LI-NING

LI NING COMPANY LIMITED
李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

中國李寧

2020
ANNUAL
REPORT

LI NING GROUP 30TH ANNIVERSARY

Values

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

Vision

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

Mission

Let Sports Light Your Passion

ABOUT LI NING GROUP

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. LI Ning
Ms. WANG Ya Fei

COMPANY SECRETARY

Ms. TAI Kar Lei

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon, Hong Kong
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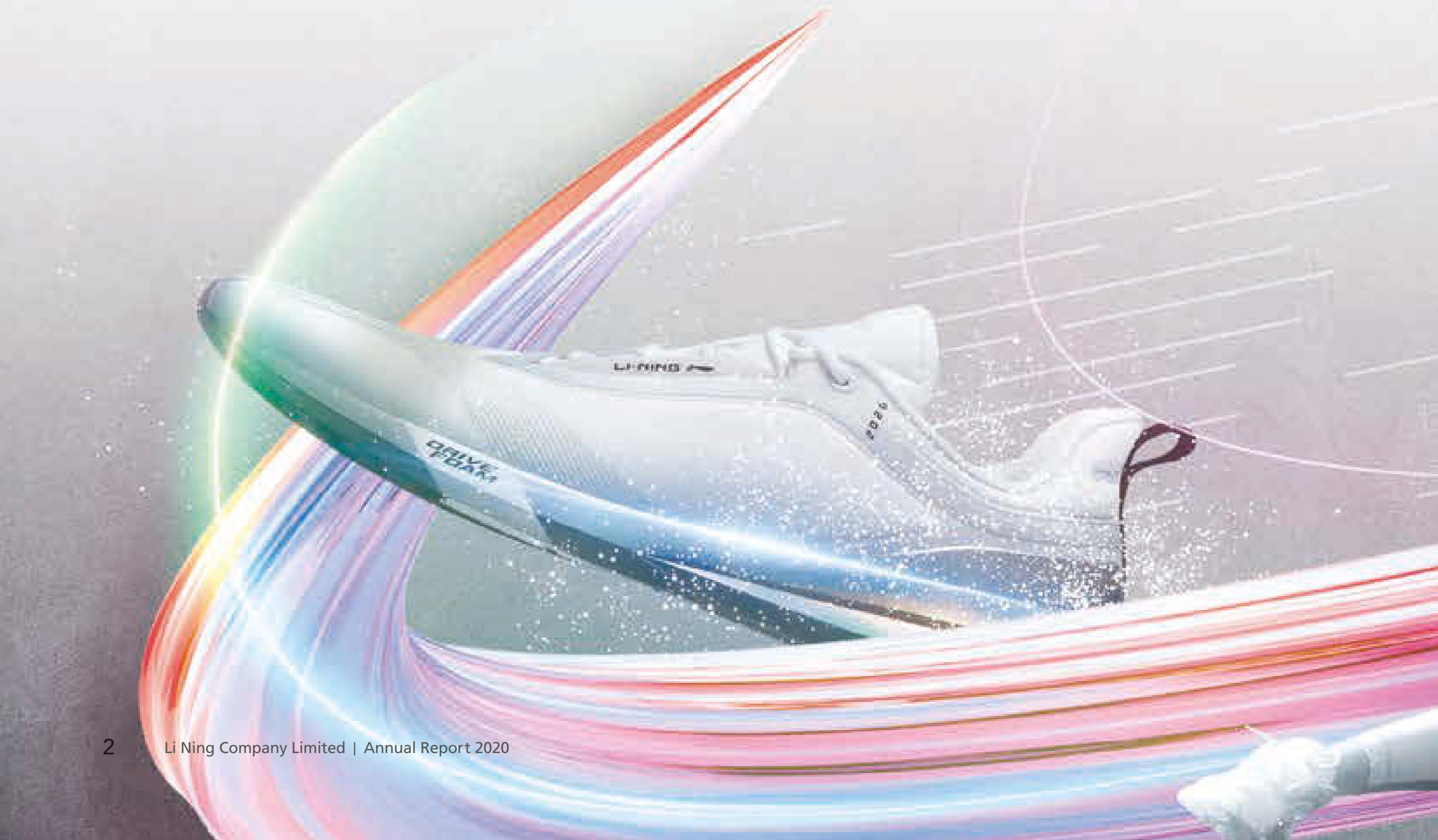
Fax: +852 3102 0927



