efforts in the cultivation and development of talents. In order to build a high-level professional talent team, we have continuously optimized our staff development mechanism and strengthened staff training to provide our staff with rich and diversified learning opportunities to enhance their professional qualities and comprehensive abilities. The Group adheres to the following basic principles in the implementation of staff training:

Basic Principles of Li Ning in Employee Training

In conjunction with the basic principles of training, the Group has formulated the "721 rule" (i.e. 70% learn from experience, 20% learn from others and 10% learn from formal training) for talent cultivation, and has continued to intensify its efforts in talent cultivation. In order to help our employees continuously enhance their professional competence and cope with the increasingly complex market competition, we have perfected various training systems and provided diversified training support and learning opportunities for our employees according to their different functions and job requirements:

- **New employee training:** New Employee Induction Training adopts online and offline hybrid teaching mode to build an all-round and three-dimensional newcomer cultivation to provide comprehensive training for new employees, helping them quickly learn the Company system, management and *Staff Handbook* behavioral regulations and other related contents. In addition, we have formulated store and non-store training programs for new employees, relying on actual workplace scenarios and linking business knowledge to help newcomers quickly grasp the logic of the business, to meet the growth needs of new employees in different workplace scenarios. In 2023, the training achieved 100% coverage of new employees across the Company.

- **Business training**: We have launched business thematic training such as thematic workshops, WGSN sharing, and Boundless in All Aspects (萬相無界), as well as professional position competency training to enhance the competency of employees in relevant professional positions through the cultivation of internal lecturers and the introduction of external resources.

- **Training for management trainees**: We have set up a stage-by-stage training covering the whole development cycle of management trainees, and configuring a dual-mentor system and an independent operation mechanism to escort the growth of management trainees.

- **Core value training**: Through the combination of online and offline forms, we have launched core value training for all staff, exploring the close integration of cultural values with our own business, and vigorously promoting the application and practice of values.

- **Leadership training**: We have established a sound management training system covering multiple levels, including new management, various on-the-job management and senior management training. Among them, new management training focuses on "management transformation" and customizes training programs based on management scenarios; various types of on-the-job management training focuses on practical experience in specific management issues; and senior management training focuses on innovation, strategy, and business, and promotes competency upgrading through external inputs and internal co-innovation.

Case: 2023 Skills Competition of Li Ning Center Laboratory

Under the guidance of the Group's core values, in order to fully develop the spirit of dedication and teamwork among the laboratory technicians, the Company organized the 2023 Skills Competition of Li Ning Quality Center Laboratory to help the employees better perform their positions and promote the enhancement of work skills and efficiency.

Staff Training in 2023[4]

Indicator		Percentage of training (%)	Average training time (hour)
By gender	Male employees	100	13.9
	Female employees	100	17.7
By type	Management employees	100	21.1
	Non-management employees	100	14.6

4 The statistical coverage includes the headquarters and retail subsidiaries, and excludes the innovative R&D supply base in Guangxi.

IV. *WIN-WIN MANAGEMENT*

The Group has always focused on improving supply chain management and strengthening the construction of a socially responsible supply chain management system by formulating the *Supplier Management Policy*, *Guidelines on Socially Responsible Behavior of Suppliers*, *Specifications on the List of Restricted Substances in the Production Process*, *Supplier Social Responsibility Management Manual*, *Guidelines on the Execution of Social Responsibility by Suppliers*, *Management Commitment on Anti-forced Labor*, *Internal Risk Management Procedure for Anti-forced Labor in Supply Chain of Li Ning Company Limited*, *Productive Supplier Management System of Li Ning Company Limited* and other internal systems and procedures to continuously improve supplier management standards.

In 2023, based on the concept of sustainable development, the Group upgraded and optimized its supplier management system, promoted the digitization of the supplier management process, and strengthened the key aspects of the introduction, evaluation, optimization and elimination of suppliers. In addition, the Group improved the management mechanism of suppliers' social responsibility, continuously enhanced the management of environmental and social risks of suppliers, constructed green supply chains and products, and promoted communication and exchanges among industry partners, so as to promote the long-term development of a sustainable supply chain together. As at the end of the reporting period, the Group had 193 suppliers.

Number and Distribution of Suppliers

Indicator	As of 31 December 2023
Number of suppliers in Mainland China	193
Number of suppliers in overseas, Hong Kong, Macao and Taiwan Region	0
Number of primary suppliers[5]	151
Number of secondary suppliers[6]	42

Introduction of Suppliers

In terms of standards for supplier introduction, relevant requirements have been refined and updated during the year, and the process of reviewing the introduction of new suppliers has been strengthened, with requirements for explaining the reasons for and advantages of the introduction to ensure product delivery deadlines and quality, etc., so as to fully ensure that the introduction process is reasonable and in compliance with the regulations.

In terms of supplier introduction review, the department of demand initiates the supplier cooperation application through the supply chain system, and all relevant departments cooperate to carry out the document audit and on-the-spot audit of the target supplier, and upload the audit opinions to the supplier management system. After that the Supplier Management Department will judge whether the target supplier meets the introduction requirements according to the opinions. For those qualified target suppliers, the introduction evaluation results must be approved by the senior management leaders, and finally approved by the CEO so as to complete the introduction process.

5 Primary suppliers include finished goods factories, semi-finished goods factories and process factories. The finished goods factory is the finished goods production factory, the semi-finished goods factory is the production factory of the more independent components that make up the finished goods that can be sold, and the process factory is the processing and handling factory of the materials.

6 Secondary suppliers are material factories. The material factory is the factory that processes the materials needed to form finished or semi-finished products.

In terms of supplier introduction assessment, the Group conducts assessment through document evaluation, on-site visits, staff interviews and management interviews, etc. On the basis of reference to the Group's own standards, the Group fully combines GB/T 36000-2015[7], ISO 26000, OECD standards[8], ILO[9] guidelines, SA8000[10], ETI[11] standards, Disney ILS[12], Intertek WCA[13], Sedex[14], SMETA[15], BSCI[16], SLCP[17], RBA[18], IETP[19] and other national laws and regulations as well as international standards to ensure the objectivity and fairness of the assessment criteria. In addition to production factory suppliers' basic information such as qualifications, scale requirements, quality system and production technology and other basic information, we will also conduct social compliance audits from the aspects of labor, occupational health, fire protection, chemical management, environmental protection and other aspects. If zero tolerance items such as commercial bribery, child labor or forced labor, and illegal discharge of sewage are found, the introduction will be terminated. In case of other major environmental and social risks, the introduction will be suspended, and restarted after the supplier completes systematic rectification. In 2023, a total of 15 formal suppliers entered the social compliance audit in the introduction stage, and 100% passed the introduction evaluation after first review and second review.

Supplier management

The Group continues to improve its supplier audit and assessment management. Through quarterly and annual audits, as well as ad hoc assessments and random inspections from time to time, the Group comprehensively and systematically identifies environmental and social risk management in the supply chain and urges suppliers to carry out rectification and improvement.

The Supplier Management Department, in conjunction with the Production, R&D, Development, Supply Chain, and Quality & Sustainability teams, also conducts quarterly comprehensive assessments of supplier cooperation, which rigorously evaluates various dimensions such as business ethics, labor and employment, working hours, wages and benefits, occupational health, energy and environmental performance, chemical management, and safety and business continuity. The specific evaluation process includes:

- In the first month of each quarter, a self-inspection notice is issued to suppliers requiring them to complete the self-inspection by the end of the quarter and submit relevant documentary information with transparency, clarity, relevance, timeliness and traceability.

- Review supplier submissions, communicate continuous improvement requirements for the new quarter to suppliers, and push them to continuously optimize their various management levels.

- The Supplier Management Department summarizes the quarterly assessment results of all relevant functional departments and organizes quarterly assessment meetings. Each department summarizes and reports to the CEO on the quarterly performance of suppliers, problems, improvement targets and plans.

7 GB/T 36000-2015: *The Social Responsibility Guidelines*, promulgated by the State Standardization Administration Committee and the General Administration of Quality Supervision, Inspection and Quarantine.
8 OECD Guidelines: OECD Guidelines for the Testing of Chemicals.
9 ILO: International Labor organization.
10 SA8000: Social Accountability 8000.
11 ETI: Ethical Trading Initiative.
12 Disney ILS: Disney International Labor Standards.
13 WCA: Workplace Conditions Assessment.
14 Sedex: Supplier Ethical Data Exchange.
15 SMETA: Sedex Members Ethical Trade Audit.
16 BSCI: Business Social Compliance Initiative.
17 SLCP: Social & Labor Convergence Program.
18 RBA: Responsible Business Alliance.
19 IETP: ICTI Ethical Toy Program.

Every year, the Group implements an audit for the new year based on the cooperation situation and the assessment result of the previous year, which includes the management of social responsibility, environmental management, chemical management and carbon emission management, and formulates a rectification plan for the problems identified, with dedicated staff tracking the progress of rectification and the result of rectification.

➢ Social compliance audit

In 2023, the Group's major factories of finished and semi-finished products underwent social responsibility audits, totaling 126 factories, all of which were third-party on-site audits, covering approximately 83% of the suppliers of finished and semi-finished products. The audit standards of the Group's supplier social responsibility report include but are not limited to BSCI, SMETA, WCA, WRAP[20], RBA and other international standards. The score results of Li Ning Group were given in a uniform manner. The audit results were shown in the form of green cards, blue cards, yellow cards and red cards, among which red cards represent unqualified[21]. We developed personalized treatment measures for suppliers with different audit results. For green suppliers, we appropriately started the non-notice audit to monitor their real-time situation; for red suppliers, they are required to make rectification, and if they are rated as red suppliers twice, the disqualification process will start; for other types of suppliers, they also need to solve related problems in time according to the audit results. We require all suppliers to complete rectification for the problems found in the audit within 3 months, continuously follow up the rectification, and carry out the second on-the-spot audit or file audit. In 2023, in conjunction with the assessment results, low-score suppliers were audited and given deadlines for rectification mainly in the areas of business ethics, labor and employment, working hours, wages and benefits, occupational health, energy and environmental performance, chemical management, as well as safety and business continuity, and there were no zero-tolerance items for any of the issues, which were all minor ones. Based on the rectification results, there were 126 green and blue cards suppliers, and no yellow and red cards suppliers. In addition, 3 on-site audits were conducted without notification.

During the audit process, we have set up zero tolerance items including false records and documents, commercial bribery, employment and use of child labor, forced labor and inhumane treatment, remuneration below the legal minimum wage, and occupational health and safety. For suppliers that violate any of the zero-tolerance items, we will terminate the relationship or stop the supplier introduction process in order to encourage suppliers to strengthen their own social responsibility management.

➢ Environmental audit

In 2023, a third-party auditing body entrusted by the Group conducted quarterly desktop audit and evaluation of environmental compliance for 60 semi-finished products factories, process factories and material factories whose orders accounted for more than 1%, and conducted on-the-spot environmental audits for 21 of them. For the problems of wastewater pollution control, waste gas pollution control, solid waste management, energy management, environmental emergency and management found in the audit, suppliers concerned were urged to follow up and rectify. Suppliers' environmental management ability was improved through on-the-spot audit and active communication in the later rectification process. All suppliers participating in on-the-spot environmental audit obtained green or blue cards after rectification.

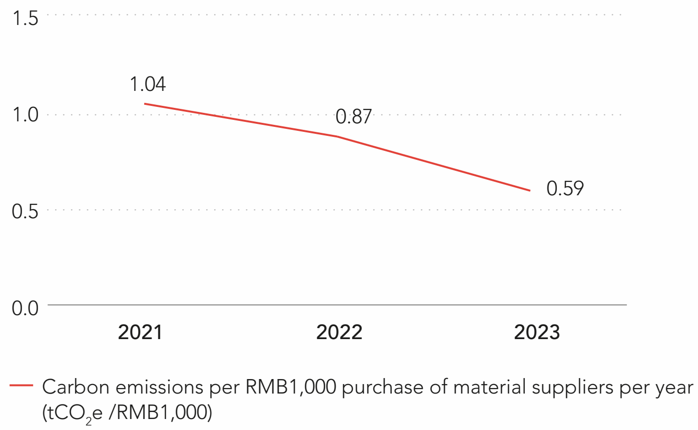
20 WRAP: Worldwide Responsible Apparel Production.

21 Site audit rating requirements: Green: score >= 85, Blue: 85 > score >= 70, Yellow: 70 > score >= 60, Red: score < 60.

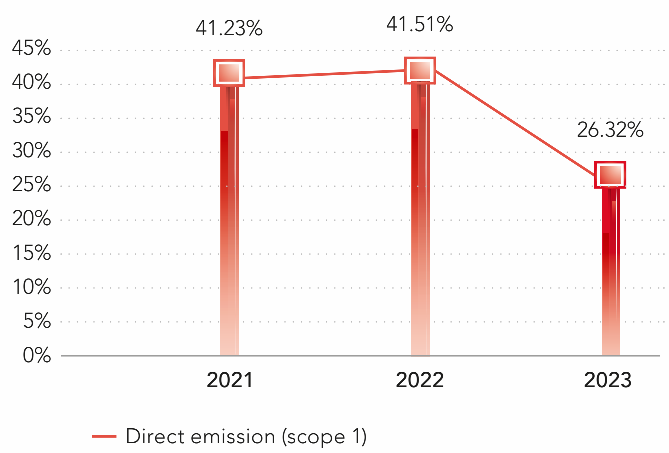
➢ Supply chain carbon emission management

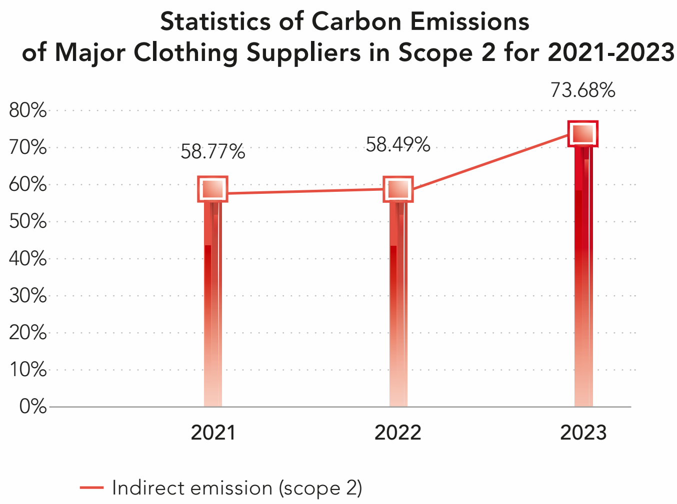
To further understand suppliers' carbon emission management capabilities and strengthen ESG management of supply chain, the Group has cooperated with third parties in carbon inventory inspection of major suppliers since 2020. By 2023, a total of approximately 40 suppliers have completed carbon inventory inspection. We conducted on-site energy and carbon emission management training for factories participating in carbon inventory inspection, combed and audited the energy consumption and carbon emission data of each factory in the past three years, and discussed and exchanged future energy conservation and carbon reduction plans together. In carbon inventory inspection, the Group investigated the current situation of supply chain energy consumption and carbon emission management capacity, gradually expanded the coverage and scale of supply chain carbon inventory inspection, and further understood the overall emission level of supply chain, which laid a solid foundation for the Group's follow-up disclosure of carbon emissions in scope 3 and the formulation of carbon emission reduction plans for suppliers and products. On the basis of third-party carbon inventory inspection, we also collect energy consumption and carbon emission data from suppliers in 2023 by training, on-site counseling and use of professional tools. The greenhouse gas emissions of major clothing material suppliers in recent three years are shown in figures below:

Trend of Changes in Carbon Emission Intensity
of Major Clothing Material Suppliers from 2021-2023



**Statistics of Carbon Emissions
of Major Clothing Suppliers in Scope 1 for 2021-2023**





Chemical management of suppliers

The Group continues to improve the chemical use management in the supply chain by developing its own restricted substances list and engaging in international cooperation. Combined with the domestic and international attention to high-risk chemicals and relevant laws and regulations, we prepared the *Technical Requirements for Health and Safety of Clothing, Shoes and Accessories* in 2012, covering the requirements for restricted chemical substances. After continuous updating and improvement, Q/LNB 71001-2021 *Li Ning Product Safety Technical Requirements*, an internal restricted substances (RSL) standard, was developed in 2021, including 25 categories of restricted substances and their testing specifications. All suppliers are required to sign declarations of compliance with this standard. In the production process, suppliers are required to monitor the compliance of the use of chemicals in the whole process, and we also randomly test the compliance of restricted substances on a regular basis.

As one of the founding brands of Zero Discharge of Hazardous Chemicals (ZDHC) Foundation, we actively promote the adoption of ZDHC Manufacturing Restricted Substances List (MRSL) and compliance guidelines, and strive to achieve zero emission of restricted chemicals. The Group cooperates with professional third-party test companies every year in on-site chemical assessment for major suppliers, so as to enhance the chemical management capability of the supply chain and ensure the effective implementation of the Group's concepts and requirements related to chemicals management. In 2023, we continued to cooperate with professional third parties in chemical assessment for 9 suppliers. The evaluation tools and contents comprehensively refer to the regulatory requirements for the use of chemicals at home and abroad, and the requirements of *ZDHC Chemical Management System Framework* and *ZDHC Chemical Management System Technical Industry Guide*. Through one-to-one field training and communication with experienced chemical audit experts, the existing problems are found and targeted rectification solutions are put forward to help suppliers to improve the ability of chemicals management and continuously improve and build a perfect chemicals management system.

In 2023, the order volume covered by the secondary main suppliers subject to ZDHC wastewater detection was over 95%, and the compliance rate of MRSL parameters reached 82%, a significant increase over the compliance rate in 2022.

In addition, the Group also encourages suppliers to carry out other certifications under appropriate circumstances. In 2023, Li Ning Group's major leather suppliers participated in the ZDHC's "Supplier to Zero" and obtained the Fundamental Level certificate. The proportion of artificial leather supplied by these suppliers is more than 50%. At the same time, our major leather suppliers won the gold medal certification of the Leather Working Group (LWG).

In 2023, more than 65% of glues used in shoe production obtained the highest level (Level 3) certification of the ZDHC Manufacturing Restricted Substances List (MRSL).

➢ Supplier capacity building

In order to enhance the level of suppliers' social responsibility management, the Group actively promotes suppliers' capacity building. In 2023, we organized and participated in a number of relevant training activities to strengthen suppliers' understanding and knowledge of sustainable development.

– We invited Bureau Veritas (BV) to organize a special training on "Forced Labor". The training provided an introduction to social responsibility, the definition of forced labor, and the requirements and elusion measures involved in forced labor. This training further improved the deep understanding of forced labor, which helps to avoid the occurrence of forced labor in the management process and fully protect the rights and interests of employees.

– In November 2023, we hosted an environmental and energy management capacity building training activity for apparel and footwear suppliers, which was attended by about 100 representatives from 60 key suppliers. The training provided detailed presentations on various aspects such as equipment energy consumption monitoring, use of renewable energy, heat recovery, etc. The aim was to help suppliers explore the potential for energy saving and emission reduction and to jointly promote the construction of a green and low-carbon industrial chain.

– In March 2023, a supplier conference entitled "Starting a New Journey Together, Going Beyond the Past to Win the Future" was held, during which a key topic was an introduction to the Company's sustainability content, future plans and expectations for suppliers, with the aim of promoting greater awareness of social responsibility among suppliers and motivating them to make progress in environmental protection measures, such as carbon emission management.

Supplier Disqualification

The Group evaluates all accepted suppliers every quarter. Those suppliers who fail to meet business needs, fall below the minimum standard and touch the red line in two of the four consecutive quarters of comprehensive evaluation, such as major quality incidents, social responsibility incidents, breach of integrity and anti-corruption clauses, are disqualified, so as to ensure the quality of suppliers.

Building a Green Supply Chain

The Group continues to strengthen the environmental management requirements of suppliers in the introduction and auditing process.

– In the introduction process, we require suppliers to provide relevant documents such as environmental impact assessment (EIA) files, EIA approval, environmental completion and acceptance report of construction projects, waste water/waste gas monitoring report, and pollutant discharge permit, etc., and make illegal discharge of sewage and hazardous wastes as zero tolerance items in the audit.

– In the quarterly audit, suppliers are required to provide their main energy consumption data and greenhouse gas emission data, energy consumption assessment system or energy-saving action plan and measures.

– In the annual audit, we also evaluate suppliers' waste management, energy-saving measures, application of new energy-saving technologies and the implementation of carbon emission reduction as key points of audit, besides the relevant environmental qualifications and compliance.

In 2023, we were further expanding the application of environmental friendly materials, creating diversified environmental friendly products, exploring the development of carbon footprint measurement for raw materials and products, and striving to promote the steady development of the green supply chain.

➢ Product Carbon Footprint Measurement

The Group has been committed to reducing the carbon footprint of products and creating full life cycle green and low carbon products. In 2023, we carried out carbon emission accounting of the raw material manufacturing and production of GCR (lightweight non-slip rubber technology), GCU (ground control system outsole technology) and Boom sole materials (䨻底材). According to the accounting results, compared with the traditional rubber outsole and EVA (ethylene vinyl acetate copolymer) foam midsole materials, the GCR used in 2023 realized a carbon reduction of approximately 1,500 tons, the GCU used realized a carbon reduction of approximately 438.58 tons, and the Boom sole material used realized a carbon reduction of approximately 1,176.77 tons. These new materials not only provide excellent performance in terms of comfort and functionality, but are also environmental-friendly through the use of lightweight materials combined with advanced production processes.

In addition, we have commenced carbon footprint measurements with the specialist third party on the "Speed 10th" (閃擊 10) basketball shoes and the "Super Light 21st" (超輕21) running shoes, and have obtained ISO14067 certification. The certification is based on the representative category rules (PCR) for footwear products in Asia, which cover carbon emissions in ranges 1, 2 and 3 of the full product lifecycle (cradle to gate), of which the "Super Light 21st" have a carbon footprint of 6.39 kg CO_2-e/pair and "Speed 10th" have a carbon footprint of 8.74 kg CO_2-e/pair. The certification not only enhances the transparency of the Group's product carbon emissions, but also promotes progress in product research and development, supplier carbon emission accounting systems, and the establishment and integration of material carbon databases for production systems.

➢ Diversified Environmental-Friendly Products

The Group actively researches and produces environmental-friendly products, explores and innovates advanced environmental-friendly technologies and production materials, and strives to fulfill its"carbon peak and carbon neutrality" commitment to implement green and low-carbon development. In 2023, the Group's order volume of environmental-friendly products accounted for 13.61%, of which 9.97% was footwear and 15.56% was apparel and accessories.

➢ Footwear Products

The Group has been committed to the use of environmental-friendly materials in footwear products in recent years. In 2023, we further expanded the application of four types of environmental-friendly material technologies, namely GCR, GCU, Boom outsole materials and Boom Fiber (䨻絲), to enrich the product range and realize low-carbon and green development.

Boom Fiber	• Boom Fiber is a new type of thermoplastic elastomer, and through advanced spinning technology, it can be made into lightweight "Boom Fiber", which has better flexibility, elasticity and durability than ordinary fibers, and is very comfortable to the touch. By combining "Boom Fiber" with advanced knitting technology, we can obtain a lightweight, breathable and comfortable shoes upper, which is not easy to deform and has a longer service life. • In the current year, the application of "Boom Fiber" has expanded from running shoes to badminton and basketball shoes, contributing to the expansion of eco-friendly products. 46 models of running shoes had Boom Fiber uppers in 2023, representing an application rate of approximately 61% in running shoes.
Boom Sole Material	• The Group's self-developed midsole material adopts a supercritical foaming process, using carbon dioxide and nitrogen as foaming agents to ensure that all raw materials are recyclable thermoplastic elastomers. Compared with traditional materials, it significantly improves the resilience and durability of the shoe material while reducing its weight. In addition, the material technology avoids the use of chemical foaming agents, effectively reduces VOC emissions, and realizes zero discharge of industrial wastewater.
GCR Sole Material	• It is a transparent outsole rubber material for injection molding with high abrasion resistance and low density. Vulcanized by peroxide vulcanization system and combined with injection molding process, the material has high productivity and excellent appearance quality. Its low density makes the sole lighter than traditional materials, providing consumers with a better comfort experience while realizing green environment.
GCU Sole material	• The innovative cast polyurethane sole material has excellent performance in abrasion resistance, anti-slip and low temperature resistance, which is especially suitable for high-intensity sports shoes. The material does not contain harmful elements, and has no organic VOC emission, which not only improves the product performance, but also responds to the concept of sustainable development.

Case: The "Yushuai 17" (馭帥 17) Basketball Shoes – A Good Mix of Innovation and Sustainability

The midsole of the "Yushuai 17" (馭帥 17) basketball shoes adopts Li Ning's self-developed lightweight elasticity technology. More than 86% of the sole material is eco-friendly supercritical foam midsole material, which not only reduces the weight of the midsole, but also dramatically improves the rebound performance and durability, providing excellent cushioning and stabilization for the basketball players. The upper utilizes recycled TPU material, which accounts for more than 6% of the total weight of the upper material, and adopts the NO-SEW seamless process to reduce the environmental impact during the manufacturing process. In addition, over 80% of the soles and outsoles are made of water-based glue, further minimizing the environmental impact. The innovative design and eco-friendly concept of the "Yushuai 17" not only enhances the athletes' performance on the field, but also demonstrates the efforts to promote the sustainable development of sports equipment.

LI NING "Yushuai 17" basketball professional shoes

Case: "Shadow 2" (絕影2) Running Shoes – Cross-border integration, leading the new trend of environmental protection and innovation

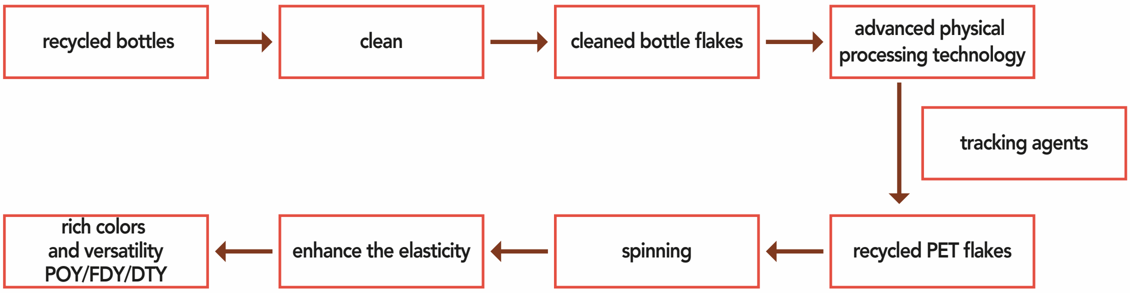
The upper of the "Shadow 2" adopts the original Boom Fiber upper technology, using stranded Boom Fiber bio-based materials, of which Boom Fiber accounts for 22%, which not only improves the breathability and wrapping of the upper, but also realizes the environmental protection. The sole partly utilizes the GCU ground control system and new cast polyurethane material, which provides excellent ground control with its high strength, good abrasion resistance and flexural resistance. In addition, the sole is made of Li Ning supercritical foam midsole material, which accounts for more than 55% of the total weight of the sole, and its lightweight and energy recovery performance are superior to that of traditional EVA materials. In the assembly process of the sole, Li Ning "Shadow 2" uses more than 80% water-based glue, ensuring environmental friendly and operators' health and safety. This innovation not only reduces pollution to the environment, but also realizes the environmental goal of being non-toxic and easy to clean.

Li Ning "Shadow 2" shock-absorbing elastic running shoes

Apparel

In terms of eco-friendly apparel, we use a large amount of recycled yarn. 2,839 tons of recycled yarns were used in 2023, accounting for 18.96% of the total polyester yarns used, with a carbon reduction of 2,731 tons, which is a good implementation of the concept of sustainable development. The recycled yarns have been certified by the Global Recycling Standard (GRS).

In the production process of eco-friendly yarns, recycled plastic bottles are first thoroughly cleaned and polished into clean bottle flakes. Using advanced physical processing technology, combined with specific tracking agents, the net bottle flakes are converted into recycled PET flakes. Through precise spinning technology, the flakes are converted into fibers, which are then subjected to fine elasticity treatment to enhance the elasticity and durability of the yarns. Finally, the fibers are treated with environmental-friendly dyes in the coloring stage to transform them into high quality recycled yarns with rich colors and versatility.



Recycled yarns production process

Case: CBA league environmental protection uniform production

Li Ning and the China Men's Basketball Association (CBA) are committed to integrating the concept of environmental protection into professional sports by cooperating in the 2023-2024 season. Through the use of recycled plastic bottles to produce uniforms with recycled yarn, a total of 6,400 uniforms will be produced for the entire season, with about 26 plastic bottles recycled for each set of uniforms. A total of more than 166,400 bottles of mineral water will be recycled, weighing 3,808 kgs, which is a strong fulfillment of our commitment to environmental protection.

China Men's Basketball Association (CBA) 2023-2024 season uniforms

Initiate Supplier Sustainability Assessment

In 2023, the Group introduced the supplier sustainability project plus (SPP) mechanism for the first time, which assesses and provides training on suppliers' energy and carbon management, water resources, waste, hazardous substances and chemicals management as well as sustainable operation management, with the aim of guiding suppliers to continuously improve the quality of their environmental management. During the year, a total of 26 suppliers participated in the sustainability project plus assessment. Among them, 10 suppliers obtained ISO 14000 certification, 14 suppliers reduced their total carbon emissions by more than 20% compared with 2020, and 12 suppliers reduced their water consumption by more than 20% compared with 2020.