OPERATIONAL HEADQUARTERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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
LC Lawyers LLP

PRC law
TAHOTA Law Firm

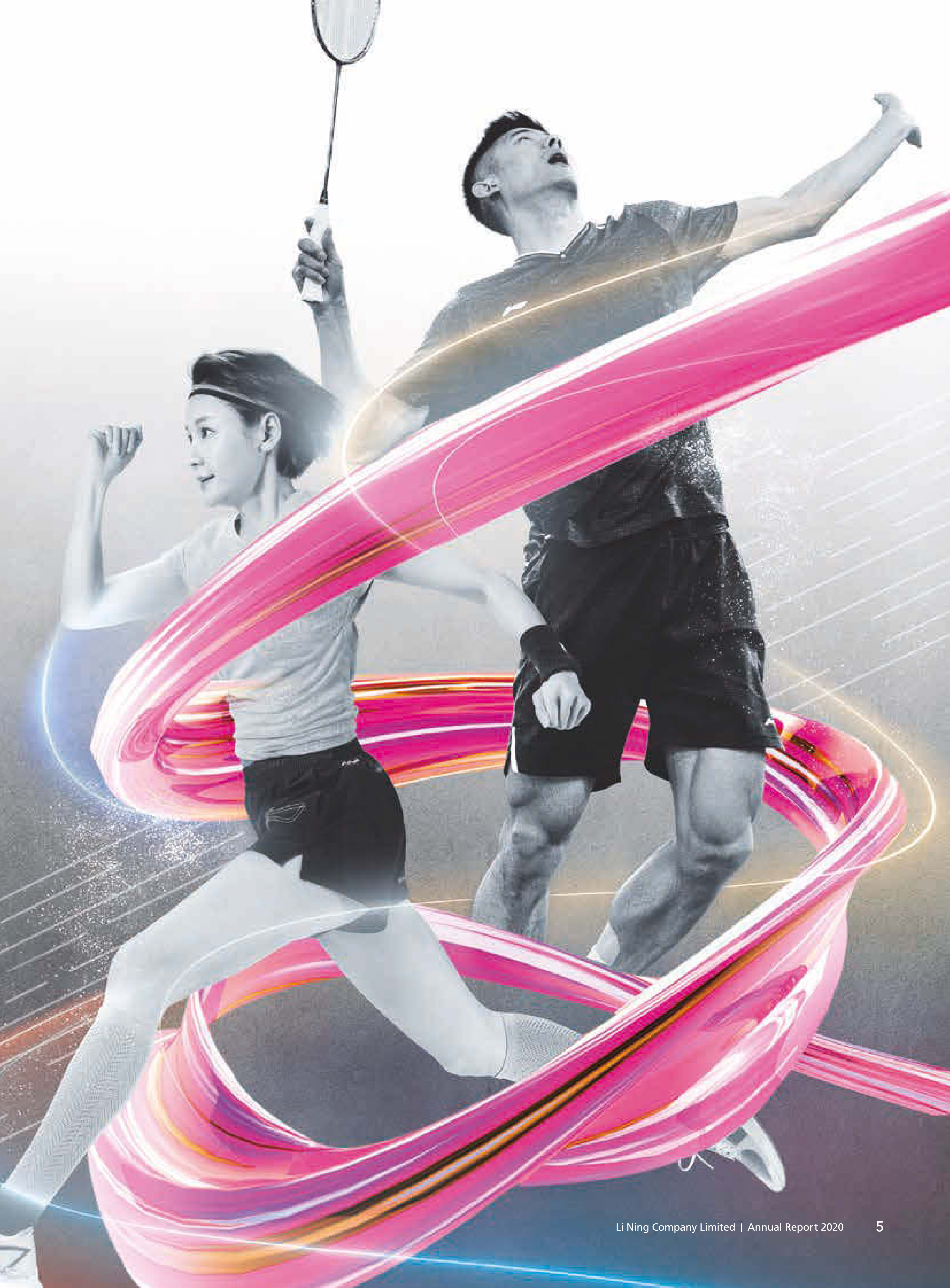
PRINCIPAL BANKERS

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

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

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017	2016
Operating results:					
Turnover	14,456,971	13,869,630	10,510,898	8,873,912	8,015,293
Operating profit	2,195,969	1,543,209	777,177	445,678	385,805
Profit before taxation	2,247,865	1,856,546	850,321	537,524	287,946
Profit attributable to equity holders	1,698,484	1,499,139	715,263	515,155	643,254
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,292,272	2,707,649	1,252,222	889,271	713,147
Assets and liabilities:					
Total non-current assets	4,817,309	4,008,158	2,341,051	2,210,967	2,130,054
Total current assets	9,776,556	8,539,316	6,386,254	5,110,382	4,650,440
Total current liabilities	5,015,057	4,716,620	2,777,471	2,127,810	2,673,915
Net current assets	4,761,499	3,822,696	3,608,783	2,982,572	1,976,525
Total assets	14,593,865	12,547,474	8,727,305	7,321,349	6,780,494
Total assets less current liabilities	9,578,808	7,830,854	5,949,834	5,193,539	4,106,579
Capital and reserves attributable to equity holders	8,686,863	7,121,639	5,817,040	5,071,047	3,994,599
Key financial indicators:					
Gross profit margin	49.1%	49.1%	48.1%	47.1%	46.2%
Margin of profit attributable to equity holders	11.7%	10.8%	6.8%	5.8%	8.0%
EBITDA ratio	22.8%	19.5%	11.9%	10.0%	8.9%
Earnings per share					
– basic (RMB cents)	69.21	61.94	29.63	21.47	29.03
– diluted (RMB cents)	67.62	60.13	29.19	20.87	28.95
Dividend per share (RMB cents)	20.46	15.47	8.78	–	–
Return on equity attributable to equity holders	21.5%	23.2%	13.1%	11.4%	17.9%
Net tangible assets per share (RMB cents)	336.80	299.55	254.87	219.21	182.47
Debt-to-Equity ratio	68.0%	76.2%	50.0%	44.3%	69.7%



STANDING OUT

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2020, despite the global economy hit hard by the COVID-19 pandemic, through the effective pandemic prevention and control measures and structural reform, China's national economy has recovered steadily, showing strong resilience. Although the sports industry was under pressure for a short period due to the pandemic, driven by the resumption of work and