Case: The cooperative down factories have all obtained the RDS (Responsible Down Standard) certification

Li Ning Group encourages its suppliers to obtain certificates of responsible production by making reference to domestic and international sustainability standards where appropriate. We emphasize not only the social and environmental management of our suppliers, but also the protection of animal welfare. Since 2014, the down factories cooperated with Li Ning Group have gradually obtained RDS certification, and the coverage rate has now reached 100%. Through the RDS certification, we hope to maximize the use of down and feathers from animals that have not been unnecessarily harmed in any way in our sourcing and production.

Enhance external exchanges and cooperation

The Group actively participates in industry sustainability exchange activities to gain an in-depth understanding of sustainability trends and hotspots, and explores ways to improve its own sustainability management practices. While enhancing its sustainability management capabilities, the Group also fulfills its corporate social responsibilities and contributes to the building of a greener and sustainable future.

Case: Participation in the Global Textile Green and High Quality Development Forum and Carbon Peak and Carbon Neutral Action Summit

On 6 November 2023, the Global Textile Green and High Quality Development Forum and Carbon Peak and Carbon Neutral Action Summit was held, gathering industry experts, business leaders and government representatives to explore the global textile and apparel industry's dual-carbon efforts. Li Ning shared his practices and progress in carbon footprint reduction, sustainable production and green manufacturing, emphasizing the importance of industry collaboration in achieving carbon neutrality.

Case: Participation in the TUV Rheinland Forum on Green Energy Innovation and Sustainable Circular Economic Development

On 19 June 2023, TUV Rheinland hosted the Green Energy Innovation and Sustainable Circular Economy Development Forum to discuss the important issues of green energy, circular economy and sustainable development. We shared the importance of circular economy in realizing the goal of sustainable development, as well as our own practices and achievements in the field of circular economy, fully demonstrating our efforts in promoting the green and low-carbon transformation and high-quality development of the industrial chain.

Case: Participation in the 28th Sino-European CSR Roundtable Forum

On 8 June 2023, the 28th Sino-European CSR Roundtable Forum was held, which aimed to provide decarbonization solutions for enterprises and their suppliers. Focusing on the theme of "Supply Chain Carbon Reduction Partnership", Li Ning shared experience and strategies in supply chain carbon reduction and CSR, and demonstrated practical achievements in building green supply chain and promoting sustainable development of the industry, and jointly explored carbon reduction solutions in the industrial supply chain, contributing valuable power to promote green development.

Case: Membership of the United Nations Global Compact (UNGC)

In May 2023, the Group became a member of the United Nations Global Compact. The UN Global Compact is currently the world's largest international organization promoting corporate sustainability, with more than 20,000 corporations and other stakeholder members from nearly 170 countries. We are committed to the UN Global Compact's ten principles in the four areas of human rights, labor standards, environment and anti-corruption. We will incorporate sustainable development into our corporate strategy and operations, and continue to fulfill our corporate social responsibilities to a high standard, and move forward with our vision of sustainable development.

V. PRODUCT LIABILITY MANAGEMENT

The Group attaches great importance to product quality and responsibility management, strictly abides by relevant laws and regulations such as the *Product Quality Law of the People's Republic of China* and the *Law of the People's Republic of China on Protection of Consumer Rights and Interests*. To ensure the legitimate rights and interests of consumers are fully protected, we constantly enhance product quality control, keep improving customer service quality and optimize customer communication mechanism; protect the security of customers' information; regulate the management of advertising and trademark; strengthen the protection of intellectual property rights, brand protection and responsible publicity.

Product Quality Control

According to the national GB/T 19001-2016 Quality Management System, ISO9001 Quality Management System and technical specifications for shoes, clothing and accessories, and referring to relevant industry standards, the Group revised the *Li Ning Shoes Product Physical Properties Standard Manual*, the *Functional Clothing General Technical Requirements*, the *Washed Down Feathers*, the *Executive Standard Number, Size, Grade, Safety Category and Shelf Life of Adult Clothing*, the *Executive Standard Number, Size, Grade, Safety Category and Shelf Life of Infant and Child Clothing*, the *Clothing Size Changes and Appearance Assessment after Washing and Drying* and other internal standards, constantly regulating the Company's products quality management standards and improving product quality system.

The Group strictly implements the quality supervision throughout the whole process of production, and carries out relevant quality control at the stages of product research and development, production and launch to ensure product quality.

Stage	Management Content
Product Research and Development	• **Set up risk assessment team.** A risk assessment team composed of personnel from product development project team, production department and quality management department is set up to evaluate and analyze the quality risks existing in product development every quarter. • **Launch market research on specialized quality level of diversified products.** In 2023, the Group launched market research on specialized quality level of yoga products, functional products, featured washable finishing products, bio-based and recycled material products, outdoor jackets and down products to produce special analysis reports. • **Proactively understand consumer needs.** According to the *Quality Control Manual Based on Consumer Experience*, we optimize the product quality that meets quality standards but falls short of consumer expectations, and focus on consumer needs from the front-end of product research and development to improve products quality.
Production	• **Establish joint inspection team.** A joint inspection team composed of personnel from the production department and the quality management department is set up to have joint quality inspection of the warehouse every quarter in aspects of process management, material quality and craftsmanship level. • **Restricted substance requirements.** All suppliers are required to sign Q/LNB 71001 -2021 *Safety Technical Requirements for Li Ning Products*. During the production, suppliers are required to monitor the compliance of chemicals used throughout the whole process, and we will also conduct regular random sampling to test the compliance of restricted substances.
Product Launch	• **Carry out launch inspection.** According to the national standards for launch inspection, security code and other external inspection, quality inspection seal and other procedures, any unqualified product will be returned to the warehouse for repair, or returned as obsolete if cannot be repaired.
Raw Material Quality	• **Quality inspection of supply materials**. We audit the quality management systems of finished shoe suppliers, major sole material suppliers and clothing material suppliers every year. According to the evaluation results, we take measures such as rectification within a prescribed time limit, interview, and circulated notice of criticism or starting disqualification procedure for unqualified suppliers.

The Group is committed to strengthening the management of product testing, actively participating in the construction of industry standards and promoting the standardized development of the industry. In 2023, the Group participated in the solicitation of opinions for 12 national standards and 44 industry standards. We have introduced the testing intelligent sampling system and intelligent sample delivery robot, which can quickly and accurately complete the sampling and preparation of testing items, and carry out intelligent transmission to enhance the testing efficiency; we have introduced advanced SATRA equipment and instruments to study the moisture permeability of the shoes, which can provide data support to improve the research on the fitness and comfort of the shoes, enhance the quality of product testing, and safeguard the products quality.

Thermal and moisture permeability test of shoes

Intelligent sampling system

Product Identification and Recall

The Group attaches great importance to the product quality. We strictly control the product quality and have established a comprehensive recall management process for defective products. In 2023, the Group did not have any incidents of product recalls for safety and health reasons.

We will recall products with quality problems, health and safety hazards and infringement based on regulations such as the *Management of Defective Product Recall of Li Ning Company Limited*, the *Procedures and Standards for the Recovery of Defective Products of Li Ning Company Limited*, the *Service Commitment of Three Guarantees of Product Quality*, and the *After-sales Service Manual of Li Ning Company Limited*. The specific scenarios include:

- Products that are not qualified for sampling inspection by the State or local market supervision department;
- Products that are found not meeting national or enterprise standards with hidden quality problems in batches;
- Products that have caused personal or property damage to consumers due to defects in design or manufacturing and may occur again after evaluation;
- Products that do not cause personal or property damage to consumers, but may still cause personal or property damage under certain conditions after testing, experiment and demonstration;
- Products involved in infringement, plagiarism or violation of relevant laws and regulations, and has a negative impact on the company;
- The defective rate of a single type of product reaches a certain percentage, which leads or may lead to the failure of sales or the rapid decline of customer satisfaction.

In response to the above recall scenarios, the Group has formulated comprehensive treatment measures to protect the legitimate rights and interests of consumers:

- QA Department has the right to request the suspension of sales of product concerned, so as to prevent the potential risks from further expanding, and immediately carry out investigation in conjunction with other relevant departments to track the causes of problems;

- QA Department informs the manufacturer of product quality information in time, so that the manufacturer can take actions to deal with possible losses, establish effective communication channels with suppliers and third parties, and actively seek solutions to reduce losses caused by product defects;

- QA Department decides to implement the recall plan according to the quality inspection report, infringement appraisal report or market feedback, and formulates the treatment plan for products recalled to minimize the impact on consumers.

For online products, the Group stipulates that all goods sold in the network stores enjoy the seven days no reason to return or exchange policy and the three guarantees policy in accordance with national regulations. If a consumer submits an application for a return or exchange, the application will be examined by the customer service specialist; upon receipt of the returned or exchanged goods, we will carry out a quality inspection and provide timely feedback to the consumer, at the same time, the results will be sent to the relevant business department for processing. In the subsequent product development stage, the product research and development department will refer to the effective market feedback to further improve the product quality.

Customer Complaints and Protection

The Group always adheres to the principle of "customer first and professional service". In compliance with the requirements of relevant laws and regulations, we have formulated the *Management Requirements for Customer Service Telephone and Online Support*, *Guidelines for the Management of Knowledge in Customer Service* and *Daily Management Standards of Customer Service Hotline*, which clearly stipulate the procedures for complaints handling and relevant requirements. Meanwhile, we constantly review and check the risk points, update the relevant systems of the Company in a timely manner and fully implement them in conjunction with the updating or adjustment of the relevant laws and regulations. We keep listening to customers opinions and improve the quality of customer service. During the year, we strengthened the customer communication mechanism and enhanced our customer service level:

- **Multiple communication channels:** We established "400 Customer Care Hotline" (400-610-0011), joined we-media such as Web (@Li Ning Official Web), Li Ning CLUB WeChat official account, WeChat Mini Program, and set up customer communication channels such as contact email address (ccc.support@li-ning.com.cn) and voice message, realizing 7*24 hours full support.

- **Efficient response to customer complaint:** In response to consumer complaints, our customer complaints specialists will follow up and timely call back to consumers about their complaints and requirements. With the principle of "first-ask-responsibility", the specialist will promptly contact the relevant stores or departments, and negotiate with customers to return goods, exchange goods, or make compensation, etc., timely follow up and call back. In addition, we will summarize and review the complaints in a timely manner to improve our management.

- **Comprehensive customer service platform:** Relying on the integrated and upgraded all-media customer service platform, the Group opened up many access points for customer service, realizing comprehensive and efficient channels for customer feedbacks in order to cope with the growing number of consumer inquiries and feedbacks.

- **Consumer Satisfaction Survey:** We proactively strengthen communication with consumers through consumer insight tools to continuously understand their experience on services and activities, their purchasing decision for important products and willingness to make repeat purchases. At the same time, consumer feedback will be delivered to relevant departments in time.

In 2023, the Group's head office received 1,957 complaints from key consumers and through the Market Supervisory Authority. Our e-commerce platform received 246 consumer complaints through the Market Supervisory Authority. Upon receipt of complaints, we analyzed the product problems together with the consumer complaints and the feedback from the Market Supervisory Authority. Based on the analysis results, we appropriately deal with consumers' requirements and actively follow up with the relevant feedback from the Market Supervisory Authority. During the year, our customer complaint settlement rate reached 100%.

Customer Information Protection

The Group strictly complies with the requirements of relevant laws and regulations such as *Personal Information Protection Law of the People's Republic of China*, *Cyber Security Law of the People's Republic of China*, *Data Security Law of the People's Republic of China*, *Measures for the Administration of Information Security Level Protection*, *Measures for Security Assessment for Data Outbound Transfer*, *Civil Code of the People's Republic of China*, etc. We continue to rely on the whole life cycle management system of data collection, handling, processing, storage and destruction to clearly define the data classification standards and corresponding protection measures, establish a data compliance management system and workflow based on the needs of data security management, and actively carry out data security related training to fully protect the data security of customer information.

During the year, to enhance the quality of data and information security management, we carried out a data compliance project and developed comprehensive information security management initiatives:

- **System optimization and improvement:** We updated and published the *Information Security Management Regulations of Li Ning Group*, *Data Security Management Measures of Li Ning Company* and *Personal Information Protection System of Li Ning Company*; improved the daily information security requirements and norm of conduct for staff as well as the data security protection measures in the process of information technology system construction and maintenance.

- **Establishment of management structure:** The Data Compliance Management Committee was set up to be responsible for the formulation of policies related to data security and privacy protection and the assessment and review of sensitive data across business units; a management system of "4-layer structure, 3 systems and 2 processes" was set up to promote the development of data security and compliance work from the top down in terms of strategy, organization, structure and implementation; a data compliance working group was established to assess compliance at the legal and regulatory level and technical assessment at the data security protection level, and to assess all sensitive personal data and important business data at the business level to safeguard information and data security.

- **Update of agreement terms:** Data protection-related terms are added to the contract template, which stipulate that: the data receiver shall not publicly disclose or re-transfer the data without the authorization of the data sender; the lawful period for the data receiver to use and retain the data, and the handling measures to be taken by the data receiver after exceeding the lawful period; the security responsibilities and obligations of the data receiver to cooperate with the data sender, etc. and simultaneously update the privacy clauses of APP and applets involving consumers' personal information.

- **Cross-border Risks:** Fully consider the cross-border risks of personal information during information interaction between Hong Kong and mainland systems, and formulate privacy policies and user agreements for Hong Kong member systems. For registered members in Hong Kong, we provide a localized membership management system and marketing activities in Hong Kong and Macau.

In addition, we continue to strictly implement information security in the management through "technical means + encrypted transmission + log storage" to prevent data risks in all aspects. For example, through the adoption of high-level firewall technology, the data transfer is under full-time monitoring, customer service staff are unable to obtain consumer's personal information in bulk; all customer service personnel operating records will be stored in the system log; a single piece of information is encrypted in the system for transmission, such as coding key words of the contact information for member information query in the retail store terminal, etc.

The Group attaches high importance to data security capacity building and has launched online and offline education and training on data and information for employees to strengthen their awareness of data and information security.

- **Knowledge sharing:** We share knowledge to departmental managers and above about laws and regulations related to data security and compliance with the protection of personal privacy information.

- **Regular push:** We promote security awareness each quarter through enterprise WeChat and company mailbox, including personal account and password protection measures, spam identification and prevention methods, anti-phishing and anti-fraud case sharing.

- **Daily promotion:** Provide training to customer service staff on consumer information and privacy protection in the weekly and monthly meetings to strength promotion and warnings on information security education.

- **Specialized training:** For new employees, we organize specialized information security training including classified confidential data, standard software lists, and standardized usage. For e-commerce employees, we provide specialized training every quarter on consumers' personal information security protection measures and infringement types and analysis of personal information in e-commerce. We are determined to safeguard the personal information security in online consumption.

The Group has established a comprehensive emergency response mechanism for network information security incidents. When an information security event occurs that affects the company's business development, such as virus infection, illegal invasion, sensitive data leakage, etc., the emergency response plan will be activated according to the level of the event.

- **Emergency response process:** Firstly, the information security working team will quickly adjust the security policy of network security equipment, find the source and isolate the incident area, and coordinate the company's resources to carry out emergency response. Secondly, we set up an real-time reporting and communication channel with the higher-level supervisory departments and external security service providers to ensure normal operation while controlling the incident. In addition, we activate the incident preparedness program for system and data recovery when necessary. When the incident is resolved, we will actively summarize the experience, analyze the problems and deficiencies, and continue to optimize the response strategies and processes.

- **Emergency response exercise:** In order to further improve the overall security risk awareness and emergency response capability of the information technology team, we actively participate in network security attack and defense exercises to timely identify security risks and loopholes exposed by the Internet and carry out corrective actions targeting at the weak points.

With respect to third-party data and information security, the Group issued the *Regulations on the Management of Third-Party Personnel*, which clearly stipulates that the on-site staff or remote support staff of the partner enterprises and external service providers are responsible for information security and data protection, so as to ensure that the partner enterprises comply with the Company's information security and data protection requirements. In addition, we have added a special chapter on "personal information protection" to all service contracts, distribution contracts and technology development contracts, requiring suppliers and service providers to assume the responsibility of protecting customers' privacy and jointly safeguarding data information security. In our daily work, we strictly prohibit the provision of any customer information to a third party without the authorization of the customer, and all customer information and data are strictly protected and properly stored to ensure that authorized personnel read and use the information within the scope of authorization.

Intellectual Property Rights and Brand Protection

In compliance with the relevant requirements of laws and regulations such as *Trademark Law of the People's Republic of China*, *Patent Law of the People's Republic of China*, *Copyright Law of the People's Republic of China*, *Advertising Law of the People's Republic of China*, *Anti-Unfair Competition Law of the People's Republic of China* and *Law of the People's Republic of China on Protection of Consumer Rights and Interests*, *Measures for the Administration of Internet Advertisements*, and *Guidelines on the Enforcement of Absolute Language in Advertisements*, the Group constantly strengthens intellectual property protection, brand protection, advertising and trademark management.

In respect of intellectual property protection, the Group has formulated internal systems and regulations such as *Intellectual Property Rights Management System*, *Trademark Management Measures*, *Patent Management Measures*, requiring each business department to strictly implement the intellectual property audit process, prevent and investigate potential infringement risks, and formulate an intellectual property early warning mechanism in order to improve the quality and efficiency of intellectual property rights management.

- **Product design risk control:** A new check section of the legal department is added in the company's PLM system this year to timely check potential infringing products during the product sampling and ordering process, and to communicate and adjust the program in order to avoid intellectual property risks in advance.

- **Intellectual property training:** We conduct regular training on relevant laws and regulations, deliver routine laws and regulations, and share intellectual property cases to gradually strengthen employees' awareness of intellectual property protection and their ability to self-restrain from infringing behaviors.

- **Intellectual property default liability:** We set up declaration clauses in the *Materials Cooperation Agreement*, *Product Processing Agreement* and other agreements, to clarify the intellectual property default liability, and require suppliers to undertake and guarantee that the products and materials they supply will not infringe on the intellectual property rights and legitimate rights and interests of any third party. In case of infringement, we will immediately start legal proceedings to protect our rights.

- **Protection of intellectual property rights:** With regard to our own intellectual property, we promptly identify the ownership and scope of authority over the intellectual property results in order to protect the Group's intellectual property assets.

In respect of advertising compliance, the Group has stipulated that external publicity should strictly comply with the rules and regulations of the Company; fulfill the corresponding brand material review and approval procedures; the contents and data reflected in the publicity and promotion should be in line with the facts; and no false advertisements should be published. In addition, the Group will continue to explore the development of advertising audit system to provide solid system protection for advertising compliance. The system is expected to be launched in 2024.

In order to enhance the awareness of marketing compliance and risk prevention, the Group promotes and popularizes the relevant laws and regulations from time to time, such as explaining the contents and notes of the *Beijing Guidelines on Compliance of Advertisements of Pharmaceuticals, Medical Devices, Health Food and Food Formulas for Special Medical Purposes*, *Beijing Guidelines on Compliance of Advertisements*, *Requirements on Price Tag and Prohibition of Price Frauds*, and the *Guidelines on the Enforcement of Absolute Language in Advertisements*.

In terms of brand protection, we updated the *Li Ning Brand Corporate Identity Use Specification* this year to improve the regulations on use form, appearance area, use scope and proportion for different types of products. If the Company needs to use the trademark in its related business or products, it is required to submit relevant applications and pass the examination process to ensure that the trademark is used in a standardized manner. In order to further enhance brand protection, the Group has adopted a number of management measures:

- Regularly monitor the trademark squatting on a monthly basis, and carry out the management on defending rights and combating counterfeits;
- Strengthen the crackdown on counterfeits of e-commerce brands and cooperate with e-commerce platforms to manage the situation. For counterfeits detected by the e-commerce platforms or complained by consumers, we will make a complaint to the platform and remove them from the shelves.
- We will proactively collect evidence on relevant clues of counterfeit sales, and safeguard the legitimate rights and interests of the brand through civil lawsuits, industrial and commercial complaints, criminal and other means of defense.

VI. ANTI-CORRUPTION MANAGEMENT

The Group complies with laws and regulations including *Criminal Law of the People's Republic of China*, *Company Law of the People's Republic of China*, *Anti-Unfair Competition Law of the People's Republic of China*, *Interim Provisions of the State Administration for Industry and Commerce on Prohibiting Commercial Bribery*, the *Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Laws in Handling Criminal Cases of Corruption and Bribery* and the *Opinions of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Laws in Handling Criminal Cases of Commercial Bribery*, etc., to carry out anti-corruption and integrity promotion work in an orderly manner in accordance with the law, and to build a clean and efficient operation ecology.

The Group constantly strengthens the construction of anti-corruption management standards and has formulated *Anti-Corruption and Anti-Bribery System of Li Ning Group*, *Complaint Reporting Procedure*, *Retail Store Operation Management Manual*, *Financial Management and Punishment Standards*, *Cash Expenditure System*, *Employee Handbook*, *Non-productive Procurement Management System*, and *Tendering and Bidding Management Measures*, which clearly stipulate the anti-corruption management processes and punishment standards to provide systematic protection of the anti-corruption management. In 2023, the Group did not have any corruption lawsuits filed and concluded against the Group or its employees.

The Group is determined to crackdown corruption, and combat playing favouritism and committing irregularities with zero-tolerance to corruption. We continue to establish a sound preventive and supervisory mechanism, carry out internal control, audit and supervision on business. We conduct monthly audit of our self-operated stores in order to maintain a fair and clean working environment. During the year, we strictly carried out anti-corruption management work in accordance with the *Complaint Reporting Procedure*, focusing on the reporting channels, the report handling process, and the protection measures for whistleblowers:

- In terms of reporting channels, we set up reporting mailboxes, senior management complaint mailboxes, HR complaints system and employees' independent reporting. Whistleblowers can report and supervise corruption by e-mails, letters, and anonymous submissions.

- In terms of report handling process, we summarize the information on complaints and reports from different channels, verify the information authenticity and initiate investigation and report handling according to the relevant information and evidence.

- In terms of whistleblower protection, we strictly keep whistleblower's information confidential and promise that any retaliation or discrimination arising from the reporting of violations of laws and regulations will be investigated and dealt with seriously.

The Group continuously implements the anti-corruption management mechanism of suppliers and partners. We conduct investigations on suppliers in the form of completing anti-corruption and anti-bribery periodic surveys every six months. All suppliers are required to sign the *Commitment Letter of Anti-corruption and Anti-bribery*, clearly stating the "zero tolerance" attitude towards corruption and "resolutely banning of corruption". Suppliers are encouraged to report any corruption and provide verifiable information and clues, enhancing their initiative and engagement in anti-corruption.

In order to promote a clean culture and enhance employees' awareness of anti-corruption, the Group has actively launched anti-corruption training and strengthened anti-corruption capacity building. In 2023, the Group's anti-corruption training covered 16,800 employees and the duration of training amounted to 4,200 hours. The details of the training are as follows:

– The Board of Directors watched and learned from the series of anti-corruption educational videos entitled "Forever Blowing the Horn" to deepen the understanding of anti-corruption and establish a clean and upright atmosphere by focusing on the implementation of strict governance of the Party, strengthening political supervision, improving work style construction and addressing both symptoms and root causes of the problem.

– The Company actively strengthens the management of employees' integrity in operation and provides employees induction training and personal declaration, the promotion of anti-corruption and anti-bribery system of the Company, internal integrity tips, internal warning education and notification, etc.

VII. COMMUNITY INVESTMENT MANAGEMENT

The Group adheres to the principle of coordinated development with the community, closely links its own resource advantages with the needs of the society, and actively undertakes its social responsibilities. In 2023, we were staying true to our mission and launched diversified public welfare activities. We actively participated in earthquake relief, assisted in rural revitalization, cared for the growth of young people in poverty-stricken areas, and organized public welfare activities to promote sports culture. We give full play to our leading role in the industry and demonstrate our corporate commitment through actions to promote the development and progress of society. Based on our outstanding contribution to social welfare, the Group was awarded the 2023 "Perseverance to Goodness" Responsible Brand Award, which is an affirmation of our corporate social values.

2023 "Perseverance to Goodness" Responsible Branding Award

Gather warmth, address the hardships together

The Group keeps close attention to public emergencies such as natural disasters, actively donates materials to assist disaster-affected areas, supports rescue and relief efforts as well as post-disaster reconstruction, and constantly pays attention to the disaster situation, showing love and deliver warmth to the people in the disaster-affected areas.

Be in the same boat – help Beijing-Tianjin-Hebei flood relief and rescue

In August 2023, under the influence of Typhoon Doksuri, extreme rainfall occurred in some areas of Beijing, Tianjin and Hebei, causing floods and geological disasters. The Group immediately investigated the disaster situation and donated RMB25 million through the China Women's Development Foundation to support the flood relief and post-disaster reconstruction work in Beijing-Tianjin-Hebei.

Donation to disaster-affected areas in Beijing-Tianjin-Hebei

Help each other-provide relief to earthquake-stricken areas in Gansu

On 18 December 2023, a 6.2-magnitude earthquake occurred in Jishishan County, Linxia Prefecture, Gansu Province, and many other places in Qinghai and Xinjiang were also affected. The disaster areas were located at high altitude with cold and severe weather. The Group activated emergency response measures immediately and donated cold-proof materials through the China Women's Development Foundation. All departments cooperated with each other and worked against the clock to deliver the supplies in batches to the three earthquake-stricken areas and cooperated with the local governments to distribute the supplies to victims, addressing the hardships together with the disaster areas.

Provide relief to the earthquake-stricken areas in Gansu

Foreign aid – Donations to support Pakistan's flood relief efforts

In June 2022, many provinces in Pakistan suffered rounds of heavy rainfall, causing overwhelming floods and making tens of millions of people homeless. In December 2022, the commercial office of Pakistan embassy in China wrote to China Leather Association, hoping that the Chinese footwear enterprises can support the Pakistani people to fight against the natural disasters, and help the reconstruction after the disaster. In January 2023, China Leather Association in the footwear industry launched the donation initiative entitled "wear Chinese shoes, rebuild new homes". We responded positively to this initiative, quickly implemented it, and took action immediately to express our caring for the Pakistani people affected by the disaster through actions. We donated sports and leisure shoes to help them tide over the difficulties and rebuild their homes.

Love and care, help in growth

The Group has long been committed to promoting the popularization and development of sports in underdeveloped areas, providing sports resources and supporting to local youths and helping them grow up healthy.

Deliver Care – Donate sports goods to youths in Xihua County, Henan Province

To address the problem of old and insufficient sports facilities in schools in Xihua County, Henan Province, the Group selected a batch of basketball, badminton and table tennis products and sports facilities suitable for students' sports needs, and donated the materials to the local schools through China Rural Development Foundation. The donation aims to support young people to enjoy sports and develop their moral, intellectual, physical, social and aesthetic development, as well as promote the popularization of sports education and the development of sports education in local area.

Donation to rural schools in Xihua County, Henan Province, China

Cultivate young people with sports, build the future together

With the mission of "Let Sports Light Your Passion", the Group continues to fulfill its brand advantages, support the development of youth sports, spread sports culture, and bring new vitality to the sportsmanship.

Deliver warmth – joining hands with Yao foundation charity competition to organize charity events

On 17 September 2023, the Group joined hands with the Yao foundation charity match to organize the "11th Yao Foundation Charity Competition 2023" in Macau, China. The Group provided professional sports equipment to domestic and overseas professional and young players participating in this year's Yao Foundation Charity Competition, including customized jersey with the logo of Yao Foundation Charity Competition. The jersey symbolized the spirit of the charity match, which is "connecting the world with basketball, communicating with you and me with love". The Group practiced the concept of "cultivating young people with sports" and supported the Yao Foundation Charity Competition with professional basketball sports outfits, igniting the flame of sports inheritance for young people and making the sportsmanship inspire everyone to grow up.