production, consumption market has been recovering at an increasingly faster pace. The increasing health awareness of residents has also boosted the continuously growth in sports consumption scale. In addition, as the national policies facilitate quality development in the sports industry in a proactive manner, the development potential of sports consumption market is still immense. During the year, the Group enhanced and optimized LI-NING's experience value comprehensively by continuing to focus its efforts on products, channels and retail capability, and supply chain optimization and upgrade, and steadily promote the core strategy of "Single Brand, Multi-categories, Diversified Channels", so as to further strengthen both our brand and product competitiveness.

According to the statistics of the National Bureau of Statistics, China's GDP in 2020 registered a year-on-year growth of 2.3% and the effective growth rate of residents' per capita disposable income in China reached 2.1%, basically in line with the economic growth. Driven by the continuously improving household living standard, further optimization of consumption structure as well as significant increase in consumers' health awareness attributable to the pandemic, the sports industry has been developing robustly. Under the normalized pandemic prevention and control, the State Council encourages fitness at home and popularizes "Internet + fitness" model, diversifying mass online and offline sports activities, as well as supporting the development of online sports platforms, thereby boosting the sportswear consumption related to fitness at home and online events. The national policies are actively supporting quality development of sports industry, it was proposed in the 14th five-year plan that as sporting goods industry is at the window of the policy, we should accelerate the promotion of building a strong sports nation and constantly innovate the supply mechanism of sports products based on the diversified sports needs of citizens so as to improve the quality of sports product supply and guide the new demand for sports consumption. According to the estimation from the Administration of Sport of China, it is expected that by 2035, the sports industry in China as a whole will account for approximately 4% of the GDP and will become an anchor industry for the development of the national economy.