The 11th Yao foundation charity competition

ESG INDICATORS INDEX

Aspect	Content	Section
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG– related goals and targets with an explanation of how they relate to the issuer's businesses.	Particulars of the Report
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: **Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. **Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used (if any), or any other relevant factors affecting a meaningful comparison.	Particulars of the Report
Reporting Scope	A narrative explaining the reporting scope of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Particulars of the Report

Aspect	Content	Section
A. Environmental		
A1: Emissions	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non–hazardous waste. *Note: Exhaust air emissions include NOx, Sox, and other pollutants regulated under national laws and regulations.* *Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydro fluorocarbons, perfluorocarbons and sculpture hexafluoride.* *Hazardous wastes are those defined by national regulations.*	Environmental Management
	A1.1 The types of emissions and respective emissions data.	2023 Environmental Performance
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2023 Environmental Performance
	A1.3 Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2023 Environmental Performance
	A1.4 Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2023 Environmental Performance
	A1.5 Description of emissions target(s) set and steps taken to achieve them.	Environmental Goals, Environmental Management System and Measures
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Goals, Environmental Management System and Measures

Aspect	Content		Section
A2: Use of Resources	General disclosure Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*		Environmental Management
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	2023 Environmental Performance
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2023 Environmental Performance
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Goals, Environmental Management System and Measures
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Goals, Environmental Management System and Measures, 2023 Environmental Performance
	A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	2023 Environmental Performance
A3: Environment and Natural Resources	General disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources		Environmental Management
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management
A4: Climate Change	General disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Climate Change Risk Management
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change Risk Management

Aspect	Content	Section
B. Social		
Employment and Labor Practices		
B1: Employment	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Management
	B1.1 Total workforce by gender, employment type (for example, full or part- time), age group and geographical region.	Lawful Employment to Safeguard Rights and Interests
	B1.2 Employee turnover rate by gender, age group and geographical region.	Lawful Employment to Safeguard Rights and Interests
B2: Health and Safety	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safety Security and Health
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safety Security and Health
	B2.2 Lost days due to work injury.	Safety Security and Health
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety Security and Health

Aspect	Content	Section
B3: Development and Training	General disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note:* Training refers to vocational training. It may include internal and external courses paid by the employer.	Talent Training and Value Creation
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Training and Value Creation
	B3.2 The average training hours completed per employee by gender and employee category.	Talent Training and Value Creation
B4: Labor Standards	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Employment Management
	B4.1 Description of measures to review employment practices to avoid child and forced labor.	Lawful Employment to Safeguard Rights and Interests
	B4.2 Description of steps taken to eliminate such practices when discovered.	Lawful Employment to Safeguard Rights and Interests

Aspect	Content		Section
Operating Practices			
B5: Supply Chain Management	General disclosure		Win-Win Management
	Policies on managing environmental and social risks of the supply chain.		
	B5.1	Number of suppliers by geographical region.	Win-Win Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Introduction of Suppliers
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Introduction of Suppliers, Supplier Management and Supplier Disqualification
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Building a Green Supply Chain
B6: Product Liability	General disclosure:		Product Liability Management
	Information on:		
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
	relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	None
	B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Complaints and Protection
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights and Brand Protection
	B6.4	Description of quality assurance process and recall procedures.	Product Identification and Recall
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Information Protection

Aspect	Content	Section
B7: Anti-corruption	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption Management
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	None
	B7.2 Description of preventive measures and whistle–blowing procedures, and how they are implemented and monitored.	Anti-corruption Management
	B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption Management
Community		
B8: Community Investment	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment Management
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Investment Management
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Investment Management

INVESTOR RELATIONS REPORT

In 2023, China's macroeconomy recovered steadily, however, the residents' consumption power was yet to be further unleashed, and the sports industry faced a multitude of challenges. Nonetheless, the Group proactively responded to the development of the industry to satisfy the sports needs of different consumer groups, and strived to expand its market share steadily. At the same time, the Group made the strategic move to concentrate on the development of functional sports products, and professional products became an effective growth driver of the Group's results. These products also helped the Group gain brand and product influence, hence further enhancing the Group's competitiveness in the sports industry.

Adhering to the development strategy of "Single Brand, Multi-categories, Diversified Channels" with a focus on product, channel and retail operating capacity and supply chain management, the Group stepped up product and technology research and development, improved the operating efficiency of the retail channels, and bolstered the stability and flexibility of the supply chain. During the year, the Group's operations remained healthy and stable as a whole, which demonstrated the excellent resilience of the brand.

The steady improvement of brand competitiveness and the sustainable growth in operating results have won the brand with more consumers on the one hand, and attracted more attention from the global capital market on the other, which has in turn brought about new demands and new challenges on the investor relation of the Company. During the year, in strict compliance with the relevant information disclosure requirements of the Hong Kong Stock Exchange, the Investor Relations Department of the Company took "Communication and Discovery, Transmission and Recommendation" as its major task, and adhered to the communication principle of "accessible, credible and timely" to ensure effective communication between seller/analysts and buyer/investors, striving to demonstrate a more complete picture of the Company's business development to the investment community.

• *COMMUNICATION AND DISCOVERY*

– Except the black-out period prior to the publication of results announcements, the Investor Relations Department strictly complied with the relevant requirements of the Hong Kong Stock Exchange to disclose information on a regular basis, at the same time maintaining timely communication with the investment community on the Company's operating performance. A smooth and effective two-way communication model was maintained through the active daily meeting and conference call mechanism;

– The Investor Relations Department deepened and broadened the conveying of information by further enhancing the participation in investors' forums and conducting more focused interactive communication;

– The Investor Relations Department actively listened and responded to the demand of the investment community for knowledge on the business development of the Company, including issues such as "Environment, Social Responsibility, Corporate Governance" which received increasing attention year by year, as well as focused on discovering outstanding industry standards.

• *TRANSMISSION AND RECOMMENDATION*

– As a two-way bridge for information communication, apart from helping the investors experience LINING's experience value in a more detailed, practical and comprehensive way, the Investor Relations Department summarized and collected the feedbacks from the investment community and reported to the Company's management, which has become a common work practice;

– The Investor Relations Department consistently summarized and explored excellent industry experience and work practice and reported and offered recommendations on such information to the management so as to be committed to providing forward-looking plans to improve the operation and corporate governance of the Company.

Investor communication activities of the Company during the year are summarized as below:

Type of activities	2023	2022	2021
Roadshows (including reverse roadshows)	**4**	2	2
	(180 meetings in total)	(137 meetings in total)	(68 meetings in total)
Forum	**18**	11	8
	(75 meetings in total)	(67 meetings in total)	(63 meetings in total)
Meeting/online conference	**340**	306	334

Looking into 2024, in line with the Company's development progress, the Investor Relations Department of the Company will continue to focus on the core working principle of "Communication and Discovery, Transmission and Recommendation", emphasize on helping the investment community gain a more comprehensive and prompt understanding of the Company's current development and future approach so as to continuously and proactively maintain confidence of the Company's long-term development from the capital market.

INFORMATION FOR INVESTORS

Share Information

Listing: Main Board of the Hong Kong Stock Exchange on 28 June 2004
Stock code: 2331 (HKD counter) and 82331 (RMB counter)
Board lot: 500 Shares
No. of issued Shares as at 31 December 2023: 2,625,414,708 Shares
Market capitalisation as at 31 December 2023: approximately HK$54,871,167,397

Dividend for 2023

Interim dividend: RMB36.20 cents per Share
Final dividend: RMB18.54 cents per Share

Financial Calendar

Announcement of annual results: 19 March 2024
Annual General Meeting: 13 June 2024

Corporate Websites

Li Ning Official Website: http://www.lining.com
Li Ning IR Website: http://ir.lining.com

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DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and Senior Management as at the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. Li Ning, aged 61, is the founder of the LI-NING brand and the Group's Executive Chairman, Joint Chief Executive Officer and an executive Director, he is also the chairman of the nomination committee of the Company. Mr. Li served as an Interim Chief Executive Officer of the Company from 18 March 2015 to 1 September 2019, and has been re-designated as the Joint Chief Executive Officer of the Company with effect from 2 September 2019 with his focus on the overall control and strategic planning of the Group. Mr. Li is one of the most outstanding athletes in the 20th century. In the 6th World Cup Gymnastics Competition in 1982, Mr. Li unprecedentedly won six gold medals in men's artistic gymnastics events and was named the "Prince of Gymnastics" (體操王子) in the PRC. In the 23rd Los Angeles Olympic Games in 1984, Mr. Li won three gold, two silver and one bronze medals, making him the athlete winning the most medals of that Olympic Games. In 1987, Mr. Li became the member of the Athlete's Commission of the International Olympic Committee. From 1993 to 2000, Mr. Li served as a member of the Men's Artistic Gymnastics Technical Committee of the Federation Internationale De Gymnastique. He is currently an honorary member of the Federation Internationale De Gymnastique. In 1999, Mr. Li was voted one of the "World's Most Excellent Athletes in the 20th Century" by the World Sports Correspondent Association. After retiring from his athlete career in 1989, Mr. Li initiated the idea of LI-NING brand with the goal of creating the first national sports goods brand in the PRC. He has dedicated the past over 33 years to the development of the Group's business, making great contribution to the development of the sporting goods industry in China. Mr. Li also serves as chairman, chief executive officer, executive director, chairman of the nomination committee and the chairman of the executive committee of Viva Goods Company Limited (formerly known as Viva China Holdings Limited), a company which transferred listing from GEM to the Main Board of the Hong Kong Stock Exchange on 27 June 2023 (Stock Code: 933) and is a substantial shareholder of the Company. Mr. Li is the non-executive chairman of LionRock Capital GP Limited and a director of The Hong Kong Research Institute of Textiles and Apparel Limited. Mr. Li holds a bachelor's degree in law from School of Law of Peking University (北京大學), an executive M.B.A. degree from Guanghua School of Management of Peking University (北京大學光華管理學院), a technical honorary doctorate from Loughborough University in the United Kingdom and a degree of Doctor of Humanities honoris causa of The Hong Kong Polytechnic University. In June 2010, Mr. Li was also conferred honorary fellowship from The Hong Kong University of Science and Technology. Mr. Li has also been actively involved in charities via his "Li Ning Foundation" (李寧基金) and has supported educational development in impoverished and remote areas in China. In October 2009, Mr. Li was appointed by The United Nations World Food Programme (WFP) as "WFP Goodwill Ambassador against Hunger". Mr. Li is an honorary president of the Hong Kong Association of Youth Development and a life member of The Chinese General Chamber of Commerce, Hong Kong. Mr. Li is the uncle of Mr. Li Qilin, an executive Director of the Company, and he is also the brother of Mr. Li Chun, a substantial shareholder of the Company as defined in the SFO.

Mr. Kosaka Takeshi, aged 53, a Japanese-Chinese whose former Chinese name was Qian Wei (錢煒), is an executive Director and the Joint Chief Executive Officer of the Company. Mr. Kosaka joined the Group in September 2019 and focus on the operations of the Group. Mr. Kosaka graduated from Kwansei Gakuin University in Japan. Prior to joining the Company, he was the chief executive officer of South Korea Uniqlo. Mr. Kosaka joined Fast Retailing Co., Limited ("Fast Retailing") in 1996 and worked in various divisions and Asian regions gaining extensive experience in supply chain, products and merchandising as well as retail management. Fast Retailing is the holding company of Uniqlo and its securities are secondary listed as depositary receipts on the Hong Kong Stock Exchange (Stock Code: 6288). He served as the vice general manager and the chief operating officer of the PRC Uniqlo in 2001 and 2005 respectively. Mr. Kosaka has over 20 years' experience in the development and management of the PRC market.

Mr. Li Qilin, aged 37, is an executive Director and a member of remuneration committee of the Company. Mr. Li joined the Group in December 2017 as a non-executive Director and re-designated as an executive Director with effect from 19 June 2018. He has considerable experience in financial services industry and was an analyst of Persistent Asset Management Limited during the period from January 2010 to July 2013. Mr. Li serves as an executive director and a member of the executive committee of Viva Goods Company Limited (formerly known as Viva China Holdings Limited), a company which transferred listing from GEM to the Main Board of the Hong Kong Stock Exchange on 27 June 2023 (Stock Code: 933) and is a substantial shareholder of the Company. Mr. Li is the nephew of Mr. Li Ning, the Executive Chairman and Joint Chief Executive Officer of the Company, and he is also the son of Mr. Li Chun, a substantial shareholder of the Company as defined in the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Koo Fook Sun, Louis, aged 67, is an independent non-executive Director and chairman of the audit committee of the Company. Mr. Koo joined the Group in June 2004, and has many years of experience in corporate finance and professional accounting. Mr. Koo served as the managing director and the head of corporate finance department of a major international bank, and a director and chief executive officer of a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Koo serves as an independent non-executive director of Xingda International Holdings Limited and Winfull Group Holdings Limited, both of which are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Koo resigned as an independent non-executive director of Good Friend International Holdings Inc. in January 2022, which was privatised and delisted from the Main Board of the Hong Kong Stock Exchange in December 2021. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley in the United States.

Ms. Wang Ya Fei, aged 68, is an independent non-executive Director, chairperson of the remuneration committee, a member of the audit committee and the nomination committee of the Company. Ms. Wang joined the Group in January 2003, she has over 30 years of experience in management and corporate investment and finance matters. Ms. Wang served as a chairperson of Caelum Asset Management Company from 2011 to 2020. She served as a director of Xueda Education from 2006 to 2010, and an independent director of Xueda Education Group, a company listed on the New York Stock Exchange, from 2010 to 2016, and was the partner, director and deputy general manager of Beijing Investment Consultants Inc. from 1996 to September 2011, and was a professor and dean assistant in Guanghua School of Management of Peking University (北京大學光華管理學院) from 1995 to September 2011. Ms. Wang holds a bachelor's degree in international politics from Fudan University (復旦大學) in Shanghai and was an exchange scholar in Maryland University, College Park in the United States. Ms. Wang also holds a M.B.A. degree from University of Lancaster in the United Kingdom.

Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*, aged 66, is an independent non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company. Dr. Chan joined the Group in June 2004, he has over 37 years of experience in the garment industry and is currently the chairman of Prospectful Holdings Ltd. Dr. Chan serves as an independent non-executive director of Great Harvest Maeta Group Holdings Limited, Glorious Sun Enterprises Limited and MTR Corporation Limited, all of which are listed on the Main Board of the Hong Kong Stock Exchange. He was an independent non-executive director of Speedy Global Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, from December 2012 to January 2023. Dr. Chan is active in community affairs in Hong Kong. He is a member of the Court of Hong Kong Metropolitan University whose former name was The Open University of Hong Kong from 2012. Dr. Chan was appointed as Justice of Peace in 2002 and was awarded the Bronze Bauhinia Star medal in 2004, Silver Bauhinia Star medal in 2009, Gold Bauhinia Star medal in 2014 and Grand Bauhinia Medal in July 2021 by the Government of the Hong Kong Special Administrative Region. In December 2013, Dr. Chan was conferred Doctor of Business Administration, honoris causa, by Hong Kong Metropolitan University.

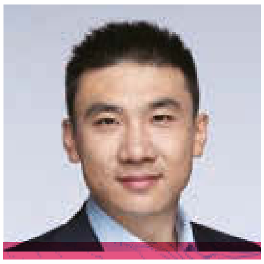
Ms. Wang Yajuan, aged 54, is an independent non-executive Director. Ms. Wang joined the Group in December 2022, she has over 21 years of experience in business administration and is currently the chief marketing officer of Xingyin Information Technology (Shanghai) Co., Ltd. (行吟信息科技(上海)有限公司) ("Xingyin"), which operates Xiaohongshu (小紅書), a social media and e-commerce platform in the People's Republic of China. Prior to joining Xingyin, she served as a senior vice president of Weibo (a company listed on NASDAQ) from February 2014 to March 2020. Ms. Wang holds a bachelor's degree in science (Library and Information Science) and an executive master degree in business administration from Peking University.

SENIOR MANAGEMENT

Mr. Zhao Dong Sheng, aged 52, vice president and chief financial officer of the Group, joined the Group in August 2022, and is responsible for financial and treasury functions of the Company as well as investor relations. Mr. Zhao has over 25 years of experience in the fast-moving consumer goods industry. He has worked for Swire Coca-Cola (China) Co., Ltd. as the finance general manager. Mr. Zhao is a Senior Accountant of the People's Republic of China, a fellow member of Certified Practising Accountant in Australia, a Chartered Global Management Accountant and a fellow member of the Chartered Institute of Management Accountants. Mr. Zhao holds a master degree in accounting from Jiangxi University of Finance and Economics and a master degree in business administration from China Europe International Business School.

Mr. Hong Yu Ru, aged 58, vice president of the Group, joined the Group in March 1990, and is responsible for the Company's sports science research. Prior to joining the Group, Mr. Hong has 9 years of experience of being a professional badminton athlete. After joining the Group, he has been responsible for the Company's regional retailing business in Shanghai; setting up the Company's first division, accessory division; responsible for the strategic collaborations of Beijing Olympics, the badminton and international business division, and the Company's product design, planning, listing and marketing.

Mr. Jin Zhai Xuan, aged 46, vice president and chief operating officer of the Group, joined the Group in April 2020, and is responsible for the Group's general management, such as store sales & operation, merchandise planning, logistics and supply chain. Mr. Jin has over 21 years of general retail management experience in household and apparel industry. Mr. Jin held senior retail management position in several well-known multinational and domestic enterprises throughout his career. Mr. Jin holds a master degree from University of Science and Technology of China.



Mr. Wang Nan, aged 41, vice president of the Group, joined the Group in October 2021, and is responsible for wholesale business of the Group. Mr. Wang has over 18 years of working experience in sales of fast-moving consumer goods and sports products. He has worked at internationally renowned sports goods brand enterprises. In his career, Mr. Wang held senior management positions in well-known multinational enterprises. Mr. Wang holds a bachelor's degree from Beijing University of Technology and a master degree from NEOMA Business School in France.

Mr. Feng Ye, aged 44, vice president of the Group, joined the Group in August 2008, and is responsible for the e-commerce and new retail business of the Group. Mr. Fung has over 20 years of experience in the areas of Internet and e-commerce. He has worked at a number of well-known internet companies. He holds a bachelor's degree in electronic information engineering from Shanghai Maritime College (now known as Shanghai Maritime University).

Mr. Song Chun Tao, aged 46, vice president and chief human resources officer of the Group, joined the Group in April 2023, and is responsible for the Group's human resources, administration and legal affairs. Mr. Song has over 25 years of experience in human resource management in the consumer goods and apparel retail industries and successively held senior management positions in well-known multinational and domestic enterprises. Mr. Song holds a bachelor's degree in engineering from Nanchang University and a master degree in business administration from Sun Yat-sen University.

Mr. Wang Yi, aged 44, vice president and chief marketing officer of the Group, joined the Group in June 2023, and is responsible for the Group's brand strategy planning and management, sports resource management and multi-category product marketing, retail and consumer experience, and corporate public relations. Mr. Wang has served for a number of world-renowned consumer goods corporates such as Procter & Gamble, Mars, Johnson & Johnson, and engaged in multi-category and multi-brand marketing management. He was also in charge of brand management, media planning and digital transformation of Yili Group. Mr. Wang has extensive experience in consumer insight, brand building and marketing. He holds a bachelor's degree in science from Sun Yat-sen University and is currently studying for an executive master degree in business administration from Tsinghua University.

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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. 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 be the most prominent, stylish, world-leading sports brand from China.

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 ventures/associates with third parties of the Group.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's subsidiaries and its investments in associates and joint ventures as at 31 December 2023 are set out in notes 10 and 11, respectively, to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement on page 160 of this annual report.

DIVIDENDS AND DIVIDEND POLICY

During the year, the Company declared an interim dividend of RMB36.20 cents per Share issued or to be issued upon conversion of CS for the six months ended 30 June 2023 (2022: nil) on 10 August 2023, and such interim dividend has been paid in September 2023.

The Board has recommended the payment of final dividend of RMB18.54 cents per Share issued or to be issued upon conversion of CS for the year ended 31 December 2023 (2022: RMB46.27 cents). The proposed final dividend is subject to approval by the Shareholders at the 2024 AGM and is payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on 13 June 2024. Such dividend will not be subject to any withholding tax. Upon Shareholders' approval, the proposed final dividend will be paid:

(i) on 28 June 2024 to Shareholders whose names shall appear on the register of members of the Company on 20 June 2024;

(ii) on 28 June 2024 to CS Holders issued under the 2015 Open Offer and remain outstanding on 20 June 2024; and

(iii) on 4 July 2024 (i.e. the third business day after 28 June 2024) to CS Holders issued under the 2013 Open Offer and remain outstanding on 20 June 2024.

For the avoidance of doubt, any CS subject to a conversion notice completed, executed and deposited on or before the final dividend record date (being 20 June 2024) shall be entitled to the distribution of such final dividend of the Company. For details of calculation of distribution of the final dividend entitled to the CS, please refer to the listing documents of the Company dated 27 March 2013 and 9 January 2015 respectively.

The Company has adopted a dividend policy, which aims to set out the approach with the objective of achieving right balance of the amount of dividend and the amount of profits retained in the business for various purposes. The dividend policy is to provide relatively steady dividend payout ratio, linked to the Group's earnings performance and cash flow position as well as the business environment. However, the prospective dividend growth remains dependent upon the financial performance and future funding needs of the Group.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS AND CS HOLDERS

For the purpose of determining Shareholders who are entitled to attend and vote at the 2024 AGM and Shareholders and CS Holders qualifying for the proposed final dividend to be approved at the 2024 AGM, the register of members and register of CS Holders of the Company will be closed as set out below:

(i) For ascertaining eligibility to attend and vote at the 2024 AGM:

Latest time to lodge transfer documents	4:30 p.m. on 6 June 2024 (Thursday)
Period of closure of register of members	7 June 2024 (Friday) to 13 June 2024 (Thursday) (both days inclusive)
Record date	13 June 2024 (Thursday)
2024 AGM date	13 June 2024 (Thursday)

In order to qualify for attending and voting at the 2024 AGM, all transfer documents must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before the above latest time to lodge transfer documents.

(ii) For ascertaining entitlement to the proposed final dividend to be approved at the 2024 AGM:

Latest time to lodge transfer documents	4:30 p.m. on 18 June 2024 (Tuesday)
Period of closure of register of members and register of CS Holders	19 June 2024 (Wednesday) to 20 June 2024 (Thursday) (both days inclusive)
Final dividend record date	20 June 2024 (Thursday)

In order to qualify for the proposed final dividend, all transfer documents must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before the above latest time to lodge transfer documents.

During the above closure periods, no transfer of Shares or CS will be registered.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 17 to the consolidated financial statements.

RESERVES

As at 31 December 2023, the Company's distributable reserves, including share premium, treasury shares, other reserves and retained earnings, amounted to RMB9,898,126,000 (31 December 2022: RMB12,640,742,000).

Details of the movements in the reserves of the Group and the Company during 2023 are set out in the consolidated statement of changes in equity on pages 162 to 163 of this annual report and notes 17 to 18 and note 35(a) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively in the financial year ended 31 December 2023 were as follows:

	Year ended 31 December	
	2023	2022
	% of total revenue	% of total revenue
The largest customer	**3.7**	3.2
Five largest customers	**12.4**	11.5
	% of total purchases	% of total purchases
The largest supplier	**10.3**	8.9
Five largest suppliers	**27.9**	27.4

All of the above five largest customers and suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors, their associates or any Shareholder holding more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest customers or suppliers as disclosed above.

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2023 was nil (2022: nil).

DONATIONS

During the year, the Group has implemented cash and material donations with value of RMB27,043,000 (2022: RMB32,243,000). In addition, the donation of RMB20,869,000 worth of materials confirmed with charities during the year has been fully implemented up to the date of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 6 to the consolidated financial statements.

CONVERTIBLE SECURITIES

On 25 January 2013, the Company announced the open offer of convertible securities (the "2013 Convertible Securities") in the principal amount of approximately HK$1,847.8 million on the basis of each 2013 Convertible Securities in the principal amount of HK$3.50 for every two existing Shares held on 19 March 2013. Details of the 2013 Open Offer and the terms thereof are set out in the Company's announcement dated 25 January 2013 and the prospectus dated 27 March 2013 respectively.

After the 2013 Open Offer became unconditional, the Company issued 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 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 became unconditional, the Company issued a total of 597,511,530 Offer Securities, which included 450,630,034 new 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 year ended 31 December 2023, the 2013 Convertible Securities in an aggregate principal amount of approximately HK$48,133.33 had been converted into 15,122 Shares and no 2015 Convertible Securities were converted into Shares. As at 31 December 2023, the outstanding 2013 Convertible Securities amounted to approximately HK$3,406,620.12 and the outstanding 2015 Convertible Securities amounted to HK$200.20 which are convertible into a total of 1,070,254 Shares and 77 Shares respectively.

Assuming all outstanding CS were converted into Shares as at 31 December 2023, set out below is the shareholding structure of the Company before and after such conversion:

Name of substantial Shareholders *(Note 1)*	No. of Shares before conversion of outstanding CS	% of holdings	No. of Shares convertible under the CS	No. of Shares after including shares convertible under the outstanding CS	% of holdings
Li Ning	276,329,526 *(Note 2)*	10.53%	–	276,329,526	10.52%
Public	2,349,085,182	89.47%	1,070,331	2,350,155,513	89.48%
Total	2,625,414,708	100.00%	1,070,331	2,626,485,039	100.00%

Notes:

1. Substantial shareholder has the same meaning ascribed to it under the Listing Rules.

2. Mr. Li Ning is interested in 276,329,526 Shares, among which:

   – 4,208,983 Shares are held as personal interest; and

   – 272,120,543 Shares are held by Viva Goods Company Limited.

   Mr. Li Qilin, the nephew of Mr. Li Ning and the son of Mr. Li Chun, is deemed to be interested in 272,120,543 Shares held by Viva Goods Company 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 of the Directors 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 272,120,543 Shares held by Viva Goods Company 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 of the Directors 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 29 to the consolidated financial statements.

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.

FIVE-YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands where the Company is incorporated.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

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	*(re-elected on 14 June 2023)*
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	*(re-elected on 14 June 2023)*
Ms. Wang Yajuan	*(re-elected on 14 June 2023)*

In accordance with article 87 of the Articles of Association and the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the Listing Rules, Mr. Li Ning, Mr. Kosaka Takeshi and Mr. Li Qilin shall retire from the office by rotation and, being eligible, offer themselves for re-election as Directors at the 2024 AGM.

The Company has received from each of the independent non-executive Directors an annual confirmation of his or her independence as required under Rule 3.13 of the Listing Rules. Independence of each of the independent non-executive Directors has been assessed by the Board and the Board continues to consider each of them independent in accordance with the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2024 AGM has an unexpired service contract which is not determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its holding company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to the business of the Group between the Company or any of its subsidiaries, and the Company's controlling Shareholder or any of its subsidiaries during the year, and no transaction, arrangement or contract of significance for the provision of services to the Group by a controlling Shareholder or any of its subsidiaries was made.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

	Businesses which are considered to compete or are likely to compete with the businesses of the Group		
Name of Directors	Name of entity	Description of the entity's business	Nature of interest of the Director in the entity
Mr. Li Ning and Mr. Li Qilin	Viva Goods Company Limited (formerly known as Viva China Holding Limited) ("Viva Goods")	The core business of Viva Goods and its subsidiaries, (collectively, the "Viva Goods Group"), is the operation of multi-brands apparels and footwears business. It also engages in sports experience including operation, service provision and investment of sports destinations, sports competitions and events as well as an e-sports club. Among the core businesses of Viva Goods Group, its development, design and sale of sports, health and leisure consumables and apparels might compete, directly or indirectly, with the business of Li Ning Group.	Director and substantial shareholder (within the meaning of the SFO)

As the Board is independent of the board of the above-mentioned entity and none of the above Directors can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities.

PERMITTED INDEMNITY PROVISIONS

Under the Articles of Association, and subject to the applicable laws and regulations, the directors and officers of the Group shall be indemnified out of the assets and profits of the Company from or against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

EMOLUMENT POLICY

In order to continue to maintain the sustainable development of the Group's competitiveness, the Group has always emphasized the importance of recruiting, incentivizing, developing and retaining its employees, paid close attention to the external competitiveness, internal fairness of its remuneration structure and the cost effectiveness of remuneration and emphasized the importance of the correlation between remuneration management and performance management. For the year ended 31 December 2023, employees' remuneration comprised a basic salary and a performance-based bonus.

PENSION SCHEMES

In the PRC, the Group contributes on a monthly basis to various defined contribution retirement benefit plans established and operated by relevant Chinese municipal and provincial governments ("Pension Schemes"). The municipal and provincial governments have undertaken to pay all the retirement benefits accrued to employees under the Pension Schemes upon their retirement. The Group has no further obligation for payment of post-retirement benefits to employees beyond the contributions made by the Group to the Pension Schemes.

The Group also participates in the provident fund plan and retirement plan in Hong Kong and South Korea respectively, both of which are defined contribution retirement benefit plans.

None of the Pension Schemes, abovementioned provident fund plan and retirement plan has provision for the forfeiture of contributions made to the provident fund. Contributions to these schemes and plans are listed as expenses as incurred. The Group's contributions to retirement benefit schemes charged to the consolidated income statement for the year ended 31 December 2023 were RMB166,153,000 (2022: RMB125,273,000). During the year ended 31 December 2023, the Group had no forfeited contributions under those schemes which may be used by the Group to reduce the existing level of contribution.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2023, save for the CS, the 2014 Share Option Scheme and the 2016 Restricted Share Award Scheme of the Company (as set out in the sections headed "Convertible Securities", "Share Option Scheme" and "Restricted Share Award Scheme" respectively in this Report of the Directors), the Company has not entered into any equity linked agreement, nor did any equity linked agreement subsist at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

LONG-TERM INCENTIVE SCHEMES

Share Option Scheme

At the annual general meeting of the Company held on 30 May 2014, the Shareholders approved the adoption of 2014 Share Option Scheme. The 2014 Share Option Scheme will be valid and effective for a period of ten years commencing on 30 May 2014.

The purpose of the 2014 Share Option Scheme is to provide incentives to eligible participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group. Eligible participants are employees, officers, agents, consultants or representatives of any member of the Group (including any executive and non-executive directors of any member of the Group) who, as the Board may determine in its absolute discretion, have made valuable contributions to the business of the Group based on his/her performance and/or years of service, or are regarded as valuable human resources of the Group based on his/her work experience, knowledge in the industry and other relevant factors.

The maximum number of Shares in respect of which options may be granted under the 2014 Share Option Scheme together with any options outstanding and yet to be exercised under the 2014 Share Option Scheme and any other scheme(s) of the Group in aggregate shall not exceed 30% of the Shares in issue from time to time. In addition, subject to the restrictions imposed by the Listing Rules, the total number of Shares which may be issued upon exercise of all options to be granted under the 2014 Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Group shall not in aggregate exceed 10% of the nominal amount of all the issued Shares as at 30 May 2014, being the date of adoption of the 2014 Share Option Scheme. The total number of Shares issued and to be issued upon exercise of share options granted and to be granted to any single eligible participant (other than a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates) under the 2014 Share Option Scheme in any 12-month period shall not exceed 1% of the total number of Shares in issue on the date of grant. For share options granted or to be granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, the said limit is reduced to 0.1% of the total number of Shares in issue and HK$5 million in aggregate value based on the closing price of the Shares on the date of each grant. Any further grant of share options in excess of such limits is subject to Shareholders' approval at general meeting. On the basis of 1,370,236,257 Shares in issue on the date of adoption of the 2014 Share Option Scheme, the maximum number of Shares that may be issued upon exercise of options that may be granted under the 2014 Share Option Scheme is 137,023,625 Shares. The number of Shares that may be issued upon exercise of options that may be granted under the 2014 Share Option Scheme during the year divided by the weighted average of Shares in issue for the year is 0.13%.

The number of options available for grant by the Company at the beginning is 53,122,959 and remained the same at the end of the year. As at the date of this report, the options available for grant by the Company is 53,122,959 Shares, representing approximately 2.02% of the Shares in issue.

An option shall be regarded as having been accepted when the duplicate of the grant letter, comprising acceptance of the option, is duly signed by the grantee with the number of Shares in respect of which the grant of the option is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within a period of twenty-eight days from the date of grant of the option, provided that no such offer shall be open for acceptance after the expiry of the scheme period or after the 2014 Share Option Scheme has been terminated. A share option may be exercised within a period to be determined by the Board and no share option may be exercised ten years after the date of grant.

The exercise prices will be determined with reference to the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of options; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of options.

Details of the 2014 Share Option Scheme and the terms thereof are set out in the Company's circular dated 10 April 2014.

Details of movements of the options granted under the 2014 Share Option Scheme for the year ended 31 December 2023 are set out below and in note 32 to the consolidated financial statements.

			Number of Shares								
Grantees	Date of grant	Exercise price per Share *HK$*	Outstanding share options as at 01/01/2023	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding share options as at 31/12/2023	Closing price of Shares immediately before the date of grant of the options *HK$*	Vesting period	Exercise period
Directors											
Kosaka Takeshi	19/09/2019	22.52	2,840,300	–	–	–	–	2,840,300	23.30	01/09/2020 to 01/09/2024	01/09/2020 to 31/12/2027
Koo Fook Sun, Louis	17/05/2019	13.16	250,000	–	–	–	–	250,000	13.44	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Wang Ya Fei	17/05/2019	13.16	100,000	–	100,000 *(Note 1(a))*	–	–	–	13.44	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Employees of the Group											
In aggregate	08/06/2016	3.30	2,110,000	–	2,110,000 *(Note 1(b))*	–	–	–	3.27	08/06/2017 to 08/06/2019	08/06/2017 to 07/06/2026
In aggregate	15/04/2019	13.36	317,400	–	–	–	–	317,400	13.42	01/04/2020 to 01/04/2021 *(Note 2)*	01/04/2020 to 31/12/2024
			5,617,700	–	2,210,000	–	–	3,407,700			

Notes:

1. (a) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$18.64.

   (b) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$72.09.

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.

No share options were granted under the 2014 Share Option Scheme during the year ended 31 December 2023.

Restricted Share Award Scheme

At the Board meeting of the Company held on 2 June 2016, the Board adopted the 2016 Restricted Share Award Scheme. The purpose of the 2016 Restricted Share Award Scheme is to facilitate the Company's objectives of attracting new talents, motivating existing talents and retaining both in the Company. Any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any of its subsidiaries is entitled to participate. The 2016 Restricted Share Award Scheme shall be valid for a term of ten years from 14 July 2016 and is administered by the administration committee and the trustee of the scheme.

Pursuant to the 2016 Restricted Share Award Scheme, the Company shall transfer cash to the trustee from time to time for the acquisition of Shares to be held upon trust for the benefit of the selected participants (the "RS Transaction(s)"). Shares granted to the selected participants are subject to restrictions and limitations and will become unrestricted upon vesting at the end of each vesting period and/or satisfaction of specified vesting criteria set out in the grant letters issued to such selected participants. No selected participant is required to make any payment for accepting any grant of award or when the award of shares become unrestricted. Apart from the expenses incurred by the trustee attributable or payable in connection with any sale, purchase, vesting or transfer of the Restricted Shares which shall be borne by the selected participants, vested Shares shall be transferred at no cost to the selected participants. No new Shares will be issued under the 2016 Restricted Share Award Scheme.

Pursuant to the 2016 Restricted Share Award Scheme, the maximum number of Restricted Shares which could be granted during the scheme period shall not exceed 5% of the Company's share capital in issue from time to time. The maximum number of Restricted Shares that may be granted to a selected participant at any one time or in aggregate shall not exceed 1% of the Company's share capital in issue as at the date of adoption of the 2016 Restricted Share Award Scheme (i.e. 18,854,940 Shares). Details of the 2016 Restricted Share Award Scheme and the terms thereof are set out in the announcement of the Company dated 14 July 2016.

The total number of Restricted Shares available for grant under the 2016 Restricted Share Award Scheme at the beginning and at the end of 2023 were 92,706,300 Shares and 91,263,191 Shares respectively. The total number of Restricted Shares available for grant under the 2016 Restricted Share Award Scheme was 89,325,541 Shares, representing approximately 3.46% of the total number of Shares in issue as at the date of this annual report.

During the year, 1,856,160 Restricted Shares were granted by the Company represented approximately 0.07% of the weighted average number of 2,586,488,708 Shares in issue less shares held for the restricted share award scheme and shares repurchased for cancellation during the year.

The total number of Shares that may be issued in respect of options and Restricted Shares granted under all schemes of the Company during the year of 3,407,700 Shares divided by the weighted average number of Shares in issue less shares held for the restricted share award scheme and shares repurchased for cancellation for the year of 2,586,488,708 Shares was 0.13%.

Details of movements of the Restricted Shares granted under the 2016 Restricted Share Award Scheme for the year ended 31 December 2023 are set out below and in note 32 to the consolidated financial statements.

			Number of Restricted Shares								
Grantees	Date of grant	Fair value per Restricted Share *(Note 1)* *HK$*	As at 01/01/2023	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	As at 31/12/2023	Purchase price *(Note 3)* *HK$*	Vesting period	Closing price of Shares immediately before the date of grant of the Restricted Shares *HK$*	Weighted average closing price of Shares immediately before the date of vesting during the year *HK$*
Directors											
Li Ning *(Note 2)*	11/01/2022	76.10	1,447,800	–	217,170	–	1,230,630	Nil	01/04/2023 to 01/04/2026	76.80	61.90
Kosaka Takeshi *(Note 2)*	19/09/2019	22.40	617,750	–	247,100	–	370,650	Nil	01/09/2020 to 01/09/2024	23.30	37.05
	11/01/2022	76.10	1,018,800	–	152,820	–	865,980	Nil	01/04/2023 to 01/04/2026	76.80	61.90
Li Qilin	11/01/2022	76.10	193,100	–	28,965	–	164,135	Nil	01/04/2023 to 01/04/2026	76.80	61.90
Koo Fook Sun, Louis	24/06/2022	67.70	26,000	–	8,666	–	17,334	Nil	01/04/2023 to 01/04/2025	64.55	61.90
Wang Ya Fei	24/06/2022	67.70	26,000	–	8,666	–	17,334	Nil	01/04/2023 to 01/04/2025	64.55	61.90
Chan Chung Bun, Bunny	24/06/2022	67.70	26,000	–	8,666	–	17,334	Nil	01/04/2023 to 01/04/2025	64.55	61.90
Five highest paid individuals *(Note 2)*											
In aggregate	02/12/2020	42.05	33,734	–	33,734	–	–	Nil	01/04/2021 to 01/04/2023	43.45	61.90
In aggregate	11/01/2022	76.10	2,413,200	–	361,980	–	2,051,220	Nil	01/04/2023 to 01/04/2026	76.80	61.90
In aggregate	11/12/2023	18.30	–	215,900	–	–	215,900	Nil	01/09/2024 to 01/09/2026	21.35	N/A
Other employees of the Group											
In aggregate	20/10/2020	40.70	800	–	–	–	800	Nil	20/10/2022 to 20/10/2030	38.20	N/A
In aggregate	02/12/2020	42.05	11,268	–	11,268	–	–	Nil	01/04/2021 to 01/04/2023	43.45	61.90
In aggregate	02/12/2020	42.05	36,604	–	30,970	5,634	–	Nil	01/09/2021 to 01/09/2023	43.45	37.05
In aggregate	31/03/2021	50.50	4,700	–	4,700	–	–	Nil	01/09/2021 to 01/09/2023	50.85	37.05
In aggregate	31/03/2021	50.50	41,868	–	20,932	3,568	17,368	Nil	01/04/2022 to 01/04/2024	50.85	61.90
In aggregate	20/08/2021	89.20	10,752	–	5,374	–	5,378	Nil	01/09/2022 to 01/09/2024	94.75	37.05
In aggregate	11/10/2021	79.35	36,534	–	18,266	–	18,268	Nil	01/09/2022 to 01/09/2024	80.95	37.05
In aggregate	20/12/2021	79.95	7,334	–	3,666	–	3,668	Nil	01/09/2022 to 01/09/2024	84.00	37.05
In aggregate	11/01/2022	76.10	77,300	–	25,766	–	51,534	Nil	01/04/2023 to 01/04/2025	76.80	61.90

			Number of Restricted Shares								
Grantees	Date of grant	Fair value per Restricted Share	As at 01/01/2023	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	As at 31/12/2023	Purchase price	Vesting period	Closing price of Shares immediately before the date of grant of the Restricted Shares	Weighted average closing price of Shares immediately before the date of vesting during the year
		(Note 1) HK$						*(Note 3)* HK$		HK$	HK$
In aggregate	11/01/2022	76.10	2,896,200	–	337,905	752,895	1,805,400	Nil	01/04/2023 to 01/04/2026	76.80	61.90
In aggregate	21/03/2022	62.15	611,200	–	153,100	40,198	417,902	Nil	01/04/2023 to 01/04/2025	60.60	61.90
In aggregate	21/03/2022	62.15	579,300	–	86,895	–	492,405	Nil	01/04/2023 to 01/04/2026	60.60	61.90
In aggregate	25/05/2022	50.65	28,000	–	9,332	–	18,668	Nil	01/04/2023 to 01/04/2025	52.25	61.90
In aggregate	30/06/2022	72.70	4,800	–	1,600	–	3,200	Nil	01/04/2023 to 01/04/2025	70.60	61.90
In aggregate	19/08/2022	69.10	6,500	–	2,166	–	4,334	Nil	01/09/2023 to 01/09/2025	69.85	37.05
In aggregate	23/09/2022	62.65	5,400	–	1,800	–	3,600	Nil	01/09/2023 to 01/09/2025	64.00	37.05
In aggregate	28/10/2022	42.35	5,200	–	–	5,200	–	Nil	01/09/2023 to 01/09/2025	45.70	N/A
In aggregate	28/10/2022	42.35	206,800	–	31,020	–	175,780	Nil	01/09/2023 to 01/09/2026	45.70	37.05
In aggregate	03/01/2023	69.35	–	9,700	–	–	9,700	Nil	01/04/2024 to 01/04/2026	67.75	N/A
In aggregate	03/01/2023	69.35	–	720,760	–	–	720,760	Nil	01/04/2024 to 01/04/2027	67.75	N/A
In aggregate	20/03/2023	55.60	–	27,700	–	27,700	–	Nil	01/04/2024 to 01/04/2026	57.70	N/A
In aggregate	25/04/2023	55.45	–	163,500	–	3,100	160,400	Nil	01/04/2024 to 01/04/2026	56.90	N/A
In aggregate	31/05/2023	42.00	–	11,900	–	–	11,900	Nil	01/04/2024 to 01/04/2026	43.35	N/A
In aggregate	29/06/2023	41.40	–	235,800	–	–	235,800	Nil	01/04/2024 to 01/04/2026	44.15	N/A
In aggregate	27/09/2023	32.00	–	56,300	–	–	56,300	Nil	01/09/2024 to 01/09/2026	32.05	N/A
In aggregate	26/10/2023	23.95	–	79,200	–	–	79,200	Nil	01/09/2024 to 01/09/2026	30.20	N/A
In aggregate	29/11/2023	21.35	–	10,800	–	–	10,800	Nil	01/09/2024 to 01/09/2025	22.10	N/A
In aggregate	29/11/2023	21.35	–	81,600	–	–	81,600	Nil	01/09/2024 to 01/09/2026	22.10	N/A
In aggregate	11/12/2023	18.30	–	171,000	–	–	171,000	Nil	01/09/2024 to 01/09/2025	21.35	N/A
In aggregate	11/12/2023	18.30	–	72,000	–	–	72,000	Nil	01/09/2024 to 01/09/2026	21.35	N/A
			10,372,944	1,856,160	1,812,527	838,295	9,578,282				

Notes:

1. The fair values of the Restricted Shares were based on the closing price per Share quoted on the Stock Exchange as at the date of grant.

2. The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 included two Directors. The aggregate information reported under this category represent the movements of the Restricted Shares for the remaining three individuals.

3. Selected participants are not required to make any payment for application or to accept Restricted Shares. Save for the aforesaid expenses incurred which shall be borne by the selected participant, the Restricted Shares were granted at nil consideration.

Save as disclosed above, at no time during the year 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.

Since the aggregate interest of the Company's connected persons under the 2016 Restricted Share Award Scheme is more than 30%, the trustee has become an associate of connected persons of the Company pursuant to Rule 14A.12(1)(b) of the Listing Rules, as such the RS Transactions shall constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

For details of the annual cap applicable to the RS Transactions for the year ended 31 December 2023, please refer to the section headed "Adoption of Annual Caps for Continuing Connected Transactions under the 2016 Restricted Share Award Scheme" in this Report of the Directors and the announcements of the Company dated 19 September 2019, 23 December 2020, 14 December 2021 and 1 June 2023.

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

As at 31 December 2023, 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 (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name of Directors	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	276,329,526	1,230,630	277,560,156 *(Note 1)*	10.57%
Kosaka Takeshi	Personal interest	894,270	4,076,930 *(Note 2)*	4,971,200	0.19%
Li Qilin	Personal interest & Beneficiary of a discretionary trust	273,225,508	164,135	273,389,643 *(Note 3)*	10.41%
Koo Fook Sun, Louis	Personal interest	8,666	267,334 *(Note 4)*	276,000	0.01%
Wang Ya Fei	Personal interest	378,811	17,334 *(Note 5)*	396,145	0.02%
Chan Chung Bun, Bunny	Personal interest	11,796	17,334 *(Note 6)*	29,130	0.00%

* The percentage has been calculated based on 2,625,414,708 Shares in issue as at 31 December 2023.

Notes:

1. Mr. Li Ning is interested in 277,560,156 Shares, among which 4,208,983 Shares are held as personal interest, and he is deemed to be interested in 272,120,543 Shares held by Viva China Development Limited ("Viva China BVI"). Moreover, Mr. Li Ning is interested in 1,230,630 underlying Shares. Details are as follows:

   (a) Viva China BVI, a wholly-owned subsidiary of Viva Goods Company Limited (formerly known as Viva China Holdings Limited) ("Viva Goods"), is interested in 272,120,543 Shares. As at 31 December 2023, Viva Goods is owned as to approximately 17.28% by Victory Mind Assets Limited ("Victory Mind"), approximately 21.93% by Lead Ahead Limited ("Lead Ahead"), approximately 20.57% by Dragon City Management (PTC) Limited ("Dragon City") and approximately 0.62% by Mr. Li Chun, the brother of Mr. Li Ning and a substantial shareholder of the Company, respectively. Mr. Li Ning has personal interest of approximately 0.22% shareholding in Viva Goods. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun 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 Ning 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 Ning 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 Ning is deemed to be interested in the 272,120,543 Shares held by Viva Goods. Mr. Li Ning is also an executive director, the chairman and chief executive officer of Viva Goods.

   (b) Mr. Li Ning is interested in 1,230,630 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.

2. Mr. Kosaka Takeshi is interested in 2,840,300 share options granted under the 2014 Share Option Scheme at an exercise price of HK$22.52 each and 1,236,630 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

3. Mr. Li Qilin is interested in 273,389,643 Shares, among which 1,104,965 Shares are held as personal interest, and he is deemed to be interested in 272,120,543 Shares held by Viva Goods by virtue of the SFO. Moreover, Mr. Li Qilin is interested in 164,135 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 Goods.

4. Mr. Koo Fook Sun, Louis is interested in 250,000 share options granted under the 2014 Share Option Scheme at an exercise price of HK$13.16 each and 17,334 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

5. Ms. Wang Ya Fei is interested in 17,334 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

6. Dr. Chan Chung Bun, Bunny is interested in 17,334 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

Save as disclosed above, so far as was known to any Director, as at 31 December 2023, 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 or 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.

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

As at 31 December 2023, 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 Shareholders	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	276,329,526	1,230,630	277,560,156 *(Note 1)*	10.57%
Li Qilin	Personal interest & Beneficiary of a discretionary trust	273,225,508	164,135	273,389,643 *(Note 2)*	10.41%
Li Chun	Interest of controlled corporations	272,120,543	–	272,120,543 *(Note 3)*	10.37%
Viva Goods Company Limited (formerly known as Viva China Holdings Limited)	Interest of controlled corporation	272,120,543	–	272,120,543 *(Note 1(a))*	10.37%
Brown Brothers Harriman & Co.	Investment manager	158,512,795	–	158,512,795	6.04%
FIL Limited	Investment manager	136,400,926	–	136,400,926	5.20%
Pandanus Associates Inc.	Investment manager	136,400,926	–	136,400,926	5.20%
Pandanus Partners L.P.	Investment manager	136,400,926	–	136,400,926	5.20%

* The percentage has been calculated based on 2,625,414,708 Shares in issue as at 31 December 2023.

Notes:

1. Mr. Li Ning is interested in 277,560,156 Shares, among which 4,208,983 Shares are held as personal interest, and he is deemed to be interested in 272,120,543 Shares held by Viva China BVI. Moreover, Mr. Li Ning is interested in 1,230,630 underlying Shares. Details are as follows:

    (a) Viva China BVI, a wholly-owned subsidiary of Viva Goods, is interested in 272,120,543 Shares. As at 31 December 2023, Viva Goods is owned as to approximately 17.28% by Victory Mind, approximately 21.93% by Lead Ahead, approximately 20.57% by Dragon City and approximately 0.62% by Mr. Li Chun, the brother of Mr. Li Ning and a substantial shareholder of the Company, respectively. Mr. Li Ning has personal interest of approximately 0.22% shareholding in Viva Goods. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun 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 Ning 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 Ning 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 Ning is deemed to be interested in the 272,120,543 Shares held by Viva Goods. Mr. Li Ning is also an executive director, the chairman and chief executive officer of Viva Goods.

    (b) Mr. Li Ning is interested in 1,230,630 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.

2. Mr. Li Qilin is interested in 273,389,643 Shares, among which 1,104,965 Shares are held as personal interest, and he is deemed to be interested in 272,120,543 Shares held by Viva Goods by virtue of the SFO. Moreover, Mr. Li Qilin is interested in 164,135 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 Goods.

3. As disclosed in Note 1(a) above, Mr. Li Chun is deemed to be interested in 272,120,543 Shares held by Viva Goods. He is the brother of Mr. Li Ning and the father of Mr. Li Qilin.

Save as disclosed above, as at 31 December 2023, 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.

ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE 2016 RESTRICTED SHARE AWARD SCHEME

On 2 June 2016, the Board approved the adoption of the 2016 Restricted Share Award Scheme. Since the aggregate interest of the Company's connected persons under the 2016 Restricted Share Award Scheme is more than 30%, the trustee has become an associate of connected persons of the Company pursuant to Rule 14A.12(1)(b) of the Listing Rules and the RS Transactions shall constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Company anticipated further payment will be made to the trustee to purchasing Shares from the open market for the reserve of the Restricted Shares, the Board resolved to adopt annual caps for the amount to be paid to the trustee and number of Shares to be purchased.

For the period from 1 January 2023 to 31 December 2023, the maximum amount of annual cap of the amount to be paid by the Company to the trustee during the period is HK$900,000,000 and the maximum number of annual cap of Shares to be purchased is 9,000,000 Shares (whichever is smaller in terms of value). Please refer to the announcement of the Company dated 1 June 2023 for details.

The Company paid a total of HK$219,245,700 to the trustee for the purchase of 5,554,000 Shares from the open market during the year ended 31 December 2023. The amount paid to the trustee and the number of Shares purchased by the Company during the year are within the annual cap.

For further details, please refer to the section headed "Restricted Share Award Scheme" in this Report of the Directors and the announcements of the Company dated 19 September 2019, 23 December 2020, 14 December 2021 and 1 June 2023.

CONTINUING CONNECTED TRANSACTIONS WITH VIVA GOODS

Master Agreement

The Company and Viva Goods Company Limited (formerly known as Viva China Holdings Limited) ("Viva Goods") entered into a master agreement on 31 August 2010 ("Master Agreement") whereby Viva Goods and its subsidiaries (collectively, the "Viva Goods Group") provided the Group with services in relation to (i) brand or product endorsement; (ii) sponsorship and marketing; and (iii) event production and management ("Viva Goods Transactions") for three financial years ended 31 December 2012. The Master Agreement expired on 31 December 2012.

On 4 January 2013, the Company and Viva Goods entered into an agreement ("2013 Renewed Master Agreement") to renew the Master Agreement with effect from 4 January 2013 to 31 December 2015. Please refer to the announcement of the Company dated 4 January 2013 in regard to the 2013 Renewed Master Agreement for details. The 2013 Renewed Master Agreement expired on 31 December 2015.

On 24 December 2015, the Company and Viva Goods entered into an agreement ("2016 Renewed Master Agreement") to renew the 2013 Renewed Master Agreement with effect from 1 January 2016 to 31 December 2018 or the day on which Viva Goods ceases to be a connected person of the Company (whichever is earlier). Please refer to the announcement of the Company dated 24 December 2015 in regard to the 2016 Renewed Master Agreement for details.

On 10 January 2018, the Board approved to revise the annual cap for the financial year ended 31 December 2018. Please refer to the announcement of the Company dated 10 January 2018 in regard to the revision of annual cap for details. The 2016 Renewed Master Agreement expired on 31 December 2018.

On 28 December 2018, the Company and Viva Goods entered into an agreement ("2019 Renewed Master Agreement") to renew the 2016 Renewed Master Agreement with effect from 1 January 2019 to 31 December 2021 or the day on which Viva Goods ceases to be a connected person of the Company (whichever is earlier). Please refer to the announcement of the Company dated 28 December 2018 in regard to the 2019 Renewed Master Agreement for details. The 2019 Renewed Master Agreement expired on 31 December 2021.

Master Sales Agreement

On 28 December 2018, the Company and Viva Goods entered into an agreement ("2019 Master Sales Agreement") with effect from 1 January 2019 to 31 December 2021 or the day on which Viva Goods ceases to be a connected person of the Company (whichever is earlier). Pursuant to the 2019 Master Sales Agreement, the continuing connected transactions ("Sales Transactions") to be entered into between member(s) of the Group and member(s) of Viva Goods Group in relation to (i) sales of branded products (including but not limited to sportswear and sports-related products) ("Branded Products") by any member of the Group to Viva Goods Group; and (ii) provision of consignment-sales services by any member of Viva Goods Group to the Group in respect of the Branded Products, and set up the annual caps for Sales Transactions for the three financial years ended 31 December 2021. Please refer to the announcement of the Company dated 28 December 2018 in regard to the 2019 Master Sales Agreement for details. The 2019 Master Sales Agreement expired on 31 December 2021.

Processing and Customization Agreement

On 1 January 2021, 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd. ("Li Ning China", an indirect wholly owned subsidiary of the Company) and 來賓寧聚力鞋業有限公司 ("Laibin Ningjuli Shoes Co., Ltd.") ("Ningjuli", an indirect non-wholly owned subsidiary of Viva Goods) entered into a processing and customization agreement ("Processing and Customization Agreement") with effect from 1 January 2021 to 31 December 2021 unless terminated earlier in accordance with the terms of the Processing and Customization Agreement. Pursuant to the Processing and Customization Agreement, Li Ning China agreed to engage Ningjuili to manufacture, process and customize footwear products ordered by Li Ning China at price to be determined and agreed upon by Li Ning China and Ningjuli on an arm's length basis ("Ningjuli Transactions"), and set up an annual cap for Ningjuli Transactions. The Board also resolved to increase the relevant annual cap on 13 September 2021 to meet the demand of the Group in terms of the sales performance. Please refer to the announcements of the Company dated 13 September 2021 and 16 September 2021 in regard to the Processing and Customization Agreement for details. The Processing and Customization Agreement expired on 31 December 2021.

New Framework Agreement

On 30 December 2021, the Company and Viva Goods entered into a new framework agreement ("New Framework Agreement") to renew the 2019 Renewed Master Agreement, 2019 Master Sales Agreement and the Processing and Customization Agreement and expand transaction scope with effect from 1 January 2022 to 31 December 2024 or the day on which Viva Goods ceases to be a connected person of the Company (whichever is earlier), and set up the annual caps in respect of the following continuing connected transactions (together "Relevant Transactions"):

(1) sale of Branded Products by the Group to Viva Goods Group;

(2) manufacturing, processing and sale of products by Viva Goods Group to the Group;

(3) provision of services (including but not limited to (i) brand or product endorsement, (ii) sponsorship and marketing, (iii) event production and management, (iv) consignment-sales, (v) training, (vi) engineering consulting, (vii) sports resources operation and (viii) sport-related knowledge sharing) by Viva Goods Group to the Group;

(4) provision of services (including but not limited to (i) product planning and design guidance, (ii) consignment-sales, (iii) smart office park and office system sharing and (iv) training) by the Group to Viva Goods Group;

(5) lease of premises (including but not limited to offices and warehouses) by the Group to Viva Goods Group; and

(6) collaboration in designing, producing, manufacturing, selling, marketing and promoting co-branded products between the Group and Viva Goods Group.

Pursuant to the New Framework Agreement, the annual caps for the Relevant Transactions payable by the Group to Viva Goods Group for the financial year ending 31 December 2022, 2023 and 2024 are RMB538,000,000, RMB599,000,000 and RMB600,000,000 respectively. The annual caps for the Relevant Transactions receivable by the Group from Viva Goods Group for the financial year ending 31 December 2022, 2023 and 2024 are RMB100,000,000, RMB100,000,000 and 107,000,000 respectively.

As the applicable percentage ratios for the annual caps under the New Framework Agreement for the three financial periods ending 31 December 2022, 2023 and 2024 were less than 5%, the Relevant Transactions were exempt from independent shareholders' approval but were subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 30 December 2021 in regard to the New Framework Agreement for details.

Annual review for the year ended 31 December 2023

As at 31 December 2023, Viva Goods, who indirectly holds approximately 10.37% of the Shares in issue, is a substantial Shareholder and thus a connected person of the Company.

For the year ended 31 December 2023, there were an aggregate amount of approximately RMB464,722,000 for the Relevant Transactions payable by the Group to Viva Goods Group, and an aggregate amount of approximately RMB16,419,000 for the Relevant Transactions receivable by the Group from Viva Goods Group under the New Framework Agreement. The Company has complied with the relevant disclosure requirements in respect of such continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the Relevant Transactions, and confirmed that these transactions were entered into:

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

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

PricewaterhouseCoopers, the auditor of the Company, was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported their conclusions to the Board that the transactions:

(1) have been approved by the Board;

(2) have, in all material respects, been in accordance with the pricing policies of the Group (for transactions involving the provision of goods or services by the Group);

(3) have, in all material respects, been entered into in accordance with the relevant agreements governing the transactions during the year; and

(4) have not exceeded the annual cap disclosed in the announcement of the Company dated 30 December 2021.

RELATED-PARTY TRANSACTIONS

Relevant Transactions being continuing connected transactions of the Company, also constituted related-party transactions of the Company which, among others, are set out in note 34 to the consolidated financial statements.

Apart from the Relevant Transactions, other related-party transactions set out in note 34 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2023, the Company repurchased a total of 51,667,500 Shares ("Repurchased Shares") on the Stock Exchange for an aggregate consideration of approximately HK$1.05 billion (excluding related transaction expenses). Out of which, 10,730,000 Repurchased Shares were cancelled on 1 December 2023, and the remaining 40,937,500 Repurchased Shares were subsequently cancelled on 23 January 2024.

The Board believes that the share repurchases could reflect that the Board has full confidence in the business prospects and long-term growth of the Group.