During the year under review, despite the impact of the COVID-19 pandemic, revenue of the Group still grew steadily with our profitability continuously improving. The profit attributable to equity holders increased from RMB1,266 million in 2019 (excluding one-off profit and loss not related to operation of RMB234 million) to RMB1,698 million. During the year, the Group put great emphasis on enhancing LI-NING's experience value by striving to meet the personalized needs of consumers through precise marketing strategies and continuously increase the satisfaction of consumer experience through comprehensive services and innovative ways of interaction. Our innate sports DNA has impelled us to enhance the professional and functional features of our products and continuously upgrade our product performance by making greater research and development efforts, in addition, through in-depth analysis of fashion culture, we constantly shaped our sports products with new styles and new appearances with a view to strengthening brand influence.

CONTINUE TO OPTIMIZE AND UPGRADE BUSINESS MODEL LEADING TO STEADY IMPROVEMENT IN PROFITABILITY

In 2020, revenue of the Group grew by 4.2%, the net profit margin rose from 9.1% (after excluding one-off profit and loss not related to operation) of last year to 11.7%. Due to the impact of the COVID-19 pandemic, cash flow from operating activities decreased by 21.1% to RMB2,763 million. However, working capital still improved continuously with the Cash Conversion Cycle (CCC) shortened from 26 days in 2019 to 20 days in 2020.

With consumers' increasingly more diversified and quality sport consumption demand, we enhanced and strengthened LI-NING's experience value comprehensively by continuing to focus our efforts on products, channels and retail capability, as well as supply chain optimization and upgrade, and practically implement the core strategy of "Single Brand, Multi-categories, Diversified Channels". We further enhanced the product's professional and functional features by scaling up the efforts on research and development so as to continuously upgrade product functions; meanwhile, we injected elements of popular culture into our professional sports products in a perfect manner to persuade consumers out of having a dull impression on our sports products; we continued to optimize our channel structure and accelerate the reform of retail operation models; we deployed the omni-channel strategy by actively exploring new retail for further unleashing channel efficiency; we strengthened supply chain management centering on business needs and enhanced the responsiveness and elasticity of the supply chain.

Mr. LI Ning

Executive Chairman and
Joint Chief Executive Officer

FOCUS ON THE STRATEGY OF "SINGLE BRAND, MULTI-CATEGORIES, DIVERSIFIED CHANNELS" CONTRIBUTING TO CONTINUOUS ENHANCEMENT OF PRODUCT AND BRAND COMPETITIVENESS

During the year, we focused on the implementation of the strategy of "Single Brand, Multi-Categories, Diversified Channels" and continued to emphasize on the professional and functional features of our products; we continued to scale up the efforts on research and development so as to upgrade product functions. At the same time, we actively explored the ways of combining professional sports and fashion culture to create professional sports products integrating excellent functions and unique styles, and we further strengthened core product and brand competitiveness by expanding consumer groups through diversified marketing.

Our innate sports DNA has impelled us to put more emphasis on sports research and we strived to empower professional products with technology and build professional cutting-edged equipment. Through long-term exploration and practice of ergonomics by our team, we launched "Shadow" (絕影) bullet speed running shoes combining dual technology of "LI-NING 弜" (李寧弜) and "LI-NING 䨻" (李寧䨻), offering faster rebounding and supreme sport protection and bringing continuous momentum and care to runners. Moreover, with in-depth application of "LI-NING 䨻" (李寧䨻) technology, we launched a new generation of racing shoes, namely "Boom 2.0" (飛電2.0) and "Boom Challenger" (飛電Challenger), the boosters of which has increased by 10% as compared with the previous generation of "Boom" (飛電) with significantly upgraded sports performance. In addition, we also expanded the "LI-NING 䨻" (李寧䨻) technology from running category to core categories such as basketball and training, thereby continuing to empower products in the professional field.