Details of the Shares repurchased by the Company during the year ended 31 December 2023 are as follows:

		Repurchased price per Share		
Month of repurchase in 2023	No. of Shares repurchased	Highest price	Lowest price	Total consideration (excluding related transaction expenses)
		HK$	*HK$*	*HK$*
September	920,000	34.98	31.70	31,528,400.80
October	9,810,000	30.97	23.50	243,569,632.05
December	40,937,500	20.10	18.44	778,752,579.90
	51,667,500			1,053,850,612.75

Save as disclosed above and purchase of Shares by the trustee of the 2016 Restricted Share Award Scheme pursuant to the trust deed and the rules of 2016 Restricted Share Award Scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year ended 31 December 2023.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holdings of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2023 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2023, the Company has applied all the principles and complied with the code provisions of the CG Code, except for certain deviations specified with considered reason as explained in the Corporate Governance Report of this annual report.

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this annual report.

BUSINESS REVIEW

A fair review of the business of the Company and further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, significant events affecting the Group that have occurred since the end of the financial year 2023, if any, and an indication of likely future developments of the Group's business, can be found in the Chairman's Statement, the Management Discussion and Analysis, the Corporate Governance Report set out on pages 8 to 11, pages 14 to 37 and pages 38 to 55 of this annual report, respectively and the notes to the consolidated financial statements.

In addition, matters in relation to the Group's environment, employee, customer and supplier as well as compliance with the relevant laws and regulations that have a significant impact on the Company can be found in the Corporate Governance Report and the Environmental, Social and Governance Report set out on pages 38 to 55 and pages 56 to 125 of this annual report, respectively.

The discussions referred to above form a part of this Report of the Directors.

AUDITOR

PricewaterhouseCoopers was appointed as the auditor of the Company during the year. There has been no change in auditors of the Company in preceding three years.

PricewaterhouseCoopers will retire as auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the 2024 AGM.

By order of the Board

Li Ning
Executive Chairman and Joint CEO

Hong Kong, 19 March 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Li Ning Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Li Ning Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 158 to 246, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Expected credit loss allowance for trade receivables
- Inventory provision

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss allowance for trade receivables Refer to Note 3.1, Note 4 and Note 14 to the consolidated financial statements As at 31 December 2023, the Group's balance of gross trade receivables was RMB1,244 million, against which an expected credit loss allowance of 38 million was made. Expected credit loss allowance for trade receivables reflects management's unbiased estimate to determine the expected credit losses. The estimate requires significant management judgement in making assumptions about the risk of default and expected credit loss rates and selecting the inputs to the calculation of expected credit loss allowance. The assessment of expected credit loss allowance was an area of focus for us given the inherent uncertainties of the expected credit loss and the significant amount of the related balances.	Our audit procedures to address the risk of material misstatement relating to expected credit loss allowance for trade receivables mainly included: • Obtained an understanding of the management's internal control and assessment process of the estimation of expected credit loss allowance for trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated and validated key controls over the estimation of expected credit loss allowance for trade receivables; • Tested the method, assumptions and data used to estimate expected credit losses by performing procedures such as (1) assessing the appropriateness of the expected credit loss provisioning methodology, including the grouping of customers in determining the respective historical loss rates, (2) inquiring management regarding the credit worthiness of customers, (3) analysing historical payment pattern of customers, (4) analysing historical trade receivable turnover days and benchmarking against industry average, (5) testing, on a sample basis, the key data inputs such as the ageing schedule of trade receivables, and (6) challenging the inputs, assumptions and estimation techniques, including both historical and forward-looking information, used to determine the expected credit losses; and • Assessed the adequacy of the disclosures related to expected credit loss allowance for trade receivables in the context of IFRS Accounting Standards in the consolidated financial statements. Based on the results of the procedures above, we found that management's judgments in estimating the expected credit loss allowance for trade receivables as at 31 December 2023 to be supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Inventory provision Refer to Note 4 and Note 12 to the consolidated financial statements As at 31 December 2023, the Group's balance of gross inventories was RMB2,628 million, against which a provision of 135 million was made. The estimation of inventory provision involves significant management judgments based on consideration of key factors such as future sales projection, current year sales, and selling price per latest sales transaction. The assessment of net realisable value of inventories and inventory provision was an area of focus for us given the inherent uncertainties that involved future events and the significant amount of the related balances.	Our audit procedures relating to inventory provision included: • Obtained an understanding of the management's internal control and assessment process of the estimation of inventory provisions and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated and validated key controls over the estimation of inventory provisions based on inventory ageing schedule; • Tested the method, assumptions and data used to estimate inventory provision by performing procedures such as (1) inquiring management and other relevant employees, (2) comparing against historical sales pattern and prior year experience including key inventory ratios (e.g. inventory turnover days), (3) testing the accuracy of provision calculation by examining inventory ageing schedule, testing inventory movements on a sample basis to confirm that they were assigned to the correct ageing category by the system, and performing mathematic recalculation, and (4) on a sample basis, comparing the estimated future selling price used in the determination of net realisable value to actual selling price subsequent to year end; and • On a sample basis, observed physical condition of inventories during stocktake to identify slow moving, damaged, or obsolete inventories, and inquired management if appropriate inventory provision had been provided for those inventories. Based on the results of the procedures above, we found that management's judgements in estimating the inventory provision at 31 December 2023 to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2024

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**4,123,948**	3,234,563
Right-of-use assets	6	**2,184,054**	2,022,229
Investment properties	7	**1,560,455**	1,802,227
Land use rights	8	**154,654**	158,781
Intangible assets	9	**220,867**	217,236
Deferred income tax assets	22	**800,960**	693,402
Other assets	13	**203,074**	287,707
Investments accounted for using the equity method	11	**1,606,601**	1,369,403
Investments measured at fair value through profit or loss	3.3	**428,189**	174,597
Other receivables	15	**234,876**	268,183
Long-term bank deposits	16	**9,037,142**	11,023,296
Total non-current assets		**20,554,820**	21,251,624
Current assets			
Inventories	12	**2,493,206**	2,428,040
Other assets – current portion	13	**838,175**	831,578
Trade receivables	14	**1,205,532**	1,020,346
Other receivables – current portion	15	**177,694**	88,419
Restricted bank deposits	16	**806**	970
Short-term bank deposits	16	**3,493,687**	643,324
Cash and cash equivalents	16	**5,443,883**	7,382,218
Total current assets		**13,652,983**	12,394,895
Total assets		**34,207,803**	33,646,519
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	17	**239,546**	240,320
Share premium	17	**10,172,638**	11,580,718
Treasury shares	17	**(1,037,927)**	(180,839)
Other reserves	18	**2,021,513**	1,792,412
Retained earnings	18	**13,010,871**	10,896,819
		24,406,641	24,329,430
Non-controlling interests in equity		**–**	2,498
Total equity		**24,406,641**	24,331,928

	Note	As at 31 December 2023 RMB'000	 2022 RMB'000
LIABILITIES			
Non-current liabilities			
License fees payable	21	**8,581**	15,531
Lease liabilities	6	**1,825,288**	1,473,905
Deferred income tax liabilities	22	**627,231**	518,731
Deferred income	23	**71,586**	65,591
Total non-current liabilities		**2,532,686**	2,073,758
Current liabilities			
Trade payables	19	**1,789,796**	1,584,424
Contract liabilities	5	**552,537**	252,090
Lease liabilities – current portion	6	**716,665**	667,762
Other payables and accruals	20	**3,255,710**	3,648,720
License fees payable – current portion	21	**38,484**	50,540
Current income tax liabilities		**915,284**	1,037,297
Total current liabilities		**7,268,476**	7,240,833
Total liabilities		**9,801,162**	9,314,591
Total equity and liabilities		**34,207,803**	33,646,519

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

The consolidated financial statements on pages 158 to 246 were approved by the Board of Directors on 19 March 2024 and were signed on its behalf.

Li Ning
Executive Chairman & Joint Chief Executive Officer

Kosaka Takeshi
Joint Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	5	**27,598,491**	25,803,383
Cost of sales	24	**(14,246,436)**	(13,318,590)
Gross profit		**13,352,055**	12,484,793
Selling and distribution expenses	24	**(9,080,121)**	(7,314,303)
Administrative expenses	24	**(1,256,152)**	(1,113,218)
Reversal of expected credit loss allowance for financial assets – net	3.1	**19,638**	24,321
Other income and other gains – net	25	**523,667**	805,165
Operating profit		**3,559,087**	4,886,758
Finance income	27	**500,556**	447,748
Finance expenses	27	**(181,446)**	(120,561)
Finance income– net	27	**319,110**	327,187
Share of profit of investments accounted for using the equity method	11	**377,972**	201,155
Profit before income tax		**4,256,169**	5,415,100
Income tax expense	28	**(1,069,207)**	(1,351,329)
Profit for the year		**3,186,962**	4,063,771
Profit is attributable to:			
Equity holders of the Company		**3,186,910**	4,063,834
Non-controlling interests		**52**	(63)
		3,186,962	4,063,771
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB cents per share)			
Basic earnings per share	29	**123.21**	155.38
Diluted earnings per share	29	**122.66**	154.34

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Profit for the year		**3,186,962**	4,063,771
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences	18	**(2,173)**	(8,383)
Total comprehensive income for the year		**3,184,789**	4,055,388
Attributable to:			
Equity holders of the Company		**3,184,737**	4,055,451
Non-controlling interests		**52**	(63)
Total comprehensive income for the year		**3,184,789**	4,055,388

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Ordinary shares RMB'000 *(Note 17)*	Share premium RMB'000 *(Note 17)*	Treasury shares RMB'000 *(Note 17)*	Other reserves RMB'000 *(Note 18)*	Retained earnings RMB'000 *(Note 18)*	Subtotal RMB'000	Non-controlling interests in equity RMB'000	Total equity RMB'000
As at 1 January 2022	238,759	12,637,277	(37,840)	1,241,767	7,021,583	21,101,546	2,561	21,104,107
Total comprehensive income for the year	–	–	–	(8,383)	4,063,834	4,055,451	(63)	4,055,388
Transactions with owners:								
Net proceeds from share issuance pursuant to share option scheme *(Note 32)*	1,561	95,154	–	–	–	96,715	–	96,715
Value of services provided under share option scheme and Restricted Share Award Scheme *(Note 32)*	–	–	–	239,301	–	239,301	–	239,301
Exercise of share options and vesting of shares under Restricted Share Award Scheme *(Note 32)*	–	43,000	15,611	(58,611)	–	–	–	–
Appropriations to statutory reserves	–	–	–	188,598	(188,598)	–	–	–
Purchase of own shares	–	–	(158,610)	–	–	(158,610)	–	(158,610)
Shares converted from convertible securities *(Note 17, 18)*	–	7	–	(7)	–	–	–	–
Dividends paid *(Note 30)*	–	(1,194,720)	–	–	–	(1,194,720)	–	(1,194,720)
Tax impact of employee share-based compensation scheme	–	–	–	189,747	–	189,747	–	189,747
As at 31 December 2022	240,320	11,580,718	(180,839)	1,792,412	10,896,819	24,329,430	2,498	24,331,928

	Attributable to equity holders of the Company							
	Ordinary shares RMB'000 *(Note 17)*	Share premium RMB'000 *(Note 17)*	Treasury shares RMB'000 *(Note 17)*	Other reserves RMB'000 *(Note 18)*	Retained earnings RMB'000 *(Note 18)*	Subtotal RMB'000	Non-controlling interests in equity RMB'000	Total equity RMB'000
As at 1 January 2023	240,320	11,580,718	(180,839)	1,792,412	10,896,819	24,329,430	2,498	24,331,928
Total comprehensive income for the year	–	–	–	(2,173)	3,186,910	3,184,737	52	3,184,789
Transactions with owners:								
Net proceeds from share issuance pursuant to share option scheme *(Note 32)*	198	7,218	–	–	–	7,416	–	7,416
Value of services provided under share option scheme and Restricted Share Award Scheme *(Note 32)*	–	–	–	183,456	–	183,456	–	183,456
Exercise of share options and vesting of shares under Restricted Share Award Scheme *(Note 32)*	–	56,360	49,187	(105,547)	–	–	–	–
Appropriations to statutory reserves	–	–	–	118,222	(118,222)	–	–	–
Purchase of own shares	–	–	(1,158,746)	–	–	(1,158,746)	–	(1,158,746)
Cancellation of repurchased shares	(973)	(251,498)	252,471	–	–	–	–	–
Shares converted from convertible securities *(Note 17, 18)*	1	33	–	(34)	–	–	–	–
Dividends paid *(Note 30)*	–	(1,220,193)	–	–	(954,636)	(2,174,829)	–	(2,174,829)
Deregistration of a non-wholly owned subsidiary	–	–	–	–	–	–	(2,550)	(2,550)
Tax impact of employee share-based compensation scheme	–	–	–	35,177	–	35,177	–	35,177
As at 31 December 2023	239,546	10,172,638	(1,037,927)	2,021,513	13,010,871	24,406,641	–	24,406,641

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	**5,843,038**	5,230,021
Income tax paid		**(1,155,102)**	(1,316,417)
Net cash generated from operating activities		**4,687,936**	3,913,604
Cash flows from investing activities			
– purchases of property, plant and equipment		**(1,727,144)**	(1,756,744)
– prepayments for purchases of properties		**(200,089)**	(287,707)
– purchases of investment properties		**(12,053)**	(65,406)
– payments for investments measured at fair value through profit or loss	3.3	**(428,315)**	–
– purchases of intangible assets		**(88,130)**	(73,681)
– proceeds on disposal of property, plant and equipment	31	**3,064**	7,719
– purchases of wealth management products	3.3	**(7,922,000)**	(14,235,600)
– redemption of the principal amounts of wealth management products	3.3	**7,922,000**	14,235,600
– placement of long-term bank deposits		**(1,000,000)**	(8,000,000)
– placement of short-term bank deposits		**(100,000)**	(1,770,000)
– redemption of long-term bank deposits		**–**	100,000
– redemption of short-term bank deposits		**640,000**	2,000,000
– investment income from wealth management products	3.3, 25	**80,370**	140,550
– distribution received in relation to financial assets at fair value through profit or loss	3.3	**179,504**	48,904
– interest received from bank deposits		**72,529**	93,555
– dividends from associates and a joint venture	11	**140,545**	102,274
– proceeds from deregistration of a joint venture		**229**	–
– loan repayments from a joint venture		**–**	11,713
– cash paid to settle the payables in relation to acquisition of subsidiaries in previous year		**–**	(13,267)
– payment for investment in an associate		**–**	(12,670)
– cash used in other investing activities		**(9,615)**	(6,673)
Net cash used in investing activities		**(2,449,105)**	(9,481,433)
Cash flows from financing activities			
– proceeds from share issuance pursuant to share option scheme	17	**7,416**	96,715
– payments for purchase of own shares	17	**(1,158,746)**	(158,610)
– payment of principals and related interests of lease liabilities		**(872,236)**	(627,429)
– proceeds from bank borrowings		**2,500,000**	600,000
– repayment of bank borrowings		**(2,500,000)**	(600,000)
– interest paid		**(16,006)**	(3,391)
– dividends paid	30	**(2,174,829)**	(1,194,720)
– cash paid to non-controlling interests upon deregistration of a subsidiary		**(2,550)**	–
Net cash used in financing activities		**(4,216,951)**	(1,887,435)
Net decrease in cash and cash equivalents		**(1,978,120)**	(7,455,264)
Cash and cash equivalents at beginning of year		**7,382,218**	14,744,899
Exchange gain on cash and cash equivalents		**39,785**	92,583
Cash and cash equivalents at end of year		**5,443,883**	7,382,218

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

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.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") on 19 March 2024.

2. *SUMMARY OF ACCOUNTING POLICIES*

The accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Li Ning Company Limited and its subsidiaries.

2.1 Summary of material accounting policies

(a) Basis of preparation

(i) Compliance with IFRS Accounting Standards and HKCO

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards ("IFRS")
- IAS Standards ("IAS")
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for the annual reporting period commencing 1 January 2023:

Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*
IFRS 17	*Insurance Contracts*

The new and amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. SUMMARY OF ACCOUNTING POLICIES *(CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(iv) New and amended standards and interpretations not yet adopted

Certain amendments to accounting standards have been published but are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group. These amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Amendments and interpretations	*Effective date*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*	*Annual periods beginning on or after 1 January 2024*
Amendments to IAS 1	*Non-current Liabilities with Covenants*	*Annual periods beginning on or after 1 January 2024*
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	*Annual periods beginning on or after 1 January 2024*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*	*Annual periods beginning on or after 1 January 2024*
Amendments to IAS 21	*Lack of Exchangeability*	*Annual periods beginning on or after 1 January 2025*
Amendments to IAS 28 and IFRS 10	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	*Undetermined*

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.1(c)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

2. *SUMMARY OF ACCOUNTING POLICIES (CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(b) Principles of consolidation and equity accounting (Continued)

(iii) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in Note 2.1(g).

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to equity holders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

2. *SUMMARY OF ACCOUNTING POLICIES (CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(b) Principles of consolidation and equity accounting (Continued)

(v) Changes in ownership interests (Continued)

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

2. ***SUMMARY OF ACCOUNTING POLICIES*** *(CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(d) Investment properties

Investment properties are buildings that are held for the purpose of leasing, are measured at the initial cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are occurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Land and buildings	30-40 years	0%-10%	2.25%-2.50%

When an investment property is transferred to owner-occupied properties, it is reclassified as property, plant and equipment at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the property, plant and equipment is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each year end.

An investment property is derecognised when it is disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2.1(g)).

The Group classifies cash outflows to acquire or construct investment properties as investing cash flows and rental inflows as operating cash flows.

2. *SUMMARY OF ACCOUNTING POLICIES (CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment (excluding construction-in-progress) is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price of the asset and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to net of their residual values, over their estimated useful lives as follows:

Buildings	20 – 40 years
Leasehold improvement	Shorter of 2-3 years or the remaining lease terms
Mould	2 – 3 years
Machinery	3 – 10 years
Office equipment and motor vehicles	1 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

Construction-in-progress represents buildings, plant and/or machinery under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use.

2. SUMMARY OF ACCOUNTING POLICIES *(CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(f) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates, joint ventures and business and represents the excess of the consideration transferred over the Group's interest in fair value of the net identifiable assets of the acquiree and the non–controlling interest is measured either at fair value or proportionate share of net identifiable assets. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

License rights

License rights are stated at historical cost less accumulated amortisation and accumulated impairment losses. They are initially measured at the fair value of the consideration given to acquire the license at the time of the acquisition, which represents historical cost comprising the capitalised present values of the fixed minimum periodic payments to be made on date of acquisition and in the subsequent years in respect of the acquisition of the license rights. Variable payments in relation to license rights that depend on sales of related products are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

License rights are amortised using the straight-line method to allocate the cost of the licenses over the period of the respective contractual rights varying from 2 to 10 years.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years.

Trademarks, customer relationships and non-compete agreements

Separately acquired trademarks, customer relationships and non-compete agreements are initially shown at historical cost. Trademarks, customer relationships and non-compete agreements acquired in business combination are recognised at fair value at the acquisition date. Trademarks, customer relationships and non-compete agreements that have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 to 20 years, and the cost of customer relationships and non-compete agreements over their estimated useful lives of 3 to 8 years.

2. *SUMMARY OF ACCOUNTING POLICIES (CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(g) Impairment of investments in subsidiaries, investments accounted for using the equity method and other non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income ("FVOCI"), or through profit or loss ("FVPL"), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2. SUMMARY OF ACCOUNTING POLICIES *(CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(h) Financial assets *(Continued)*

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in other income and other gains, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and other gains and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated income statement and presented net within other income and other gains in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management ("Management") has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income and other gains when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income and other gains in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. *SUMMARY OF ACCOUNTING POLICIES (CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(h) Financial assets (Continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises costs of merchandise, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount approximates their fair value.

Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 3.1(b).

(k) Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable profits based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Group operates and generates taxable profits. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2. SUMMARY OF ACCOUNTING POLICIES *(CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(k) Current and deferred income tax *(Continued)*

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable profits will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Current and deferred income tax arising from share-based compensation

For the Group's shared-based compensation (Note 38(l)(ii)), the amount of tax deduction may differ from the related cumulative remuneration expense, and may arise in a later accounting period. If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. In this situation, the excess of the associated current or deferred income tax is recognised directly in equity and included in "tax impact of employee share-based compensation scheme" in the consolidated statement of changes in equity.

(l) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2. *SUMMARY OF ACCOUNTING POLICIES (CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(m) Revenue recognition

(i) Sale of goods – wholesale

For wholesale business, which mainly represents the Group's sales to franchised distributors (Note 5), sales of goods are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products of the Group are often sold with sales discounts. Revenue from these sales are recognised based on the price specified in the sales contracts, net of the estimated sales discounts at the time of sale. The sales discounts are estimated based on the terms of agreements. No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with the market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Sale of goods – retail

For retail business, which represents the Group's sales from direct operation (Note 5), sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash, by credit or payment cards or through on-line payment platforms.

(iii) Sale of goods – internet

The Group's sales from e-commerce channel (Note 5) mainly represent sales of goods on the internet, for which revenue is recognised when the control of the products has transferred to the customer, being the point of acceptance. Transactions are settled by credit or payment card or through on-line payment platforms.

(iv) Sale of goods – refunds provision

A refund liability (included in other payables and accruals) and a right to the returned goods (included in other assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date (Note 4(c)).

(v) Sale of goods – customer loyalty programme

The Group operates a loyalty programme where retail and online customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of sale. Revenue is recognised when the points are redeemed or when they expire.

2. ***SUMMARY OF ACCOUNTING POLICIES*** *(CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(n) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee within the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

2. *SUMMARY OF ACCOUNTING POLICIES (CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(n) Leases (Continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The carrying amount of a right-of-use asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.1(g)).

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(o) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement as other income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment and land use right are included in non-current liabilities as deferred income and are recognised in the consolidated income statement as other income on a straight-line basis over the expected lives of the related assets.

(p) Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes (including cash and cash equivalents, short-term bank deposits and long-term bank deposits), see Note 27 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2. *SUMMARY OF ACCOUNTING POLICIES (CONTINUED)*

2.1 Summary of material accounting policies *(Continued)*

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.2 Other accounting policies

Besides the material accounting policies as described above, the Group has also adopted other accounting policies in the preparation of these consolidated financial statements. See Note 38 for the summary of other potentially material accounting policies.

3. *FINANCIAL RISK MANAGEMENT*

3.1 Financial risk factors

The activities of the Group expose it to a variety of financial risks: market risks (including foreign exchange risk and cash flow/fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by core management team of the Group under policies approved by the board of directors.

(a) Market risks

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that in a currency other than the functional currency of the group entities. The Group operates mainly in the PRC and is primarily exposed to foreign exchange risk for monetary assets/liabilities denominated in Renminbi (RMB), Hong Kong dollars (HK$), United States dollars (US$), EURO (EUR) and Great Britain Pounds (GBP). The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2023 and 2022.

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risks (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2023, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	31 December 2023				
	RMB	HK$	US$	EUR	GBP
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank deposits	4,589	528,867	24,964	1,953	95,329
Trade and other receivables	–	4,159	4,882	3,579	–
Investments measured at FVPL	–	–	428,189	–	–
Trade and other payables	–	(15,482)	(17,027)	–	–
License fees payables	–	–	(19,835)	–	–

	31 December 2022				
	RMB	HK$	US$	EUR	GBP
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank deposits	100,959	107,879	155,139	1,845	–
Trade and other receivables	–	773	4,126	1,770	–
Investments measured at FVPL	–	–	–	–	174,597
Trade and other payables	–	(8,980)	(15,789)	–	–
License fees payables	–	–	(25,191)	–	–

For the year ended 31 December 2023, if RMB had weakened/strengthened by 5% with all other variables held constant, post-tax profit would have been higher/lower by RMB45,234,000 (2022: RMB14,004,000).

(ii) Cash flow and fair value interest rate risk

Financial assets and liabilities at fixed rates expose the Group to fair value interest-rate risk while financial assets and liabilities at floating rates expose the Group to cash flow interest rate risk.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from long-term bank deposits. At 31 December 2023, if interest rates on long-term bank deposits had been 50 basic point higher/lower with all other variables held constant, post-tax profit for the year would have been RMB32,188,000 (2022: RMB34,718,000) higher/lower. The Group currently does not hedge its exposure to interest rate risk.

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, other receivables, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

(i) Risk management

For banks and financial institutions, only parties with good credit ratings are accepted. For other receivables, the Group makes periodic collective assessment and individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. In view of good cooperation in history with debtors and sound collection history of receivables, the credit risk of other receivables is generally considered to be low. For wholesale customers, the Group has established an uniform credit policy, based on which the Group assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management. The utilisation of credit limits is regularly monitored. All of these major customers are generally with good credit history. Sales to retail customers are settled in cash, using major credit or payment cards or through on-line payment platforms operated by reputable companies.

All of the Group's cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits are deposited in prominent nationwide bank in the PRC (including the Hong Kong Special Administrative Region and the Macau Special Administrative Region) or branch of international commercial bank in the PRC, of which the credit ratings are sound. The table below shows the cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits balances with the three major banks as at the end of the reporting period.

	2023 RMB'000	2022 RMB'000
Banks		
Bank A	5,774,299	4,618,041
Bank B	4,965,353	6,258,802
Bank C	2,955,507	3,079,773
	13,695,159	13,956,616

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables, and

- other receivables.

While cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits are also subject to the impairment requirements of IFRS 9, the impairment loss was identified to be immaterial.

3. *FINANCIAL RISK MANAGEMENT* (CONTINUED)

3.1 Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

(ii) ***Impairment of financial assets*** *(Continued)*

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing analysis.

The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables in each ageing category based on the respective invoice date:

31 December 2023	0 – 90 days RMB'000	91 – 180 days RMB'000	Over 180 days RMB'000	Total RMB'000
Lifetime expected credit loss rate	1%	4%*	100%	
Gross carrying amount	1,065,476	157,530	20,741	1,243,747
Loss allowance	(11,609)	(5,865)	(20,741)	(38,215)

31 December 2022	0 – 90 days RMB'000	91 – 180 days RMB'000	Over 180 days RMB'000	Total RMB'000
Lifetime expected credit loss rate	2%	26%	100%	
Gross carrying amount	984,480	74,865	113,512	1,172,857
Loss allowance	(19,186)	(19,813)	(113,512)	(152,511)

* For the ageing category of 91 – 180 days, the lifetime expected credit loss rate was 4% as at 31 December 2023 (2022: 26%). The decrease in expected credit loss rate is mainly due to the higher proportion of trade receivables arising from the Group's e-commerce channel in this ageing category, of which the expected credit loss rate is relatively lower based on accumulated experience.

Other receivables

Other receivables at amortised cost mainly include rental deposits, staff advances and other payments for employees. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

In view of the history of cooperation with the debtors and collection from them, Management believes that no significant increase in credit risk is identified for the Group's other receivables as at 31 December 2023 and 2022, and the credit risk inherent in the Group's outstanding other receivables is not significant. The average loss rate applied to other receivables as at 31 December 2023 and 2022 were 1.8% and 1.8% respectively.

3. *FINANCIAL RISK MANAGEMENT* (CONTINUED)

3.1 Financial risk factors *(Continued)*

(b) *Credit risk* *(Continued)*

(iii) *Net impairment losses on financial assets*

	2023 RMB'000	2022 RMB'000
Reversal of expected credit loss allowance for trade receivables	**(20,592)**	(23,114)
Provision for/(reversal of) expected credit loss allowance for other receivables	**954**	(1,207)
Reversal of expected credit loss allowance for financial assets	**(19,638)**	(24,321)

(c) *Liquidity risk*

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyses the Group's financial liabilities (which does not include statutory liabilities) that will be settled into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2023				
License fees payable	**38,997**	**10,000**	**–**	**–**
Trade payables	**1,789,796**	**–**	**–**	**–**
Other payables (excluding refunds liabilities, wages and welfare payables, and other tax payables)	**1,901,774**	**–**	**–**	**–**
Lease liabilities	**834,713**	**606,535**	**812,524**	**950,653**
	4,565,280	**616,535**	**812,524**	**950,653**
As at 31 December 2022				
License fees payable	50,996	9,000	10,000	–
Trade payables	1,584,424	–	–	–
Other payables (excluding refunds liabilities, wages and welfare payables, and other tax payables)	1,877,664	–	–	–
Lease liabilities	771,940	652,777	825,840	151,116
	4,285,024	661,777	835,840	151,116

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.2 Capital risk management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital and reserves attributable to equity holders of the Company as shown in the consolidated balance sheet. As at 31 December 2023 and 2022, the Group's gearing ratio was nil as it did not have any borrowings.

3.3 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 for the years ended 31 December 2023 and 2022 on a recurring basis:

At 31 December 2023	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Private equity fund investments, measured at FVPL	**–**	**–**	**428,189**	**428,189**

At 31 December 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Private equity fund investments, measured at FVPL	–	–	174,597	174,597

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

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.

3. *FINANCIAL RISK MANAGEMENT* (CONTINUED)

3.3 Fair value estimation (Continued)

(a) *Fair value hierarchy* (Continued)

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 marked 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 private equity fund investments and derivative financial instruments.

(b) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 instruments for the years ended 31 December 2023 and 2022:

	Wealth management products RMB'000	Investments measured at FVPL RMB'000	Derivative financial instruments RMB'000	Total RMB'000
As at 1 January 2022	–	169,671	(9,219)	160,452
Additions	14,235,600	–	–	14,235,600
Settlements/transfer	(14,376,150)	(48,904)	9,219	(14,415,835)
Changes in fair value	140,550	53,830	–	194,380
As at 31 December 2022	–	174,597	–	174,597
Additions	7,922,000	428,315	–	8,350,315
Settlements/transfer	(8,002,370)	(179,504)	–	(8,181,874)
Changes in fair value	80,370	4,781	–	85,151
As at 31 December 2023	–	428,189	–	428,189
Changes in unrealised gains or losses for the year included in the consolidated income statement for assets held at the end of the reporting period				
2023	–	(126)	–	(126)
2022	–	53,830	–	53,830

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.3 Fair value estimation *(Continued)*

(b) Fair value measurements using significant unobservable inputs (level 3) (Continued)

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 for each half 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.

(c) Valuation techniques used to determine fair values

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value as at 31 December 2023 RMB'000	Fair value as at 31 December 2022 RMB'000	Valuation Technique	Significant unobservable inputs*	Value of inputs as at 31 December 2023	Value of inputs as at 31 December 2022	Relationship of unobservable inputs to fair value
Financial assets							
Private equity fund investments *(Note a)*	428,189	174,597	Net asset value	N/A	N/A	N/A	N/A

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Note:

(a) The Group determines the fair value of its private equity fund investments as at the reporting date based on the net asset values of the private equity funds with underlying assets and liabilities measured at fair value as reported by the general partners of the funds.

4. *CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS*

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Expected credit loss allowance for trade receivables and other receivables

The expected credit loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past historical data, existing market conditions as well as forward-looking information at the end of each reporting period. Further details are included in Note 3.1.

(b) Net realisable value of inventories

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition, future sales projection, current year sales and selling price per latest sales transaction. Management reassesses the estimations at each end of the reporting period.

(c) Refunds provision

Refunds provision is based on the estimated return of products sold when revenue is recognised. Factors that affect the Group's refunds provision include refund policies, historical and anticipate refund rates under different sales channels. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Further details on the refund liabilities and the corresponding assets in relation to the right to recover the returned products recognised by the Group are included in Note 20 and Note 13 respectively.

(d) Estimated impairment of goodwill, intangible assets and other non-financial assets

The Group tests whether goodwill, intangible assets and other non-financial assets (including property, plant and equipment, right-of-use assets and investment properties) have suffered any impairment, in accordance with the accounting policy stated in Note 2.1(f) and Note 2.1(g) respectively. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less cost of disposal and value-in-use. These calculations require the use of estimates and assumptions (See Note 6 and Note 9). If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operation or financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Income taxes

The Group is mainly subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Dividends derived from the Company's subsidiaries in the PRC earned after 1 January 2008 are subject to withholding tax at the rate of 5%. The Group reassessed its needs to make distributions out of its subsidiaries in the PRC. As a result, withholding income tax has been provided for the dividends already distributed during the year and undistributed profits to the extent they are expected to be distributed in future.

5. SEGMENT INFORMATION AND REVENUE

Management is the Group's chief operating decision-maker. Management reviews the Group's internal reports periodically in order to assess results and allocate resources. Management has determined the operating segments based on these reports.

The Group is principally engaged in a single line of business of sporting goods. Management reviews the performance of the Group as a whole, thus there is only one reportable segment and no segment information is presented.

The Group's principal market is the PRC (including the Hong Kong Special Administrative Region and the Macau Special Administrative Region) and its sales to overseas customers contributed to less than 10% of revenue. Also, none of the Group's non-current assets is located outside the PRC. Accordingly, no geographical information is presented.

(a) Revenue from contracts with customers

The Group derives revenue in the following major product categories and sales channels:

Revenue breakdown by product category

	2023 RMB'000	2022 RMB'000
Footwear	**13,389,080**	13,478,630
Apparel	**12,410,785**	10,708,594
Equipment and accessories	**1,798,626**	1,616,159
Total	**27,598,491**	25,803,383

5. *SEGMENT INFORMATION AND REVENUE (CONTINUED)*

(a) Revenue from contracts with customers *(Continued)*

Revenue breakdown by sales channel

	2023 **RMB'000**	2022 RMB'000
The PRC market		
Sales to franchised distributors	**12,628,028**	12,551,862
Sales from direct operation	**6,907,451**	5,330,434
Sales from e-commerce channel	**7,531,410**	7,465,297
Other regions	**531,602**	455,790
Total	**27,598,491**	25,803,383

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

The Group has a large number of customers. For the years ended 31 December 2023 and 2022, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

(b) Liabilities related to contracts with customers

	2023 **RMB'000**	2022 RMB'000
Contract liabilities – advances from customers	**480,425**	166,123
Contract liabilities – customer loyalty programme	**72,112**	85,967
Total	**552,537**	252,090

The Group applied the practical expedient of not to disclose the transaction price allocated to the unsatisfied performance obligations as contract terms less than 12 months.

Significant change in contract liabilities

The increase in contract liabilities in 2023 was mainly due to the increase in advances received from customers in relation to the sales orders of sporting goods at the end of the reporting period.

Revenue recognised in relation to contract liabilities

	2023 **RMB'000**	2022 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Contract liabilities – advances from customers	**166,123**	258,265
Contract liabilities – customer loyalty programme	**85,967**	87,570
Total	**252,090**	345,835

6 (A) PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Office equipment and motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
As at 1 January 2022							
Cost	831,539	1,924,158	372,862	153,776	205,351	93,594	3,581,280
Accumulated depreciation	(239,159)	(1,185,069)	(290,085)	(94,827)	(146,253)	–	(1,955,393)
Net book amount	592,380	739,089	82,777	58,949	59,098	93,594	1,625,887
Year ended 31 December 2022							
Opening net book amount	592,380	739,089	82,777	58,949	59,098	93,594	1,625,887
Additions	1,043	788,273	99,720	40,511	45,671	1,385,893	2,361,111
Transfers	(16,426)	–	–	–	–	16,426	–
Disposals	–	(16,452)	–	(183)	(3,622)	–	(20,257)
Depreciation charge (Note c)	(23,135)	(599,131)	(76,077)	(11,912)	(21,923)	–	(732,178)
Closing net book amount	553,862	911,779	106,420	87,365	79,224	1,495,913	3,234,563
As at 31 December 2022							
Cost	763,154	2,386,843	418,988	191,611	216,740	1,495,913	5,473,249
Accumulated depreciation	(209,292)	(1,475,064)	(312,568)	(104,246)	(137,516)	–	(2,238,686)
Net book amount	553,862	911,779	106,420	87,365	79,224	1,495,913	3,234,563
Year ended 31 December 2023							
Opening net book amount	**553,862**	**911,779**	**106,420**	**87,365**	**79,224**	**1,495,913**	**3,234,563**
Additions	**23,269**	**616,525**	**107,958**	**83,829**	**45,718**	**994,519**	**1,871,818**
Transfers	**1,049,234**	**152,048**	**–**	**35,713**	**6,882**	**(1,243,877)**	**–**
Transfers to investment properties upon change of use (Note a)	**(216,674)**	**–**	**–**	**–**	**–**	**–**	**(216,674)**
Transfers from investment properties upon change of use (Note b)	**273,978**	**–**	**–**	**–**	**–**	**132,577**	**406,555**
Disposals	**–**	**(34,448)**	**–**	**(5,491)**	**(1,393)**	**–**	**(41,332)**
Depreciation charge (Note c)	**(57,366)**	**(812,959)**	**(94,363)**	**(18,539)**	**(32,292)**	**–**	**(1,015,519)**
Impairment (Note d)	**–**	**(115,463)**	**–**	**–**	**–**	**–**	**(115,463)**
Closing net book amount	**1,626,303**	**717,482**	**120,015**	**182,877**	**98,139**	**1,379,132**	**4,123,948**
As at 31 December 2023							
Cost	**1,892,961**	**3,120,967**	**526,946**	**305,662**	**267,947**	**1,379,132**	**7,493,615**
Accumulated depreciation and impairment	**(266,658)**	**(2,403,485)**	**(406,931)**	**(122,785)**	**(169,808)**	**–**	**(3,369,667)**
Net book amount	**1,626,303**	**717,482**	**120,015**	**182,877**	**98,139**	**1,379,132**	**4,123,948**

6 (A) PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Notes:

(a) During the year ended 31 December 2023, the Group entered into lease agreements with a third party and a related party (collectively, the "Lessees") respectively, pursuant to which the Group leased certain properties to the Lessees for a lease term ranging from 18 months to 5 years. As a result, the related properties were transferred from property, plant and equipment to investment properties at the aggregated carrying amount of RMB216,674,000 (Note 7).

(b) During the year ended 31 December 2023, the Group changed the use of certain properties to owner-occupied properties, and such properties were transferred from investment properties to property, plant and equipment at the carrying amount of RMB406,555,000 (Note 7).

(c) Depreciation expenses of RMB102,663,000 (2022: RMB85,552,000) has been charged to cost of sales, RMB835,323,000 (2022: RMB620,013,000) to selling and distribution expenses and RMB77,533,000 (2022: RMB26,613,000) to administrative expenses.

(d) As at 31 December 2023, in view of the unsatisfied performance for the current year and unfavorable future prospects of certain stores, Management concluded there were impairment indications for these stores and conducted impairment assessment on the respective property, plant and equipment and right-of-use assets. The Group estimated the recoverable amounts of these stores (each of which is an individual cash generating unit ("CGU")) based on a value in use calculation. That calculation used cash flow projections based on financial budgets approved by Management covering the remaining lease term with a pre-tax discount rate of 17% which reflects the specific risks relating to these stores. The other key assumption for the value in use calculation was revenue annual growth rate of 5% which was determined based on historical performance and Management's operation plan. Long-term growth rate beyond 5 years was not applicable to the value in use calculation as none of the stores subject to impairment assessment has a remaining lease term that is longer than 5 years as at 31 December 2023.

    Based on the results of the assessments, Management determined that the recoverable amounts of certain stores were lower than the carrying amounts as at 31 December 2023. Accordingly, impairment losses of RMB115,463,000 and RMB208,028,000 (Note 6(B)) were recognised against the carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2023 respectively.

(e) As at 31 December 2023, none of the Group's property, plant and equipment was pledged as security by the Group (31 December 2022: nil).

6 (B) LEASES

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

(i) Amounts recognised in the consolidated balance sheet

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

	2023 RMB'000	2022 RMB'000
Right-of-use assets		
Properties	2,184,054	2,022,229

	2023 RMB'000	2022 RMB'000
Lease liabilities		
Current	716,665	667,762
Non-current	1,825,288	1,473,905
	2,541,953	2,141,667

Additions to the right-of-use assets during the 2023 financial year were RMB1,233,783,000 (2022: RMB1,328,836,000). Disposals of the right-of-use assets during the 2023 financial year were RMB102,182,000 (2022: RMB27,925,000).

6 (B) LEASES *(CONTINUED)*

(ii) Amounts recognised in the consolidated income statement

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

	Note	2023 RMB'000	2022 RMB'000
Depreciation on right-of-use assets	24	**761,748**	611,447
Impairment of right-of-use assets (Note 6(A)(d))	24	**208,028**	–
Amortisation of discount – lease liabilities (included in finance expenses)	27	**144,488**	99,035
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	24	**468,513**	321,705
Expense relating to variable lease payments not included in lease liabilities (included in selling and distribution expenses)	24	**700,092**	512,362

The total cash outflow for leases in 2023 was RMB2,049,886,000 (2022: RMB1,409,083,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. For certain lease contracts of retail stores, there are terms about variable lease payments that based on the sales volume, which expose the Group to variable lease payments.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 25% of sales in majority. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the Group with such variable lease contracts would increase total lease payments by approximately RMB64,020,000 (2022: RMB44,095,000).

(All amounts in RMB unless otherwise stated)

7. INVESTMENT PROPERTIES

	Construction in progress RMB'000	Land and buildings RMB'000	Total RMB'000
As at 1 January 2022			
Cost	–	1,897,070	1,897,070
Accumulated depreciation	–	(47,025)	(47,025)
Net book amount	–	1,850,045	1,850,045
Year ended 31 December 2022			
Opening net book amount	–	1,850,045	1,850,045
Additions	5,298	7,710	13,008
Depreciation charge (Note a)	–	(60,826)	(60,826)
Closing net book amount	5,298	1,796,929	1,802,227
As at 31 December 2022			
Cost	5,298	1,904,780	1,910,078
Accumulated depreciation	–	(107,851)	(107,851)
Net book amount	5,298	1,796,929	1,802,227
Year ended 31 December 2023			
Opening net book amount	**5,298**	**1,796,929**	**1,802,227**
Additions	**–**	**12,053**	**12,053**
Transfers	**(5,298)**	**5,298**	**–**
Transfers from property, plant and equipment upon change of use (Note 6(A)(a))	**–**	**216,674**	**216,674**
Transfers to property, plant and equipment upon change of use (Note 6(A)(b))	**–**	**(406,555)**	**(406,555)**
Depreciation charge (Note a)	**–**	**(63,944)**	**(63,944)**
Closing net book amount	**–**	**1,560,455**	**1,560,455**
As at 31 December 2023			
Cost	**–**	**1,691,410**	**1,691,410**
Accumulated depreciation	**–**	**(130,955)**	**(130,955)**
Net book amount	**–**	**1,560,455**	**1,560,455**

7. *INVESTMENT PROPERTIES (CONTINUED)*

Notes:

(a) Depreciation expenses of RMB63,944,000 (2022: RMB60,826,000) has been recorded as a debit to other income and other gains – net and included in depreciation and related expenses on investment properties under operating leases (Note 25).

(b) As at 31 December 2023, none of the Group's investment properties was pledged as security by the Group (31 December 2022: nil).

(c) Refer to Note 33(b) for disclosure of capital commitment in relation to investment properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**42,945**	46,960
Between 1 and 2 years	**22,894**	22,142
Between 2 and 3 years	**8,981**	10,053
Between 3 and 4 years	**2,102**	744
Between 4 and 5 years	**–**	728
Later than 5 years	**–**	3,156
	76,922	83,783

Valuation process

The directors of the Company have determined that the investment properties are commercial, based on the nature, characteristics and risk of the property. The Group's investment properties were valued as at the end of the reporting period by an independent professionally qualified valuer. Each year, the Group's management decide to appoint an external valuer to be responsible for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Management have discussions with the valuer on the valuation assumptions and valuation result at least once a year when the valuation is performed for annual financial reporting.

7. *INVESTMENT PROPERTIES (CONTINUED)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties for disclosure purpose:

At 31 December 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement for				
Investment properties	–	–	1,612,660	1,612,660

At 31 December 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement for				
Investment properties	–	–	1,842,734	1,842,734

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 31 December 2023, the fair value of investment properties is estimated using the income approach which takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the properties.

7. *INVESTMENT PROPERTIES* (CONTINUED)

Information about fair value measurements using significant unobservable inputs

Property category	**Fair value as at 31 December 2023 RMB'000**	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office buildings and commercial buildings	**1,321,900**	Income approach	Term yield	4.05% – 5.25%	The higher the term yield, the lower the fair value
			Reversionary yield	4.20% – 5.50%	The higher the reversionary yield, the lower the fair value
			Monthly rental (RMB/square meter/month)	96.31 – 335.67	The higher the monthly rental, the higher the fair value
Apartments	**290,760**	Income approach	Term yield	4.75%	The higher the term yield, the lower the fair value
			Reversionary yield	5.00%	The higher the reversionary yield, the lower the fair value
			Monthly rental (RMB/square meter/month)	45.60 -83.13	The higher the monthly rental, the higher the fair value

Property category	Fair value as at 31 December 2022 RMB'000	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office buildings	1,563,050	Income approach	Term yield	3.75%	The higher the term yield, the lower the fair value
			Reversionary yield	4.00%	The higher the reversionary yield, the lower the fair value
			Monthly rental (RMB/square meter/month)	149.13 – 304.90	The higher the monthly rental, the higher the fair value
Apartments	279,684	Income approach	Term yield	4.75%	The higher the term yield, the lower the fair value
			Reversionary yield	5.00%	The higher the reversionary yield, the lower the fair value
			Monthly rental (RMB/square meter/month)	32.66 – 81.64	The higher the monthly rental, the higher the fair value

8. LAND USE RIGHTS

	RMB'000
As at 1 January 2022	
Cost	194,271
Accumulated amortisation	(31,692)
Net book amount	162,579
Year ended 31 December 2022	
Opening net book amount	162,579
Amortisation charge	(3,798)
Closing net book amount	158,781
As at 31 December 2022	
Cost	194,271
Accumulated amortisation	(35,490)
Net book amount	158,781
Year ended 31 December 2023	
Opening net book amount	**158,781**
Disposals	**(361)**
Amortisation charge	**(3,766)**
Closing net book amount	**154,654**
As at 31 December 2023	
Cost	**190,479**
Accumulated amortisation	**(35,825)**
Net book amount	**154,654**

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 RMB3,766,000 (2022: RMB3,798,000) has been charged to administrative expenses.

9. INTANGIBLE ASSETS

	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
As at 1 January 2022						
Cost	143,778	28,724	328,600	366,657	61,279	929,038
Accumulated amortisation and impairment	(36,394)	(18,939)	(260,088)	(364,658)	(61,279)	(741,358)
Net book amount	107,384	9,785	68,512	1,999	–	187,680
Year ended 31 December 2022						
Opening net book amount	107,384	9,785	68,512	1,999	–	187,680
Additions	–	473	48,686	26,250	–	75,409
Amortisation charge	–	(1,672)	(28,748)	(15,125)	–	(45,545)
Disposal	–	–	(308)	–	–	(308)
Closing net book amount	107,384	8,586	88,142	13,124	–	217,236
As at 31 December 2022						
Cost	143,778	29,197	376,975	392,907	61,279	1,004,136
Accumulated amortisation and impairment	(36,394)	(20,611)	(288,833)	(379,783)	(61,279)	(786,900)
Net book amount	107,384	8,586	88,142	13,124	–	217,236
Year ended 31 December 2023						
Opening net book amount	**107,384**	**8,586**	**88,142**	**13,124**	**–**	**217,236**
Additions	**–**	**723**	**66,051**	**–**	**–**	**66,774**
Amortisation charge	**–**	**(2,055)**	**(36,502)**	**(13,124)**	**–**	**(51,681)**
Impairment	**(11,462)**	**–**	**–**	**–**	**–**	**(11,462)**
Closing net book amount	**95,922**	**7,254**	**117,691**	**–**	**–**	**220,867**
As at 31 December 2023						
Cost	**143,778**	**33,564**	**258,615**	**57,578**	**61,279**	**554,814**
Accumulated amortisation and impairment	**(47,856)**	**(26,310)**	**(140,924)**	**(57,578)**	**(61,279)**	**(333,947)**
Net book amount	**95,922**	**7,254**	**117,691**	**–**	**–**	**220,867**

Amortisation of RMB13,124,000 (2022: RMB15,125,000) has been charged to selling and distribution expenses and RMB38,557,000 (2022: RMB30,420,000) to administrative expenses.

9. *INTANGIBLE ASSETS* *(CONTINUED)*

Impairment tests for goodwill

As at 31 December 2023, the original cost of goodwill amounted to RMB143,778,000, including (1) cost of goodwill of RMB72,387,000 arising from the acquisition of the Kason brand in 2009; (2) cost of goodwill of RMB67,087,000 arising from the acquisition of the business of certain distributors of the Li Ning brand in 2014; and (3) cost of goodwill of RMB4,304,000 arising from the acquisition of Li Ning Communications (Hong Kong) Ltd. (formerly known as Matsunichi Communications (Hong Kong) Ltd.) in 2021 which, through its wholly-owned subsidiary, owns certain properties located in the Greater Bay Area of the PRC.

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.

Impairment review on goodwill of the Group has been conducted by Management as at 31 December 2023 according to IAS 36 "Impairment of assets". For the purpose of impairment testing, the recoverable amounts for the CGUs have been determined based on the higher of fair value less cost of disposal ("FVLCOD") and values-in-use ("VIU").

For the groups of certain CGUs of the Li Ning brand and the Kason brand, the recoverable amounts have been determined based on VIU calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Management. The forecasted average revenue growth rate during the forecast period of 5 years is 5% for certain CGUs of the Li Ning brand and 10% for the CGUs in relation to the Kason brand. 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 1% 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 16.78% to 16.97% (2022: 13.00% to 15.03%) and the pre-tax discount rate used for the CGUs in relation to the Kason brand is 17.76% (2022: 17.73%) for the year ended 31 December 2023, which reflect specific risks relating to the respective CGUs.

Based on the results of the impairment assessment conducted by the Group, it is determined that (1) for the CGUs of the Kason brand, there is no impairment of goodwill as at 31 December 2023; (2) for the CGUs of the Li Ning brand, impairment loss of RMB7,158,000 is recognised for the respective goodwill of a group of CGUs for the year ended 31 December 2023; and (3) for the CGUs of Li Ning Communications (Hong Kong) Ltd. (including its subsidiary), impairment loss of RMB4,304,000 is recognised for the respective goodwill for the year ended 31 December 2023.

10. SUBSIDIARIES

The following is a list of the Group's subsidiaries as at 31 December 2023:

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company 2023	2022	Principal activities
Directly held:					
RealSports Pte Ltd.	The British Virgin Islands, 8 October 2002 Limited liability company	US$1,000	100%	100%	Investment holding
Indirectly held:					
Li Ning Sports Technology Development (Hong Kong) Co., Ltd. (李寧體育科技發展(香港)有限公司)	Hong Kong, 28 May 2004 Limited liability company	HK$1	100%	100%	Research and development
Li Ning Sports (Hong Kong) Co., Ltd. (李寧體育(香港)有限公司)	Hong Kong, 19 March 2003 Limited liability company	HK$100	100%	100%	Provision of administrative services and investment holding
李寧體育(上海)有限公司 (Li Ning Sports (Shanghai) Co., Ltd.)	The PRC, 25 August 1997 Limited liability company	US$8,000,000	100%	100%	Brand licensing and investment holding
上海狐步體育用品有限公司 (Shanghai Hubu Sports Goods Co., Ltd.)	The PRC, 20 April 2000 Limited liability company	RMB2,000,000	100%	100%	Investment holding
上海李寧體育用品有限公司 (Shanghai Li Ning Sports Goods Co.,Ltd.)	The PRC, 18 December 2001 Limited liability company	RMB3,000,000	100%	100%	Sale of sports goods
上海悦奧體育用品有限公司 (Shanghai Yue Ao Sports Goods Co., Ltd.)	The PRC, 5 March 2003 Limited liability company	RMB3,000,000	100%	100%	Investment holding
佛山李寧體操學校服務有限公司 (Foshan Li Ning Gymnastic School Services Co., Ltd.)	The PRC, 31 October 1996 Limited liability company	RMB1,000,000	100%	100%	Property management
李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd.)	The PRC, 6 July 2007 Limited liability company	RMB1,416,670,000	100%	100%	Sale of sports goods
Li Ning Korea Sports Ltd. (李寧韓國有限公司)	South Korea, 21 August 2013 Limited liability company	KRW100,000,000	100%	100%	Research and development
單仕競(上海)體育用品有限公司 (Danskin (Shanghai) Sports Goods Co., Ltd.)	The PRC, 21 November 2016 Limited liability company	RMB5,000,000	100%	100%	Sale of sports goods
單仕競(上海)實業發展有限公司 (Danskin (Shanghai) Industry Development Co., Ltd.)	The PRC, 19 May 2017 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
李寧體育(北京)有限公司 (Li Ning Sports (Beijing) Co., Ltd.)	The PRC, 19 December 2007 Limited liability company	HK$10,000,000	100%	100%	Sale of sports goods

10. SUBSIDIARIES (CONTINUED)

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company 2023	2022	Principal activities
上海一動體育發展有限公司 (Shanghai Edosports Development Co., Ltd.)	The PRC, 9 July 2001 Limited liability company	RMB10,000,000	100%	100%	Sale of sports goods
鄭州一動體育用品銷售有限公司 (Zhengzhou Edosports Goods Sales Co., Ltd.)	The PRC, 25 June 1998 Limited liability company	RMB2,750,000	100%	100%	Sale of sports goods
廣州一動體育用品銷售有限公司 (Guangzhou Edosports Goods Sales Co., Ltd.)	The PRC, 6 October 1998 Limited liability company	RMB3,200,000	100%	100%	Sale of sports goods
瀋陽一動體育用品銷售有限公司 (Shenyang Edosports Goods Sales Co., Ltd.)	The PRC, 10 June 1999 Limited liability company	RMB3,000,000	100%	100%	Sale of sports goods
濟南一動體育用品銷售有限公司 (Jinan Edosports Goods Sales Co., Ltd.)	The PRC, 15 April 2003 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
武漢一動體育用品銷售有限公司 (Wuhan Edosports Goods Sales Co., Ltd.)	The PRC, 2 June 1999 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
北京李寧體育用品銷售有限公司 (Beijing Li Ning Sports Goods Sales Co., Ltd.)	The PRC, 4 November 1997 Limited liability company	RMB5,000,000	100%	100%	Sale of sports goods
上海一動體育用品銷售有限公司 (Shanghai Edosports Goods Sales Co., Ltd.)	The PRC, 8 August 2000 Limited liability company	RMB5,000,000	100%	100%	Sale of sports goods
天津一動體育用品銷售有限公司 (Tianjin Edosports Goods Sales Co., Ltd.)	The PRC, 14 December 1999 Limited liability company	RMB3,500,000	100%	100%	Sale of sports goods
南京一動體育用品銷售有限公司 (Nanjing Edosports Goods Sales Co., Ltd.)	The PRC, 15 April 2003 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
新疆一動體育用品銷售有限公司 (Xinjiang Edosports Goods Sales Co., Ltd.)	The PRC, 4 February 2005 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
廣西李寧體育用品有限公司 (Guangxi Li Ning Sports Goods Co., Ltd)	The PRC, 23 November 2018 Limited liability company	RMB50,000,000	100%	100%	Manufacture and sale of sports goods
長沙一動體育用品銷售有限公司 (Changsha Edosports Goods Sales Co., Ltd.)	The PRC, 26 August 1998 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
南寧一動體育用品銷售有限公司 (Nanning Edosports Goods Sales Co., Ltd.)	The PRC, 29 July 1998 Limited liability company	RMB1,500,000	100%	100%	Sale of sports goods
西安一動體育用品銷售有限公司 (Xian Edosports Goods Sales Co., Ltd.)	The PRC, 23 January 2006 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods

10. SUBSIDIARIES *(CONTINUED)*

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company 2023	2022	Principal activities
成都一動體育用品銷售有限公司 (Chengdu Edosports Goods Sales Co., Ltd.)	The PRC, 4 February 2008 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
昆明一動體育用品銷售有限公司 (Kunming Edosports Goods Sales Co., Ltd.)	The PRC, 24 September 2008 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
蘭州一動體育用品銷售有限公司 (Lanzhou Edosports Goods Sales Co., Ltd.)	The PRC, 13 May 2009 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
廈門悦奧商貿有限公司 (Xiamen Yue Ao Trading Co., Ltd.)	The PRC, 26 October 2009 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
大連悦奧體育用品銷售有限公司 (Dalian YueAo Sports Goods Sales Co., Ltd.)	The PRC, 13 June 2010 Limited liability company	RMB3,000,000	100%	100%	Sale of sports goods
杭州悦奧體育用品銷售有限公司 (Hangzhou Yue Ao Sports Goods Sales Co., Ltd.)	The PRC, 17 December 2010 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
合肥一動體育用品銷售有限公司 (Hefei Edosports Goods Sales Co., Ltd.)	The PRC, 21 March 2011 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
上海李寧體育用品電子商務有限公司 (Shanghai Li Ning Sports Goods E-business Co.,Ltd.)	The PRC, 27 July 2011 Limited liability company	RMB10,000,000	100%	100%	Sale of sports goods
李寧(福建)羽毛球科技發展有限公司 (Li Ning (Fujian) Badminton Technology Development Co., Ltd.)	The PRC, 30 June 2008 Limited liability company	RMB20,000,000	100%	100%	Manufacture and sale of sports goods
Kason Sports (Hong Kong) Ltd. (凱勝體育(香港)有限公司)	Hong Kong, 15 January 2008 Limited liability company	HK$1	100%	100%	Investment holding
Li Ning International Trading (Hong Kong) Co., Ltd. (李寧國際貿易(香港)有限公司)	Hong Kong, 27 August 2010 Limited liability company	HK$2	100%	100%	Sales of sports goods
李寧(湖北)體育用品有限公司 (Li Ning (Hubei) Sports Goods Co., Ltd.)	The PRC, 2 November 2010 Limited liability company	RMB411,844,000	100%	100%	Sale of sports goods
湖北李寧鞋業有限公司* (Hubei Li Ning Footwear Co., Ltd.)	The PRC, 18 April 2013 Limited liability company	RMB50,000,000	N/A	95%	Manufacture and sale of sports goods
哈爾濱一動體育用品銷售有限公司 (Harbin Edosports Goods Sales Co., Ltd.)	The PRC, 25 December 2013 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods

10. *SUBSIDIARIES (CONTINUED)*

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company 2023	2022	Principal activities
大慶悦動體育用品銷售有限公司 (Daqing Yue Dong Sports Goods Sales Co., Ltd.)	The PRC, 25 December 2013 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
重慶悦奧體育用品銷售有限公司 (Chongqing Yue Ao Sports Goods Sales Co., Ltd.)	The PRC, 15 April 2014 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
貴陽悦奧體育用品有限公司 (Guiyang Yue Ao Sports Goods Co., Ltd.)	The PRC, 23 May 2014 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
深圳悦奧商貿有限公司 (Shenzhen Yue Ao Trading Co., Ltd.)	The PRC, 7 December 2015 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
長春悦奧體育用品銷售有限公司 (Changchun Yue Ao Sports Goods Sales Co., Ltd.)	The PRC, 22 April 2019 Limited liability company	RMB1,000,000	100%	100%	Sale of sports goods
李寧體育(深圳)有限公司 (Li Ning Sports (Shenzhen) Co., Ltd.)	The PRC, 19 September 2019 Limited liability company	RMB400,000,000	100%	100%	Sale of sports goods
李寧體育科技(深圳)有限公司 (Li Ning Sports Technology (Shenzhen) Co., Ltd.)	The PRC, 27 September 2019 Limited liability company	RMB20,000,000	100%	100%	Research and development
Li Ning Communications (Hong Kong) Ltd. (李寧資訊(香港)有限公司)	Hong Kong, 22 August 2001 Limited liability company	HK$20,000,000	100%	100%	Investment holding
深圳李寧大廈有限公司 (Shenzhen Li Ning Property Co.,Ltd.)	The PRC, 28 May 2002 Limited liability company	US$25,000,000	100%	100%	Property management
李寧體育(廣西)有限公司 (Li Ning Sports (Guangxi) Co., Ltd.)	The PRC, 28 October 2019 Limited liability company	RMB922,322,400	100%	100%	Property management
上海少昊體育發展有限公司 (Shanghai Shao Hao Sports Development Co., Ltd.)	The PRC, 20 July 2021 Limited liability company	RMB5,000,000	100%	100%	Property management
上海少昊伯悦商業管理有限公司 (Shanghai Shao Hao Bo Yue Business Management Co., Ltd.)	The PRC, 20 July 2021 Limited liability company	RMB5,000,000	100%	100%	Property management
上海寧聚體育用品有限公司 (Shanghai Ning Ju Sports Goods Co., Ltd.)	The PRC, 5 August 2021 Limited liability company	RMB5,000,000	100%	100%	Property management
李寧體育童裝有限公司 (Li Ning Sports Kidswear Co., Ltd.)	The PRC, 3 March 2022 Limited liability company	RMB250,000,000	100%	100%	Sale of sports goods

10. SUBSIDIARIES (CONTINUED)

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company 2023	2022	Principal activities
杭州寧聚體育用品有限公司 (Hangzhou Ningju Sports Goods Co., Ltd.)	The PRC, 19 September 2022 Limited liability company	RMB500,000	100%	100%	Sale of sports goods
Edosports Macau International Trading Co. Ltd. (澳門一動國際貿易有限公司)	Macau, 6 October 2022 Limited liability company	MOP$100,000	100%	100%	Sales of sports goods
廣西李寧羽毛球有限公司** (Guangxi Li Ning Badminton Co., Ltd)	The PRC, 15 May 2023 Limited liability company	RMB20,000,000	100%	N/A	Manufacture and sale of sports goods
Zone Dynasty Limited**	The British Virgin Islands, 30 November 2023 Limited liability company	US$1	100%	N/A	Investment holding
High Match Limited**	The British Virgin Islands, 30 November 2023 Limited liability company	US$1	100%	N/A	Investment holding

* Deregistered during the year ended 31 December 2023.