We continued to focus on sports casual field and carried out cross-sector collaboration with multiple themes and dimensions. As we marked the 30th anniversary of the establishment of LI-NING brand, we visited the ancient Silk Road with a history dating back to thousands of years ago and held a fashion week themed "Silk Road Exploration" in Dunhuang Yardang Ghost Town. The product designs were inspired by the well-known legendary stories of the Silk Road with a view to widely spreading the Chinese culture and essence beneath the sand, showing the world the re-flourishing of Silk Road traced back to thousands of years ago. Amidst the pandemic, we attended a digitized "Paris Fashion Week" to release China LI-NING 2021 Spring and Summer Series products. We adopted the core design concept of "Arts of Sports" and brought about new sports-based cutting styles and patterns through artistic demonstration and contemplation of human energy, thereby creating a unique style exclusively for China LI-NING.

During the year, we kept abreast of hot social issues and launched story-packs themed with major events such as Chinese New Year and the resumption of work and production, which has continuously attracted consumers' interests in our brand. Meanwhile, we further built up our fans economy by signing with Hua Chenyu (華晨宇), a high-quality artist, to be the spokesperson for our sports casual category, and commencing in-depth collaboration with various quality young artists, thereby further enhancing our brand influence among young consumers. In addition, we maintained sound cooperation with long-term sports resources such as the CBA League. In the first half of the year, with the suspension of sports events as affected by the pandemic, we actively explored various new marketing approaches. For instance, in respect of our badminton category we gathered a champion team comprising celebrity players and arranged live streaming of the event. Through the flexible use of these cross-sector and digitalized means, we have continuously captured the attention of consumers and increased the exposure of our brand in the professional sports field.

ENHANCE RETAIL OPERATION CAPABILITY AND OPTIMIZE SUPPLY CHAIN SYSTEM TO IMPROVE CHANNEL EFFICIENCY

In 2020, the transformation of product operation model and the improvement of retail operation capability remain as our major tasks in facilitation for further unleashing channel efficiency. We continued to refine the function of LI-NING's retail operation platform in order to realize a closed-loop tracking of the retail operation and execution of stores, which effectively facilitated the store operation and efficiency enhancement. We have also accelerated the introduction of the strategy of big stores with high efficiency across China, at the same time establishing an assortment and operation management model that embodies the sporty and trendy image of LI-NING brand, as well as refining its talent cultivation system on an ongoing basis. In addition, in response to the strategy of big stores with high efficiency, we continued to upgrade the visual image of stores and optimize consumers' experience to enhance recognition of and loyalty to our brand.

In respect of supply chain, in order to align with the Company's development needs under its core strategies, we continued to intensify our efforts in resource consolidation along the footwear and apparel supply chain and further enhanced the flexibility and fast response capability of the supply chain system with a view to facilitating the realization of the "Demand-driven" (因需而動) dynamic business model and establishment of a precise, flexible and efficient supply chain management system. Through consolidation and evaluation of our supply chain resources with an emphasis on customized and differentiated product demands, we have strengthened the synergistic cooperation with our suppliers in a bid to enhance our competitive advantages. Meanwhile, the Company continued to work diligently on the establishment of its own supply chain system and remained committed to gradually instilling the core industrial capabilities into LI-NING's system over time, which has hence strengthened its own supply chain management and the application of knowledge regarding technological research and development. In respect of cost management, the Company continued to implement stringent cost planning and practiced the concept of cost control and management on all areas ranging from design, development to various production stages with a view to driving optimization and upgrade of cost structure with concerted efforts.

In respect of sales channel, by continuing our focus on multi-channel strategy, we propelled the enhancement of the efficiency of retail channels and improved the quality of market coverage. During the year, we accelerated the promotion of diversified channels development. We stepped up our efforts in layout planning of big stores with high efficiency and adjusting the channel expansion plan on a dynamic basis with a view to ensuring true efficiency and profitability of newly-opened stores. Meanwhile, we continued to actively accelerate the closure of loss-making and low-efficiency stores to optimize structure of channels and improve channel efficiency.