** Registered during the year ended 31 December 2023.

10. SUBSIDIARIES (CONTINUED)

Loans receivable due from subsidiaries

Pursuant to the loan agreements entered into by the Company and certain subsidiaries in Mainland China during the year ended 31 December 2022, the Company provided loans to these subsidiaries which were unsecured, bore 2% interest rate per annum, and had an initial maturity of 5 years. The carrying amount of loans receivable due from subsidiaries amounted RMB3,686,175,000 (including the principals and related interests) as at 31 December 2023 (31 December 2022: RMB7,515,094,000), which were recorded as long-term receivables in the balance sheet of the Company (Note 35).

Material non-controlling interests

As at 31 December 2023 and 2022, no subsidiary has non-controlling interests that are material to the Group.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	2023 RMB'000	2022 RMB'000
Associates	1,277,454	1,093,768
Joint ventures	329,147	275,635
As at 31 December	1,606,601	1,369,403

The share of profit of investments accounted for using equity method recognised in the consolidated income statement are as follows:

	2023 RMB'000	2022 RMB'000
Associates	310,638	158,260
Joint ventures	67,334	42,895
For the year ended 31 December	377,972	201,155

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Investment in associates

The following is a list of the Group's associates as at 31 December 2023:

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Group 2023	2022	Principal activities	Measurement method
上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.) ("Double Happiness")	The PRC, 26 December 1995 Limited liability company	RMB112,000,000	**47.50%**	47.50%	Manufacture and sale of sports goods	Equity method
湖北動能體育用品有限公司 Hubei Dongneng Sports Goods Co., Ltd.) ("Hubei Dong Neng")	The PRC, 29 October 2008 Limited liability company	RMB100,000,000	**20%**	20%	Manufacture and sale of sports goods	Equity method
天津市寬貓咪兒童用品有限公司 (Tianjin Kuan Mao Mi Children's Products Co., Ltd.) ("Tianjin Kuan Mao Mi")	The PRC, 24 May 2011 Limited liability company	RMB30,000,000	**10.22%**	10.22%	Sale of sports goods	Equity method
天津市越浩拓戶外用品有限公司 (Tianjin Yue Hao Tuo Outdoor Sports Co., Ltd.) ("Tianjin Yue Hao Tuo")	The PRC, 3 August 2011 Limited liability company	RMB20,790,000	**7.89%**	7.89%	Sale of sports goods	Equity method
Danskin China, Ltd. ("Danskin China") (單仕競中國有限公司)	Hong Kong, 28 June 2016 Limited liability company	HK$1,000	**30%**	30%	Brand licensing	Equity method

The Group exercises significant influence over these associated companies by virtue of its contractual right to appoint director to the board of directors of the associated companies and has the power to participate in the financial and operating policy decisions of the associated companies.

The investments in Tianjin Kuan Mao Mi and Tianjin Yue Hao Tuo have been reduced to nil since 31 December 2012. There was no additional obligation to share the loss of Tianjin Kuan Mao Mi and Tianjin Yue Hao Tuo for the years ended 31 December 2023 and 2022.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(CONTINUED)*

Investment in associates *(Continued)*

Management is of the view that none of the Group's associates is individually material to the Group as at 31 December 2023. The movements of the carrying amount of investments in associates (which also included the aggregate information of the Group's individually immaterial associates) are as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	1,093,768	1,025,398
Addition	–	12,670
Share of profit	310,638	158,260
Dividends received	(126,952)	(93,341)
Change in fair value of investment upon exercise of derivative financial instruments (Note 3.3)	–	(9,219)
As at 31 December	1,277,454	1,093,768

Investment in joint ventures

The following is a list of the Group's joint ventures as at 31 December 2023:

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Group 2023	2022	Principal activities
Li-Ning Aigle Ventures Company Limited ("Li-Ning Aigle Ventures") (Note a) 李寧艾高有限公司	Hong Kong, 3 July 2005 Limited liability company	HK$48,600,000	50%	50%	Sales of sports goods
李寧(北京)體育文化有限公司 Li-Ning (Beijing) Sports Culture Co. Ltd*	The PRC, 8 August 2018 Limited liability company	RMB1,000,000	N/A	50%	Organise cultural and art exchange event
廣西寧站體育科技有限公司 Guangxi Ning Zhan Sports Technology Co., Ltd. ("Guangxi Ning Zhan") (Note b)	The PRC, 12 April 2019 Limited liability company	RMB145,000,000	55%	55%	Manufacture and sale of sports goods
廣西寧泰服裝有限公司 Guangxi Ning Tai Garment Co. Ltd ("Guangxi Ning Tai") (Note b)	The PRC, 8 November 2019 Limited liability company	RMB55,000,000	55%	55%	Manufacture and sale of sports goods

* Deregistered during the year ended 31 December 2023.

Notes:

(a) The Group has a 50% equity interest in Li-Ning Aigle Ventures which is a company jointly controlled by the Group and Aigle International S.A., a company incorporated in France. Li-Ning Aigle Ventures and its subsidiaries are principally engaged in the manufacture, marketing and distribution of AIGLE brand apparel and footwear products in the PRC.

(b) The investments in these entities are accounted for as investments in joint ventures as unanimous consent is required from all shareholders of these entities for approving certain relevant activities according to the respective shareholders' agreements of these entities.

11. *INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)*

Investment in joint ventures *(Continued)*

Management is of the view that none of the Group's joint ventures is individually material to the Group as at 31 December 2023. The movements of the carrying amount of investments in joint ventures (which also included the aggregate information of the Group's individually immaterial joint ventures) are as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	275,635	241,673
Disposal upon deregistration of a joint venture	(229)	–
Share of profit	67,334	42,895
Dividends received	(13,593)	(8,933)
As at 31 December	329,147	275,635

12. *INVENTORIES*

	2023 RMB'000	2022 RMB'000
Raw materials	32,009	19,302
Work in progress	17,812	31,783
Finished goods	2,578,112	2,497,486
	2,627,933	2,548,571
Less: provision for write-down of inventories to net realisable value	(134,727)	(120,531)
	2,493,206	2,428,040

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB13,856,610,000 for the year ended 31 December 2023 (2022: RMB12,979,293,000), which included inventory provision of RMB14,196,000 (2022: RMB26,852,000).

13. *OTHER ASSETS*

	2023 RMB'000	2022 RMB'000
Other assets in relation to refunds (Note 20(a))	414,246	513,836
Input value-added tax to be certified	291,902	162,224
Prepayment for purchases of properties (Note 33(c))	203,074	287,707
Prepaid rentals	48,893	50,984
Prepayment for advertising expenses	46,381	54,739
Advances to suppliers	27,469	23,153
Others	9,284	26,642
	1,041,249	1,119,285
Less: non-current portion	(203,074)	(287,707)
Current portion	838,175	831,578

14. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Accounts receivable	1,243,747	1,172,857
Less: expected credit loss allowance for trade receivables	(38,215)	(152,511)
	1,205,532	1,020,346

Trade receivables are mainly denominated in RMB.

Customers are normally granted credit terms within 90 days. As at 31 December 2023 and 2022, ageing analysis of trade receivables based on invoice date is as follows:

	2023 RMB'000	2022 RMB'000
0 – 30 days	581,522	579,558
31 – 60 days	384,449	305,891
61 – 90 days	99,505	99,031
91 – 180 days	157,530	74,865
Over 180 days	20,741	113,512
	1,243,747	1,172,857

The movement in the expected credit loss allowance for trade receivables during the year is as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	152,511	208,281
Reversal of expected credit loss allowance for trade receivables	(20,592)	(23,114)
Trade receivables written off during the year as uncollectible	(93,703)	(33,816)
Effect of change in exchange rate	(1)	1,160
As at 31 December	38,215	152,511

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the failure of a debtor to engage in a repayment plan with the Group.

Due to the short-term nature of the current receivables, their carrying amount approximates their fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance decreased by RMB114,296,000 to RMB38,215,000 for trade receivables during the current reporting period (2022: decreased by RMB55,770,000 to RMB152,511,000). Note 3.1(b) provides for details about the calculation of the allowance.

Information about the expected credit loss allowance for trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

15. OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Rental deposits	361,429	306,492
Staff advances and other payments for employees	785	773
Others	57,879	56,026
Less: expected credit loss allowance for other receivables	(7,523)	(6,689)
	412,570	356,602
Less: non-current portion	(234,876)	(268,183)
Current portion	177,694	88,419

The movement in the loss allowance for other receivables during the year is as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	6,689	7,909
Provision for/(reversal of) expected credit loss allowance for other receivables	954	(1,207)
Other receivables written off during the year as uncollectible and exchange rate impact	(120)	(13)
As at 31 December	7,523	6,689

Other receivables are mainly denominated in RMB. Other receivables are measured at amortised cost. Non-current portion mainly comprises refundable rental deposits.

The Group does not hold any collateral as security. Note 3.1 sets out information about the impairment of financial assets and the Group's exposure to credit risk and foreign currency risk.

16. CASH AND BANK BALANCES

(a) Cash and cash equivalents

	2023 RMB'000	2022 RMB'000
Cash at banks and on hand	5,348,970	7,187,863
Short-term bank deposits with initial terms within three months	94,913	194,355
	5,443,883	7,382,218

An analysis of cash and cash equivalents by denomination currency is as follows:

	2023 RMB'000	2022 RMB'000
Denominated in RMB	4,774,075	6,873,434
Denominated in HK$	543,672	350,411
Denominated in GBP	95,329	–
Denominated in US$	24,964	155,139
Denominated in EUR	1,953	1,845
Denominated in other currencies	3,890	1,389
	5,443,883	7,382,218

(b) Restricted bank deposits

	2023 RMB'000	2022 RMB'000
Restricted bank deposits	806	970

Restricted bank deposits are restricted for certain lease arrangements and other operating purposes.

An analysis of restricted bank deposits by denomination currency is as follows:

	2023 RMB'000	2022 RMB'000
Denominated in RMB	–	200
Denominated in HK$	806	770
	806	970

16. *CASH AND BANK BALANCES* (CONTINUED)

(c) Short-term bank deposits

	2023 RMB'000	2022 RMB'000
Short-term bank deposits – denominated in RMB	**3,493,687**	643,324

As at 31 December 2023, the balance includes the accrued interests for short-term bank deposits amounting to RMB293,687,000 (as at 31 December 2022: RMB3,324,000). The effective interest rate of the short-term bank deposits of the Group ranges from 3.50% to 3.80% per annum for the year ended 31 December 2023 (2022: from 2.10% to 3.80%).

(d) Long-term bank deposits

	2023 RMB'000	2022 RMB'000
Long-term bank deposits – denominated in RMB	**9,037,142**	11,023,296

As at 31 December 2023, the balance includes the accrued interests for long-term bank deposits amounting to RMB437,142,000 (as at 31 December 2022: RMB323,296,000). The effective interest rate of the long-term bank deposits of the Group ranges from 3.10% to 3.50% per annum for the year ended 31 December 2023 (2022: from 3.25% to 3.60%).

At present, Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of the PRC is subject to the rules and regulations of exchange control promulgated by the PRC government.

Cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits are neither past due nor impaired and are deposits with banks which are mainly prominent nationwide state-owned banks or other banks and financial institutions with good reputation in the PRC. The maximum exposure to credit risk at the reporting date is the carrying amounts of the Group's cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits mentioned above.

17. ORDINARY SHARES, SHARE PREMIUM AND TREASURY SHARES

Issued and fully paid

	Number of share of HK$0.10 each (Thousands)	Number of treasury shares (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Subtotal RMB'000	Treasury shares RMB'000	Total RMB'000
As at 1 January 2022	2,616,546	(4,158)	238,759	12,637,277	12,876,036	(37,840)	12,838,196
Net proceeds from share issuance pursuant to share option scheme (Note a)	17,371	–	1,561	95,154	96,715	–	96,715
Shares converted from convertible securities (Note 18)	3	–	–	7	7	–	7
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	826	–	43,000	43,000	15,611	58,611
Purchase of own shares (Note b)	–	(3,601)	–	–	–	(158,610)	(158,610)
Dividend paid (Note 30)	–	–	–	(1,194,720)	(1,194,720)	–	(1,194,720)
As at 31 December 2022	2,633,920	(6,933)	240,320	11,580,718	11,821,038	(180,839)	11,640,199

	Number of share of HK$0.10 each (Thousands)	Number of treasury shares (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Subtotal RMB'000	Treasury shares RMB'000	Total RMB'000
As at 1 January 2023	2,633,920	(6,933)	240,320	11,580,718	11,821,038	(180,839)	11,640,199
Net proceeds from share issuance pursuant to share option scheme (Note a)	2,210	–	198	7,218	7,416	–	7,416
Shares converted from convertible securities (Note 18)	15	–	1	33	34	–	34
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	1,813	–	56,360	56,360	49,187	105,547
Purchase of own shares (Note b)	–	(57,222)	–	–	–	(1,158,746)	(1,158,746)
Cancellation of repurchased shares (Note c)	(10,730)	10,730	(973)	(251,498)	(252,471)	252,471	–
Dividend paid (Note 30)	–	–	–	(1,220,193)	(1,220,193)	–	(1,220,193)
As at 31 December 2023	2,625,415	(51,612)	239,546	10,172,638	10,412,184	(1,037,927)	9,374,257

Notes:

(a) During the year ended 31 December 2023, the Company issued 2,210,000 shares to one director and one employee of the Group (2022: issued 17,371,000 shares to one director, certain employees and other participant of the Group) at weighted-average issue price of HK$3.75 (2022: HK$6.20) per share pursuant to the Company's 2014 Share Option Scheme (see Note 32).

(b) During the year, the Company acquired 57,222,000 ordinary shares of the Company (2022: 3,601,000 ordinary shares) through purchases on the open market. The total amount paid to acquire the shares during the year was RMB1,158,746,000 (2022: RMB158,610,000).

(c) In December 2023, the Company cancelled 10,730,000 repurchased shares. As a result, the Company recognised a debit to ordinary shares of HK$1,073,000 (equivalent to approximately RMB973,000), a debit to share premium of HK$274,025,000 (equivalent to approximately RMB251,498,000) and a credit to treasury shares of HK$275,098,000 (equivalent to approximately RMB252,471,000) respectively. See Note 37(a) for further information of the cancellation of repurchased shares after the balance sheet date.

18. OTHER RESERVES AND RETAINED EARNINGS

	Capital reserves RMB'000	Statutory reserve funds RMB'000	Share-based compensation reserves RMB'000	Convertible securities (Note a) RMB'000	Currency translation difference RMB'000	Subtotal RMB'000	Retained Earnings RMB'000	Total RMB'000
As at 1 January 2022	420,662	762,923	78,855	2,415	(23,088)	1,241,767	7,021,583	8,263,350
Profit for the year	–	–	–	–	–	–	4,063,834	4,063,834
Value of services provided under share option scheme and Restricted Share Award Scheme	–	–	239,301	–	–	239,301	–	239,301
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	–	(58,611)	–	–	(58,611)	–	(58,611)
Appropriations to statutory reserves	–	188,598	–	–	–	188,598	(188,598)	–
Shares converted from convertible securities (Note a)	–	–	–	(7)	–	(7)	–	(7)
Translation difference of foreign currency financial statements	–	–	–	–	(8,383)	(8,383)	–	(8,383)
Tax impact of employee share-based compensation scheme	189,747	–	–	–	–	189,747	–	189,747
As at 31 December 2022	610,409	951,521	259,545	2,408	(31,471)	1,792,412	10,896,819	12,689,231
As at 1 January 2023	610,409	951,521	259,545	2,408	(31,471)	1,792,412	10,896,819	12,689,231
Profit for the year	–	–	–	–	–	–	3,186,910	3,186,910
Value of services provided under share option scheme and Restricted Share Award Scheme	–	–	183,456	–	–	183,456	–	183,456
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	–	(105,547)	–	–	(105,547)	–	(105,547)
Appropriations to statutory reserves	–	118,222	–	–	–	118,222	(118,222)	–
Shares converted from convertible securities (Note a)	–	–	–	(34)	–	(34)	–	(34)
Translation difference of foreign currency financial statements	–	–	–	–	(2,173)	(2,173)	–	(2,173)
Dividend paid	–	–	–	–	–	–	(954,636)	(954,636)
Tax impact of employee share-based compensation scheme	35,177	–	–	–	–	35,177	–	35,177
As at 31 December 2023	645,586	1,069,743	337,454	2,374	(33,644)	2,021,513	13,010,871	15,032,384

Note:

(a) The amounts represent the effects of convertible securities issued by the Company. In April 2013 and January 2015, the Company issued 527,953,814 convertible securities (the "2013 CS) and issued 146,881,496 convertible securities (the "2015 CS") respectively. Both 2013 CS and 2015 CS (collectively referred to as "CS") are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK$3.5 and HK$2.6 per ordinary share of the Company (subject to standard anti-dilution adjustments), respectively. The CS cannot be redeemed unless the Company exercises the pre-emption right (but shall not obliged) to redeem. The CS do not meet the definition of financial liabilities under International Accounting Standards 32 "Financial Instruments: Presentation", and are classified as equity upon initial recognition.

During the year ended 31 December 2023, CS with carrying value of HK$42,000 (equivalent to approximately RMB34,000) were converted into 15,122 ordinary shares of the Company (Note 17). As at 31 December 2023, CS with carrying value of HK$3,034,000 (equivalent to approximately RMB2,374,000) were outstanding, which could be converted into 1,070,331 ordinary shares of the Company upon conversion.

19. TRADE PAYABLES

Trade payables are mainly denominated in RMB. The normal credit period for trade payables generally ranges from 30 to 60 days. Ageing analysis of trade payables based on invoice date at the respective balance sheet date is as follows:

	2023 RMB'000	2022 RMB'000
0 – 30 days	1,507,160	1,224,526
31 – 60 days	274,316	309,672
61 – 90 days	4,661	1,758
91 – 180 days	930	9,699
181 – 365 days	1,759	15,622
Over 365 days	970	23,147
	1,789,796	1,584,424

20. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Accrued sales and marketing expenses	919,414	841,635
Refunds liabilities (Note a)	808,980	1,021,356
Payable for property, plant and equipment	457,563	347,528
Wages and welfare payables	417,933	386,966
Sales rebates	299,146	435,860
Other tax payables	127,023	362,734
Others	225,651	252,641
	3,255,710	3,648,720

Note:

(a) The Group recognises a refund liability for the amount of consideration received for which it does not expect to be entitled (31 December 2023: RMB808,980,000; 31 December 2022 RMB1,021,356,000). The Group also recognises a right to the goods expected to be returned measured by reference to the former carrying amount of the goods (31 December 2023: RMB414,246,000; 31 December 2022: RMB513,836,000; see Note 13). The costs to recover the products are not material because the customers usually return the product in a saleable condition.

Other payables and accruals are mainly denominated in RMB.

21. LICENSE FEES PAYABLE

The Group entered into several license agreements with entities 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 year is analysed as follows:

	RMB'000
As at 1 January 2022	71,102
Additions	156,720
Payment of license fees	(165,660)
Amortisation of discount (Note 27)	2,363
Adjustment for exchange difference	1,546
As at 31 December 2022	66,071
As at 1 January 2023	**66,071**
Additions	**117,515**
Payment of license fees	**(138,572)**
Amortisation of discount (Note 27)	**1,993**
Adjustment for exchange difference	**58**
As at 31 December 2023	**47,065**

	2023 **RMB'000**	2022 RMB'000
Analysis of license fees payable:		
Non-current		
– the second to fifth year	**8,581**	15,531
Current	**38,484**	50,540
	47,065	66,071

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

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

	2023 **RMB'000**	2022 RMB'000
Less than 1 year	**38,997**	50,996
Between 1 and 5 years	**10,000**	19,000
	48,997	69,996

22. DEFERRED INCOME TAX

Movements in deferred income tax assets/(liabilities) are analysed as follows:

	Provisions	Unrealised profit on intra-group sales	Dividend and interest withholding tax	Accumulated tax losses	Accruals	Lease	Share Options	Refunds liabilities	Fair value adjustments on identifiable assets acquired in business combination	Accrued interest on short-term and long-term bank deposits	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets												
As at 1 January 2022	48,599	196,577	–	15,802	263,729	330,861	8,659	143,046	–	–	3,905	1,011,178
(Charged)/credited to income statement	(1,861)	(31,268)	–	51,468	(102,978)	204,557	38,653	(16,167)	–	–	28,338	170,742
As at 31 December 2022	46,738	165,309	–	67,270	160,751	535,418	47,312	126,879	–	–	32,243	1,181,920
As at 1 January 2023	46,738	165,309	–	67,270	160,751	535,418	47,312	126,879	–	–	32,243	1,181,920
Credited/(charged) to income statement	76,935	(51,750)	–	2,769	58,219	100,072	21,069	(28,196)	–	–	17,260	196,378
As at 31 December 2023	123,673	113,559	–	70,039	218,970	635,490	68,381	98,683	–	–	49,503	1,378,298
Deferred income tax liabilities												
As at 1 January 2022	–	–	(83,244)	–	–	(303,603)	–	–	(341,697)	–	(1,932)	(730,476)
(Charged)/credited to income statement	–	–	(7,661)	–	–	(184,915)	–	–	11,052	(81,513)	(13,736)	(276,773)
As at 31 December 2022	–	–	(90,905)	–	–	(488,518)	–	–	(330,645)	(81,513)	(15,668)	(1,007,249)
As at 1 January 2023	–	–	(90,905)	–	–	(488,518)	–	–	(330,645)	(81,513)	(15,668)	(1,007,249)
(Charged)/credited to income statement	–	–	(146,383)	–	–	(88,820)	–	–	11,052	26,568	263	(197,320)
As at 31 December 2023	–	–	(237,288)	–	–	(577,338)	–	–	(319,593)	(54,945)	(15,405)	(1,204,569)

22. *DEFERRED INCOME TAX (CONTINUED)*

(a) Deferred income tax assets

The balance of deferred income tax assets comprises temporary differences attributable to:

	2023 RMB'000	2022 RMB'000
Provisions	123,673	46,738
Unrealised profit on intra-group sales	113,559	165,309
Accumulated tax losses	70,039	67,270
Accruals	218,970	160,751
Lease liabilities	635,490	535,418
Share Options	68,381	47,312
Refunds liabilities	98,683	126,879
Others	49,503	32,243
Total deferred income tax assets	1,378,298	1,181,920
Set-off of deferred income tax liabilities in relation to right-of-use asset (b)	(577,338)	(488,518)
Net deferred income tax assets	800,960	693,402

(b) Deferred income tax liabilities

The balance of deferred income tax liabilities comprises temporary differences attributable to:

	2023 RMB'000	2022 RMB'000
Dividend and interest withholding tax	(237,288)	(90,905)
Right-of-use asset	(577,338)	(488,518)
Fair value adjustments on identifiable assets acquired in business combination	(319,593)	(330,645)
Accrued interest on short-term and long-term bank deposits	(54,945)	(81,513)
Others	(15,405)	(15,668)
Total deferred income tax liabilities	(1,204,569)	(1,007,249)
Set-off of deferred income tax liabilities in relation to right-of-use asset	577,338	488,518
Net deferred income tax liabilities	(627,231)	(518,731)

22. DEFERRED INCOME TAX *(CONTINUED)*

The amounts expected to be recovered for deferred income tax assets/(liabilities) are as follows:

	2023 RMB'000	2022 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	**617,967**	625,270
– to be recovered after more than 12 months	**182,993**	68,132
	800,960	693,402
Deferred income tax liabilities		
– to be recovered within 12 months	**(100,995)**	(114,490)
– to be recovered after more than 12 months	**(526,236)**	(404,241)
	(627,231)	(518,731)

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB24,234,000 (2022: RMB26,751,000) in respect of tax losses of certain subsidiaries amounting to RMB113,034,000 (2022: RMB107,192,000) that can be carried forward against future taxable profits and will expire between 2024 and 2028 as Management believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2023, the Group did not recognise deferred income tax assets of RMB3,263,000 (2022: RMB24,142,000) in respect of certain deductible temporary differences amounting to RMB13,051,000 (2022: RMB96,568,000), which mainly represented deductible temporary differences in relation to certain expected credit loss allowance of trade receivables.

Deferred income tax liabilities of RMB507,978,000 (2022: RMB519,742,000) have not been recognised for the withholding tax that would be payable on certain portion of the distributable retained profits of the Company's subsidiaries in the PRC earned after 1 January 2008. Such amounts totaling RMB10,159,566,000 (2022: RMB10,394,844,000) are not currently intended to be distributed to the subsidiaries incorporated outside the PRC in the foreseeable future.

23. DEFERRED INCOME

	Government grants RMB'000
As at 1 January 2022	62,517
Addition	28,050
Credited to income statement	(24,976)
As at 31 December 2022	65,591
As at 1 January 2023	**65,591**
Addition	**30,859**
Credited to income statement	**(24,864)**
As at 31 December 2023	**71,586**

24. EXPENSES BY NATURE

	2023 RMB'000	2022 RMB'000
Cost of inventories recognised as expenses and included in cost of sales	**13,856,610**	12,979,293
Depreciation on property, plant and equipment (Note a)	**1,015,519**	732,178
Amortisation of land use rights and intangible assets	**55,447**	49,343
Depreciation on right-of-use assets	**761,748**	611,447
Impairment of right-of-use assets	**208,028**	–
Impairment of property, plant and equipment	**115,463**	–
Impairment of goodwill	**11,462**	–
Advertising and marketing expenses	**2,496,218**	2,279,152
Commission and trade fair related expenses	**811,291**	723,209
Staff costs, including directors' emoluments (Note a) (Note 26)	**2,391,725**	1,989,282
Short-term lease rentals and variable lease payments not included in lease liabilities and rental related expenses	**1,168,605**	834,067
Research and product development expenses (Note a)	**618,183**	534,156
Transportation and logistics expenses	**914,562**	898,173
Auditor's remuneration		
– Audit services	**6,680**	6,220
– Non-audit services	**2,675**	1,345
Management consulting expenses	**124,551**	110,366

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.

25. OTHER INCOME AND OTHER GAINS – NET

	2023 RMB'000	2022 RMB'000
Government grants (Note a)	**417,319**	461,727
Fair value gains on wealth management products measured at FVPL	**80,370**	140,550
License fees income	**50,178**	131,949
Rental income from investment properties	**47,293**	77,935
Depreciation and related expenses on investment properties under operating leases	**(76,274)**	(60,826)
Fair value gains on investments measured at FVPL	**4,781**	53,830
	523,667	805,165

Note:

(a) Government grants were received from several local government authorities as a recognition of the Group's contribution towards the local economic development. Among the government grants recognised during the year ended 31 December 2023, the entitlement of an aggregate amount of RMB392,455,000 (2022: RMB436,751,000) was unconditional and at the discretion of the relevant authorities, while the remaining amount of RMB24,864,000 (2022: RMB24,976,000) were credited to profit or loss from deferred income in accordance with the fulfillment of the respective conditions attaching to the government grants.

26. STAFF COSTS

	2023 RMB'000	2022 RMB'000
Wages and salaries	**986,272**	780,008
Contributions to retirement benefit plan (Note b)	**166,153**	125,273
Share options and restricted shares granted to directors and employees	**183,456**	239,301
Housing benefits	**46,857**	38,332
Outsourcing labour costs	**894,158**	738,825
Other costs and benefits	**114,829**	67,543
	2,391,725	1,989,282

26. *STAFF COSTS (CONTINUED)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included two (2022: two) directors for the year ended 31 December 2023, and their emoluments are reflected in the analysis shown in Note 36. The aggregate amounts of emoluments paid and payable to the remaining three (2022: three) individuals whose emoluments were the highest in the Group for the years are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries	**14,850**	13,933
Discretionary bonus	**9,707**	12,393
Other benefits	**48,793**	58,846
Contributions to retirement benefit scheme	**429**	396
	73,779	85,568

Other benefits include insurance premium and fair value of share options and awarded shares charged to the consolidated income statement during the year.

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emoluments bands		
HK$25,000,001 to HK$25,500,000	**2**	–
HK$31,500,001 to HK$32,000,000	**1**	–
HK$32,000,001 to HK$32,500,000	**–**	1
HK$32,500,001 to HK$33,000,000	**–**	1
HK$39,500,001 to HK$40,000,000	**–**	1
	3	3

During the year, no emoluments have been paid to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office in connection with the management of the affairs of any member of the Group.

26. STAFF COSTS *(CONTINUED)*

(b) Pensions – defined contribution plans

The employees of the Group in the PRC participate in certain defined contribution pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 16% of the employees' basic salary dependent upon the applicable local regulations. During the year ended 31 December 2023, no forfeited contributions were utilised by the Group to reduce its existing level of contributions for the current year (2022: Nil).

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. There is similar pension scheme in South Korea to which the Group also makes contributions.

27. FINANCE INCOME AND EXPENSES

	2023 RMB'000	2022 RMB'000
Interest income on bank balances and deposits	476,739	353,987
Net foreign currency exchange gain	23,817	93,761
Finance income	500,556	447,748
Amortisation of discount – license fees payable (Note 21)	(1,993)	(2,363)
Amortisation of discount – lease liabilities (Note 6(B))	(144,488)	(99,035)
Borrowing interests	(16,006)	(3,391)
Others	(18,959)	(15,772)
Finance expenses	(181,446)	(120,561)
Finance income– net	319,110	327,187

28. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current income tax		
– Corporate income tax (Note b)	1,020,748	1,234,410
– Withholding income tax on dividends and interests from subsidiaries in Mainland China (Note c)	47,517	10,888
	1,068,265	1,245,298
Deferred income tax	942	106,031
Income tax expense	1,069,207	1,351,329

28. *INCOME TAX EXPENSE (CONTINUED)*

Notes:

(a) The Company was incorporated in the Cayman Islands. Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Company. The Company's subsidiary, RealSports Pte Ltd., was established under the International Business Companies Acts of the British Virgin Islands, and is exempted from British Virgin Islands income taxes.

(b) For the year ended 31 December 2023, provision for the corporate income tax of Mainland China is calculated based on the statutory tax rate of 25% (2022: 25%) on the taxable profits of each of the group companies, except for one of the Group's subsidiaries incorporated in Guangxi Zhuang Autonomous Region which is subject to preferential tax rate of 9% (2022: 9%). Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2023 (2022: 16.5%).

(c) This mainly arose from the dividends and interests due by the Company's subsidiaries in Mainland China to other group companies in Hong Kong during the years ended 31 December 2023 and 2022, which are subject to withholding tax at the rate of 5% (in connection with dividends) and 7% or 10% (in connection with interests) respectively.

(d) The Group is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules. Pillar Two legislation was enacted in certain jurisdictions in which some of the Group's overseas subsidiaries are incorporated, and will come into effect from 1 January 2024 or 1 January 2025. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The Group is currently in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Under the legislation, entities may be liable to pay a top-up tax (if any) for the difference between the Global Anti-Base Erosion Proposal ("GloBE") effective tax rate for the jurisdiction in which they operate and the 15% minimum rate. Most of the group entities within the Group have an effective tax rate that exceeds 15%.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% as follows:

	2023 **RMB'000**	2022 RMB'000
Profit before income tax	**4,256,169**	5,415,100
Tax calculated at a tax rate of 25% (2022: 25%)	**1,064,042**	1,353,775
Effects of different overseas tax rates	**(12,168)**	(7,225)
Preferential tax rate for a subsidiary	**(64,811)**	(14,324)
Temporary differences and tax losses for which no deferred income tax asset is recognised (Note 22)	**6,748**	2,453
Utilisation of previously unrecognised temporary differences and tax losses	**(32,174)**	(15,207)
Expenses not deductible for tax purposes	**12,200**	65,777
Share of results of associates and joint ventures reported net of tax	**(94,493)**	(50,289)
Income not subject to tax	**(4,037)**	(2,180)
Withholding tax on dividends and interests	**193,900**	18,549
Tax charge	**1,069,207**	1,351,329

29. EARNINGS PER SHARE

Basic

Basic earnings per share is 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 2016 Restricted Share Award Scheme and shares repurchased by the Company for cancellation during the year. 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 the 2013 CS. In January 2015, the Company had completed the issuance of Offer Securities which included the issuance of both ordinary shares and the 2015 CS. The below market subscription price of these two events had effectively resulted in 247,000 ordinary shares of the Company (31 December 2022: 249,000 ordinary shares of the Company) 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 the CS have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2022.

	2023	2022
Profit attributable to equity holders of the Company (RMB'000)	**3,186,910**	4,063,834
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	**2,586,489**	2,615,354
Basic earnings per share (RMB cents)	**123.21**	155.38

29. EARNINGS PER SHARE (CONTINUED)

Diluted

Diluted earnings per share is 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 year) 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.

	2023	2022
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (RMB'000)	**3,186,910**	4,063,834
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	**2,586,489**	2,615,354
Adjustment for the restricted shares (in thousands)	**8,803**	5,545
Adjustment for the share option schemes (in thousands)	**2,840**	12,181
Deemed weighted average number of shares for diluted earnings per shares (in thousands)	**2,598,132**	2,633,080
Diluted earnings per share (RMB cents)	**122.66**	154.34

30. DIVIDENDS

(a) Dividends payable to equity holders of the Company attributable to the current financial year

	2023 **RMB'000**	2022 RMB'000
Interim dividend of RMB36.20 cents (2022: nil) per ordinary share, paid out of retained earnings of the Company	**954,636**	–
Proposed final dividend of RMB18.54 cents (2022: RMB46.27 cents) per ordinary share, payable/paid out of share premium of the Company	**479,473**	1,220,193
	1,434,109	1,220,193

The proposed final dividend for the year ended 31 December 2023 is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of share premium in the year ending 31 December 2024.

The percentage of total dividend paid/payable in respect of the year ended 31 December 2023 to profit attributable to equity holders is 45% (2022: 30%).

(b) Dividends payable to equity holders of the Company attributable to the previous financial year

	2023 **RMB'000**	2022 RMB'000
Final dividend in respect of the year ended 31 December 2022 of RMB46.27 cents (2021: RMB45.97 cents) per ordinary share, paid out of share premium of the Company	**1,220,193**	1,194,720

31. STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to cash generated from operations are as follows:

	2023 RMB'000	2022 RMB'000
Profit before income tax	4,256,169	5,415,100
Adjustments for:		
Depreciation on property, plant and equipment	1,015,519	732,178
Depreciation on right-of-use assets	761,748	611,447
Depreciation on investment properties	63,944	60,826
Amortisation of land use rights and intangible assets	55,447	49,343
Loss on disposal of property, plant and equipment	38,268	12,538
Loss on disposal of land use rights	361	–
(Gain)/loss on disposal of right-of-use assets	(3,564)	3,135
(Gain)/loss on disposal of intangible assets	(714)	308
Impairment of right-of-use assets	208,028	–
Impairment of property, plant and equipment	115,463	–
Impairment of goodwill	11,462	–
Reversal of provision for expected credit loss allowance of trade receivables and other receivables	(19,638)	(24,321)
Provision for write-down of inventories to net realisable value	14,196	26,852
Share options and restricted shares granted to directors and employees	183,456	239,301
Finance expenses – net	(338,073)	(342,959)
Fair value gains on wealth management products measured at FVPL	(80,370)	(140,550)
Amortisation of deferred income	(24,864)	(24,976)
Share of profit of investments accounted for using the equity method	(377,972)	(201,155)
Fair value adjustment to investments measured at FVPL	(4,781)	(53,830)
Operating profit before working capital changes	5,874,085	6,363,237
Increase in inventories	(79,362)	(682,089)
Increase in trade receivables	(164,594)	(94,375)
Increase in other receivables	(55,968)	(106,652)
Increase in other assets	(16,975)	(61,723)
Increase/(decrease) in trade payables	205,372	(14,858)
Decrease in other payables and accruals	(220,131)	(79,865)
Increase/(decrease) in contract liabilities	300,447	(93,745)
Decrease in restricted bank deposits	164	91
Cash generated from operations	5,843,038	5,230,021

31. *STATEMENT OF CASH FLOWS (CONTINUED)*

The principal non-cash transaction included:

(a) The purchase of property, plant and equipment amounting to RMB457,563,000 and RMB347,528,000 have not been settled as at 31 December 2023 and 2022, respectively. In addition, the purchase of property, plant and equipment during the year ended 31 December 2023 include an amount of RMB287,707,000 transferred from the balance of other assets as at 31 December 2022 (Note 13).

(b) Refer to Note 6(B) for the addition of right-of-use assets during the years ended 31 December 2023 and 2022.

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2023 **RMB'000**	2022 RMB'000
Net book amount	**41,332**	20,257
Loss on disposal of property, plant and equipment	**(38,268)**	(12,538)
Proceeds from disposal of property, plant and equipment	**3,064**	7,719

32. *SHARE-BASED COMPENSATION*

(a) 2014 Share Option Scheme

Pursuant to a shareholders' resolution passed on 30 May 2014, the Company approved (i) the adoption of a new share option scheme (the "2014 Share Option Scheme"), and (ii) the termination of the previous share option scheme adopted by the Company on 5 June 2004 (the "2004 Share Option Scheme"). The 2014 Share Option Scheme will be valid and effective for a period of 10 years commencing on 30 May 2014.

The Board proposes the adoption of the 2014 Share Option Scheme with the purposes, similar to the 2004 Share Option Scheme, to provide such incentives to participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group.

32. SHARE-BASED COMPENSATION *(CONTINUED)*

(a) 2014 Share Option Scheme *(Continued)*

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

	2023 Weighted average exercise price (per share) HK$	2023 Outstanding options (Thousands)	2022 Weighted average exercise price (per share) HK$	2022 Outstanding options (Thousands)
As at 1 January	**14.200**	**5,617**	8.157	22,988
Exercised	**3.746**	**(2,210)**	6.203	(17,371)
As at 31 December	**20.980**	**3,407**	14.200	5,617
Exercisable as at 31 December	**20.388**	**2,461**	10.951	4,040

Share options outstanding under this scheme as at 31 December 2023 and 31 December 2022 have the following expiry dates and exercise prices:

Expiry date	2023 Exercise price (per share) HK$	2023 Share options (Thousands)	2022 Exercise price (per share) HK$	2022 Share options (Thousands)
7 June 2026	**3.300**	**–**	3.300	2,110
31 December 2024	**13.360**	**316**	13.360	316
16 May 2029	**13.160**	**250**	13.160	350
31 December 2027	**22.520**	**2,841**	22.520	2,841
Total		**3,407**		5,617
Weighted average remaining contractual life of options outstanding at end of period		**3.83 years**		4.33 years

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 consolidated income statement during the year ended 31 December 2023 was RMB2,553,000 (2022: RMB4,049,000).

32. SHARE-BASED COMPENSATION (CONTINUED)

(b) 2016 Restricted Share Award Scheme

In consideration of the expiration of the previous Restricted Share Award Scheme adopted by the Company on 14 July 2006 (the "2006 Restricted Share Award Scheme") on 14 July 2016, the Company approved the adoption of a new Restricted Share Award Scheme (the "2016 Restricted Share Award Scheme") on 2 June 2016. The 2016 Restricted Share Award Scheme will be valid and effective for a period of 10 years commencing on 14 July 2016.

The Board proposes the adoption of the 2016 Restricted Share Award Scheme with the purposes, similar to the 2006 Restricted Share Award Scheme, to attract new talents, motivate existing talents and retain both in the Company which include directors, employees, officers, agents or consultants of the Company or any of its subsidiaries.

The maximum number of Restricted Shares under 2016 Restricted Share Award Scheme shall not exceed 5% of the Company's share capital in issue from time to time. For each selected participant, the maximum number of Restricted Shares under 2016 Restricted Share Award Scheme granted in aggregate shall not exceed 18,855,000 shares, being 1% of the Company's issued share capital as at the adoption date of 14 July 2016.

The fair value of 2016 Restricted Share Award Scheme was based on the market value of the Company's shares at the grant date.

Movements in the number of 2016 Restricted Share Award Scheme granted and related fair value are as follows:

	2023		2022	
	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	**70.109**	**10,373**	29.841	1,646
Granted	**46.114**	**1,856**	73.192	9,801
Vested	**64.368**	**(1,813)**	28.498	(826)
Lapsed	**74.130**	**(838)**	63.341	(248)
As at 31 December	**66.193**	**9,578**	70.109	10,373

The fair value of the 2016 Restricted Share Award Scheme is charged to the consolidated income statement over the vesting period of the awarded shares. The amount charged to the consolidated income statement was RMB180,903,000 during the year ended 31 December 2023 (2022: RMB235,252,000).

33. COMMITMENTS

(a) Capital commitments in relation to investment in a limited partnership

Pursuant to the subscription agreement (including the deeds of amendment) entered into by the Group and the general partner of a limited partnership (the "Limited Partnership"), the Group had capital commitments of US$16.5 million (2022: US$37.3 million) in relation to the investment in the Limited Partnership as at 31 December 2023.

(b) Capital commitments in relation to acquisition of property, plant and equipment

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2023 **RMB'000**	2022 RMB'000
Property, plant and equipment	**840,617**	869,383

(c) Other capital commitments:

On 10 December 2023, the Group entered into a sale and purchase agreement (the "SPA") with an independent third party, pursuant to which the Group has conditionally agreed to (1) acquire the entire share capital of Vansittart Investment Limited (the "Target Company", a company incorporated in Hong Kong with limited liability) (the "Sale Shares") and (2) take up the assignment of the loan amount owing by the Target Company to one of its related parties as at the date of completion of the above acquisition (the "Sale Loan") (collectively, the "Acquisition"). The Target Company is principally engaged in property investment and is the sole legal and beneficial owner of a property located in Hong Kong, which is the principal asset of the Target Company.

The aggregate consideration for the Acquisition is HK$2,208 million (which is subject to adjustment as agreed under the SPA). As at 31 December 2023, the Group paid a deposit of HK$221 million pursuant to the SPA and such amount was recorded as other assets in the consolidated balance sheet (Note 13), and the remaining amount of the consideration of HK$1,987 million (which is subject to adjustment as agreed under the SPA) was payable on or before the completion of the Acquisition. See Note 37(b) for further information of the transaction.

34. RELATED-PARTY TRANSACTIONS

Related party is a party that is related to the Group if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group (including the Company or its wholly or non-wholly owned subsidiaries); or the party has an interest in the Group that gives it significant influence over the Group; or the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual who is a member of the key management personnel of the Group.

Besides as disclosed elsewhere in these consolidated financial statements, the Group has following related-party transactions during the year:

(a) Sales of goods to:

	2023 RMB'000	2022 RMB'000
Subsidiaries of Viva Goods Company Limited ("Viva Goods", formerly known as Viva China Holdings Limited; a substantial shareholder of the Company) (Note i)	**8,771**	12,690
Subsidiary of Li-Ning Aigle Ventures	**149**	156
Others	**1**	45
	8,921	12,891

(b) Provision of services to:

	2023 RMB'000	2022 RMB'000
Subsidiaries of Viva Goods (Note i)	**7,648**	6,555
Subsidiary of Li-Ning Aigle Ventures	**674**	674
Guangxi Ning Tai (a joint venture of the Group)	**248**	248
Guangxi Ning Zhan (a joint venture of the Group)	**198**	198
	8,768	7,675

34. RELATED-PARTY TRANSACTIONS (CONTINUED)

(c) Purchases of goods from:

	2023 RMB'000	2022 RMB'000
Hubei Dong Neng (an associate of the Group)	566,437	358,246
Guangxi Ning Tai (a joint venture of the Group)	235,474	208,584
Subsidiaries of Viva Goods (Note i)	228,290	205,029
Guangxi Ning Zhan (a joint venture of the Group)	77,620	101,799
Subsidiary of Li-Ning Aigle Ventures	511	629
Double Happiness (an associate of the Group)	13	15
	1,108,345	874,302

(d) Purchases of services from:

	2023 RMB'000	2022 RMB'000
Subsidiaries of Viva Goods (Note i)	236,432	204,634
Danskin China (an associate of the Group)	8,000	5,000
Double Happiness (an associate of the Group)	7,488	8,029
	251,920	217,663

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.

(e) Other transactions

	2023 RMB'000	2022 RMB'000
Repayment of loans from:		
Guangxi Ning Zhan (a joint venture of the Group)	–	10,000
Interests income from:		
Guangxi Ning Zhan (a joint venture of the Group)	–	213

34. RELATED-PARTY TRANSACTIONS (CONTINUED)

(f) Key management compensation

Key management include directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	103,543	106,476
Contribution to retirement benefit scheme	2,707	1,676
Employee share schemes for value of services provided	132,573	152,700
	238,823	260,852

Notes:

(i) During the year ended 31 December 2023, the above transactions with subsidiaries of Viva Goods constituted connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(ii) The key management compensation disclosed above include RMB45,288,000 (31 December 2022: RMB50,937,000) of wages and welfare payables which were unpaid as at year end and are included in other payables and accruals.

(g) Year-end balances

	2023 RMB'000	2022 RMB'000
Trade receivables from related parties:		
Subsidiaries of Viva Goods	1,525	3,547
Others	–	22
	1,525	3,569
Payables to related parties:		
Hubei Dong Neng (an associate of the Group)	63,961	38,894
Guangxi Ning Tai (a joint venture of the Group)	34,831	9,365
Subsidiaries of Viva Goods	32,872	36,132
Guangxi Ning Zhan (a joint venture of the Group)	26,466	33,632
Shanghai Double Happiness Co., Ltd.	259	–
Subsidiary of Li Ning Aigle Ventures	3	–
	158,392	118,023

The trade receivables from related parties arise mainly from sale transactions and are generally due three months after the date of sales. The receivables are unsecured in nature and bear no interest.

The payables to related parties arise mainly from purchase transactions and on average are generally due two months after the date of purchase. The payables bear no interest.

35. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**34**	75
Right-of-use assets		**1,454**	3,777
Investment in subsidiaries		**3,455,323**	3,197,950
Long-term receivables		**3,686,175**	7,515,094
Deferred income tax assets		**21**	350
Total non-current assets		**7,143,007**	10,717,246
Current assets			
Other receivables and prepayments		**8**	8
Dividends receivable		**2,024,900**	1,996,075
Restricted bank deposits		**806**	770
Cash and cash equivalents		**1,006,074**	200,156
Total current assets		**3,031,788**	2,197,009
Total assets		**10,174,795**	12,914,255
EQUITY			
Ordinary shares		**239,546**	240,320
Share premium		**10,172,638**	11,580,718
Treasury shares	(a)	**(705,705)**	–
Other reserves	(a)	**423,215**	345,340
Retained earnings	(a)	**7,978**	714,684
Total equity		**10,137,672**	12,881,062

35. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(CONTINUED)*

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**148**	1,455
Deferred income tax liabilities		**9,683**	7,661
Total non-current liabilities		**9,831**	9,116
Current liabilities			
Other payables and accruals		**25,858**	21,612
Lease liabilities – current portion		**1,434**	2,465
Total current liabilities		**27,292**	24,077
Total liabilities		**37,123**	33,193
Total equity and liabilities		**10,174,795**	12,914,255

The balance sheet of the Company was approved by the Board of Directors on 19 March 2024 and was signed on its behalf.

Li Ning
Executive Chairman & Joint Chief Executive Officer

Kosaka Takeshi
Joint Chief Executive Officer

35. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(CONTINUED)*

(a) Reserve movement of the Company

	Treasury shares RMB'000	Retained earnings RMB'000	Capital reserves RMB'000	Share-based compensation reserves RMB'000	Convertible securities reserves RMB'000	Total RMB'000
As at 1 January 2022	–	108,717	83,387	78,855	2,415	273,374
Total comprehensive income for the year	–	605,967	–	–	–	605,967
Value of services provided under share option scheme and Restricted Share Award Scheme	–	–	–	239,301	–	239,301
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	–	–	(58,611)	–	(58,611)
Shares converted from convertible securities	–	–	–	–	(7)	(7)
As at 31 December 2022	–	714,684	83,387	259,545	2,408	1,060,024
As at 1 January 2023	**–**	**714,684**	**83,387**	**259,545**	**2,408**	**1,060,024**
Total comprehensive income for the year	**–**	**247,930**	**–**	**–**	**–**	**247,930**
Value of services provided under share option scheme and Restricted Share Award Scheme	**–**	**–**	**–**	**183,456**	**–**	**183,456**
Exercise of share options and vesting of shares under Restricted Share Award Scheme	**–**	**–**	**–**	**(105,547)**	**–**	**(105,547)**
Purchase of own shares	**(958,176)**	**–**	**–**	**–**	**–**	**(958,176)**
Cancellation of repurchased shares	**252,471**	**–**	**–**	**–**	**–**	**252,471**
Shares converted from convertible securities	**–**	**–**	**–**	**–**	**(34)**	**(34)**
Dividend paid	**–**	**(954,636)**	**–**	**–**	**–**	**(954,636)**
As at 31 December 2023	**(705,705)**	**7,978**	**83,387**	**337,454**	**2,374**	**(274,512)**

36. BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director for the year ended 31 December 2023 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Allowance and benefits in kind (Note (i)) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Li Ning	–	15,000	17,044	28,576	1,693	62,313
Mr. Kosaka Takeshi	–	15,367	15,034	25,816	135	56,352
Ms. Wang Ya Fei	270	–	–	655	–	925
Mr. Koo Fook Sun, Louis	270	–	–	655	–	925
Mr. Chan Chung Bun, Bunny	250	–	–	655	–	905
Mr. Li Qilin	2,100	–	–	3,776	–	5,876
Ms. Wang Ya Juan (ii)	250	–	–	–	–	250

The remuneration of each director for the year ended 31 December 2022 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Allowance and benefits in kind (Note (i)) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Li Ning	–	15,000	19,027	37,744	884	72,655
Mr. Kosaka Takeshi	–	14,685	17,517	33,323	122	65,647
Ms. Wang Ya Fei	270	–	–	662	–	932
Mr. Koo Fook Sun, Louis	270	–	–	662	–	932
Mr. Chan Chung Bun, Bunny	250	–	–	662	–	912
Mr. Li Qilin	2,300	–	–	4,662	–	6,962
Ms. Wang Ya Juan (ii)	7	–	–	–	–	7

(i) Other benefits include insurance premium and fair value of share options and awarded shares charged to the consolidated income statement during the year.

(ii) Ms. Wang Ya Juan was appointed as an independent non-executive director of the Company with effect from 21 December 2022.

36. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Companies Ordinance Cap. 622 and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

During the year, no director of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group (2022: nil). No emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2022: nil). No consideration was provided to or receivable by third parties for making available directors' services (2022: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2022: none).

Save for contracts amongst group companies and the connected transaction with Viva Goods as disclosed in Note 34, there were no other significant transactions, arrangements and contracts in relation to the Group's business that subsisted at the end of the year or at any time during the year (2022: none) in which a director of the Company and their connected entities has a material interest, whether directly or indirectly.

37. EVENTS AFTER THE BALANCE SHEET DATE

(a) Cancellation of repurchased shares after the balance sheet date

On 23 January 2024, the Company cancelled 40,937,500 repurchased shares which were included in treasury shares as at 31 December 2023. As a result, the Company recognised a debit to ordinary shares of HK$4,094,000 (equivalent to approximately RMB3,723,000), a debit to share premium of HK$774,658,000 (equivalent to approximately RMB701,982,000) and a credit to treasury shares of HK$778,752,000 (equivalent to approximately RMB705,705,000) respectively.

(b) Completion of acquisition after the balance sheet date

Pursuant to the SPA, the completion of the Acquisition took place on 28 January 2024 at the aggregate consideration of HK$2,221 million which had reflected the adjustments made to the consideration in accordance with the SPA (the "Adjusted Consideration", which is subject to certification by the Group as agreed under the SPA). Save for the deposit of HK$221 million (equivalent to approximately RMB200 million) paid in December 2023, the Group had paid the remaining amount of the Adjusted Consideration in January 2024, which amounted to HK$2,000 million (equivalent to approximately RMB1,813 million).

Up to the approval date of the consolidated financial statements, the Group is in the process of determining the accounting treatment for the transaction in accordance with IFRS Accounting Standards.

38. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

(a) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Management who makes strategic decisions.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated income statement as part of finance income or finance expenses, see Note 27.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

38. *SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)*

(c) Foreign currency translation *(Continued)*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Land use rights

Land use rights, which are accounted for in accordance with the accounting policies for right-of-use assets (Note 2.1 (n)), are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(g) Share capital/Convertible securities

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's ordinary share (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(ii) Convertible securities

Convertible securities with no contractual obligation to be settled in cash are classified as equity upon initial recognition.

38. *SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)*

(h) Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured, and are presented as current liabilities unless payment is not due within 12 months after the reporting period (or within the normal operating cycle of the business if longer). They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) License fees payable

License fees payable are initially recorded at the fair value, which represents the present value of the fixed minimum periodic payments to be made in subsequent years. They are subsequently stated at amortised cost using the effective interest method less payments made.

Interests incurred on license fees payable are charged to the consolidated income statement as interest expense. Changes in estimate of the expected cash flows are recognised as selling and distribution expenses in the consolidated income statement. The revised expected cash flows are discounted using the original effective rate to arrive at the carrying amount of the liability.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income (when the financial liability derecognised is greater than the consideration paid) or finance costs (when the financial liability derecognised is less than the consideration paid).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(k) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(l) Employee benefits

The Group operates various post-employment schemes, including defined contribution pension plans and post-employment medical plans.

(i) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

In Hong Kong, the Group makes contributions to the scheme under the Mandatory Provident Fund Schemes ("MPF") Ordinance, the assets of which are generally held in separate trustee-administrated funds. The pension plans are generally funded by payments from employees and by the Group. There is similar pension scheme in South Korea to which the Group also makes contributions.

The Group's contributions to these defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions. The Group has no other post-employment obligations under the employment contracts.

The abolition of the use of the accrued benefits derived from employers' "mandatory" contributions to MPF and the Occupational Retirement Schemes ("ORSO") to offset the long service payment ("LSP") and severance payment (the "Amendment") accrued from the transition date (no later than 2025) was enacted in Hong Kong on 17 June 2022. The Amendment changes the employer's legal obligation which is considered as a plan amendment under IAS 19. As the Group only has very few employees who are in the scope of the Amendment, the Group is of the view that the Amendment will have immaterial impact to the Group's financial position and performance.

(ii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. These plans comprise a share option scheme and a share award scheme. The fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options or shares granted as at date of grant, excluding the impacts of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified non-market vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

38. *SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)*

(l) Employee benefits *(Continued)*

(iii) Other benefits

Other directors' and employees' obligations are recorded as a liability and charged to the consolidated income statement when the Group is contractually obliged or when there is a past practice that has created a constructive obligation.

(m) Dividend distribution

Dividend distribution to the Company's equity holders, is recognised as a liability in the Group and the Company's financial statements in the period in which the dividends are approved by the Company's equity holders in case of final dividend and the Company's directors in case of interim/special dividend.

GLOSSARY

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

"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
"2024 AGM"	the annual general meeting of the Company to be held on Thursday, 13 June 2024
"Articles of Association"	the articles of association of the Company as amended from time to time
"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
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"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 People's Republic of China
"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 C3 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

GLOSSARY

"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.

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