OUTLOOK

With the economic development and steady improvement of national per capita disposable income, coupled with the increasing health awareness of the general public, the sports population will experience booming growth, which will fully activate the growth drivers for sports consumption. The development of the sports industry has embarked on a fast track. In recent years, the sports market is gradually shifting towards a more diversified, refined and high-quality direction. Innovative technology such as 5G, Internet of Things and artificial intelligence enabled further enhancement of the sports industry. The refinement of big data regarding the sports industry and the accelerated growth of online sports consumption have opened up more new opportunities for the development of the sports industry. Looking forward, the Group will continue to improve the following core business focuses, enhance LI-NING's experience value and increase the efficiency of retail operation with a view to achieving healthy and sustainable profit growth for the Company in the future, at the same time achieving real sports value:

– Strive to maintain sustainable profit growth with a focus on continuous efficiency improvement, so as to enhance product and brand competitiveness, steadily improve profitability and further expand business scale;

– Continue to promote the strategy of "Single brand, Multi-categories, Diversified channels" and optimize LI-NING's experience value in full swing. We will constantly focus on product functions and technological innovation, and continue to enhance our capability of analyzing fashion trends and markets, enhance consumers' product experience, at the same time continuing to improve our diversified marketing approaches and push forward the development of digitalization strategy in an effort to expand our brand influence;

– Continue to focus on the efficiency of our sales channels and strive to increase the efficiency of our product and retail operation. We will continue to expand the big stores with high efficiency and reinforce the online and offline integrated operation model by consolidating layout of sales channels and further enhancing our store operation standards. We will also precisely capture consumer demand and improve online and offline sales efficiency through new retail initiatives and big data analysis, at the same time stepping up our efforts in the establishment of supply chain management system in a bid to continuously enhance the capability in terms of our own supply chain management and the application of knowledge regarding technological research and development;

– In respect of new business, enhancing single store profitability will remain as our major development goal. We will make reasonable and prudent use of resources to explore business opportunities and market potential, in order to foster new opportunities for the Company's continuous profit growth in the long run.

We are committed to establishing LI-NING brand as a world-class international professional sports brand with fashion attributes that is originated from China and recognized worldwide. Looking forward, we will continue to achieve steady growth of our results by enhancing our business capability. We will devote main resources into gaining sports knowledge, placing emphasis on technological research and development as well as pop culture analysis, striving to actively explore and broaden rooms for business development, consolidate our brand influence and enhance LI-NING experience value so as to inject more vitality and creativity to the brand. As the founder and operator of the Company, I always highly regard the interests of investors, and cherish their care of LI-NING brand and unremitting supports to the Company. Meanwhile, I would like to express my sincere gratitude to our dedicated and hardworking staff. The management and I will spare no efforts to steer the Company forward towards further development in the future, forging a LI-NING brand with athletes' DNA. "Anything is Possible"!

Li Ning
Executive Chairman and Joint Chief Executive Officer

Hong Kong, 18 March 2021

SPORTMANSHIP

NATIONWIDE DISTRIBUTION OF FRANCHISED AND RETAIL POS

(As at 31 December 2020)

	Franchised	Directly-operated retail	Total
Northern region (Note 1)	3,170	497	3,667
Southern region (Note 2)	2,068	479	2,547
Southern China region (Note 3)	508	211	719
Total	**5,746**	**1,187**	**6,933**

Notes:

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

The Group sincerely apologizes for the unregulated presentation of the China map in the annual reports in the past. Taking this as a warning, the Group is critically reviewing and improving its procedures for information disclosure. The Group always insists on operating by laws and regulations, while resolutely supporting national sovereignty and territorial integrity. Committed to advocating sportsmanship, the Group strives to promote national image and unity, and fulfills its responsibilities as a good corporate citizen.

FINANCIAL OVERVIEW

The key operating and financial performance indicators of the Group for the year ended 31 December 2020 are set out below:

	Year ended 31 December		Change
	2020	2019	**(%)**
Income statement items			
(All amounts in RMB thousands unless otherwise stated)			
Revenue *(Note 1)*	**14,456,971**	13,869,630	4.2
Gross profit	**7,094,344**	6,805,462	4.2
Operating profit	**2,195,969**	1,543,209	42.3
Earnings before interest, tax, depreciation and amortisation (EBITDA) *(Note 2)*	**3,292,272**	2,707,649	21.6
Adjusted EBITDA *(Note 3)*	**3,292,272**	2,474,118	33.1
Profit attributable to equity holders *(Note 4)*	**1,698,484**	1,499,139	13.3
Basic earnings per share *(RMB cents) (Note 5)*	**69.21**	61.94	11.7
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	**49.1**	49.1	
Operating profit margin *(%)*	**15.2**	11.1	
Effective tax rate *(%)*	**24.4**	19.3	
Margin of profit attributable to equity holders *(%)*	**11.7**	10.8	
Return on equity attributable to equity holders *(%)*	**21.5**	23.2	
Expenses to revenue ratios			
Staff costs *(%)*	**9.1**	10.9	
Advertising and marketing expenses *(%)*	**8.9**	9.6	
Research and product development expenses *(%)*	**2.2**	2.6	

	31 December 2020	31 December 2019
Balance sheet items		
(All amounts in RMB thousands unless otherwise stated)		
Total assets *(Note 6)*	**14,593,865**	12,547,474
Capital and reserves attributable to equity holders *(Note 7)*	**8,686,863**	7,121,639
Key financial ratios		
Asset efficiency		
Average inventory turnover (days) *(Note 8)*	**68**	68
Average trade receivables turnover (days) *(Note 9)*	**17**	21
Average trade payables turnover (days) *(Note 10)*	**65**	63
Asset ratios		
Debt-to-equity ratio *(%) (Note 11)*	**68.0**	76.2
Net asset value per share *(RMB cents)*	**351.24**	311.15

Notes:

1. Including revenue for the period from 1 January to 30 September 2020: RMB10,052,019,000.

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

3. The calculation of the adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) is based on earnings before interest, tax, depreciation and amortization excluding the one-off profit and loss not related to operation (such as the Group's share of profit of an associate in relation to the disposal of a parcel of land in 2019, and the provision for goodwill impairment due to strategy realignment in 2019).

4. Including profit attributable to equity holders for the period from 1 January to 30 September 2020: RMB1,242,699,000.

5. The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the year, divided by the weighted average number of shares in issue less ordinary shares held for Restricted Share Award Scheme.

6. Total assets at 30 September 2020: RMB14,466,523,000.

7. Capital and reserves attributable to equity holders at 30 September 2020: RMB8,222,691,000.

8. 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.

9. 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.

10. 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.

11. 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.

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

* *The Group adopted the aforesaid non-GAAP financial indicators such as EBITDA, Adjusted EBITDA, margin of profit attributable to equity holders, return on equity attributable to equity holders, 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 (1) 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; and (2) it is not uncommon to use the adjusted EBITDA as a supplementary measurement for results of operation and the Group believes that such information is useful for investors to make comparison between the comparable results of the Group for the respective years.*

Revenue

The Group's revenue for the year ended 31 December 2020 amounted to RMB14,456,971,000, representing an increase of 4.2% as compared to that of 2019, with a rather stable increment. In 2020, the COVID-19 pandemic posed high risks to the world. The Group's overall sales revenue also failed to meet the expected target as a result of this special public health emergency. In light of the sudden outbreak of the pandemic, the Chinese government adopted a series of stringent prevention and control measures, resulting in a gradual recovery from the epidemic nationwide starting from March 2020 with orderly resumption of work and production. The Group seized the opportunities arising from the continuous recovery under the Chinese government's efforts in promoting various work in relation to economic development and continued to develop products featuring our unique sports DNA and Chinese elements with a focus on the needs of the end-consumers. As a result, the growth rate of omni-channel sell-through turned positive in the second half of the year, demonstrating a healthy post-pandemic recovery, among which: (a) as retail sell-through was impacted by the COVID-19 pandemic, the Group focused on cost control and inventory management and reduced the amount of orders in some of the trade fair orders after comprehensive negotiations with franchised distributors to avoid backlog in channel inventory, resulting in a small increase in the revenue of franchised distributors during the year as compared with that of last year; (b) as majorities of the directly-operated stores of the Group were located in metro and high-tier cities which were more severely impacted by drop in offline physical traffic, a decrease of 9.7% in sales revenue from direct operation was recorded. As the pandemic abated in the second half of the year, the desire to buy of end-consumers increased and the Group vigorously launched various promotional events, which led to a recovery of sales from directly-operated stores; and (c) the e-commerce channel is an important channel of the Group to solicit business. The investments in online product development and efforts made in strengthening online interaction with consumers in recent years have generated promising returns, which significantly outperformed the offline channel. During the COVID-19 pandemic, the Group has stepped up the efforts in transforming offline traffic to online channels and improving the efficiency of online channels, contributing to a growth in revenue of 29.9% from the e-commerce channel. The Company will continue to monitor the situation of the COVID-19 pandemic around the world and the economic policies adopted by the Chinese government in the post-pandemic era and adjust the Group's operating strategies in a timely manner so as to better respond to the severe challenges brought by the COVID-19 pandemic and the complicated and ever-changing environment in China and overseas.

Revenue breakdown by product category

	Year ended 31 December				
	2020		2019		Revenue Change
	RMB'000	% of total revenue	RMB'000	% of total revenue	(%)
Footwear	6,338,157	43.8	6,085,402	43.9	4.2
Apparel	7,365,173	51.0	7,109,763	51.2	3.6
Equipment and accessories	753,641	5.2	674,465	4.9	11.7
Total	14,456,971	100.0	13,869,630	100.0	4.2

Revenue breakdown (in %) by sales channel

	Year ended 31 December		
	2020	2019	
	% of revenue	% of revenue	**Change (%)**
PRC market			
Sales to franchised distributors	**47.9**	49.5	(1.6)
Sales from direct operation	**22.6**	26.1	(3.5)
Sales from e-commerce channel	**28.0**	22.5	5.5
International markets	**1.5**	1.9	(0.4)
Total	**100.0**	100.0	

Revenue breakdown by geographical location

		Year ended 31 December				
		2020		2019		**Revenue**
	Note	**RMB'000**	**% of revenue**	RMB'000	% of revenue	**Change (%)**
PRC market						
Northern region	*1*	**7,589,864**	**52.6**	6,886,570	49.7	10.2
Southern region	*2*	**4,847,796**	**33.5**	4,954,877	35.7	(2.2)
South China region	*3*	**1,799,768**	**12.4**	1,758,783	12.7	2.3
International markets		**219,543**	**1.5**	269,400	1.9	(18.5)
Total		**14,456,971**	**100.0**	13,869,630	100.0	4.2

Notes:

1. The Northern region includes provinces, municipalities and autonomous regions covering Beijing, Tianjin, Shanxi, Shandong, Hebei, Inner Mongolia, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Gansu, Ningxia, Xinjiang and Qinghai.

2. The Southern region includes provinces, municipalities and an autonomous region covering Yunnan, Guizhou, Sichuan, Jiangxi, Chongqing, Tibet, Shanghai, Zhejiang, Jiangsu, Hunan, Hubei and Anhui.

3. The South China region includes provinces, an autonomous region and a special administrative region covering Guangdong, Guangxi, Fujian, Hainan and Macau.

Cost of Sales and Gross Profit

For the year ended 31 December 2020, the overall cost of sales of the Group amounted to RMB7,362,627,000 (2019: RMB7,064,168,000), and the overall gross profit margin was 49.1% (2019: 49.1%). Affected by the COVID-19 pandemic during the year, the Group increased the discounts offered due to the very promotional retail environment. Meanwhile, the decreased percentage of sales revenue from direct operation also brought adverse impact on the overall gross profit margin. This negative impact was offset by new retail product tag price markup. Therefore, the gross profit margin for the year maintained flat to last year due to the aforesaid factors.

Distribution Expenses

For the year ended 31 December 2020, the Group's overall distribution expenses amounted to RMB4,424,718,000 (2019: RMB4,445,070,000), accounting for 30.6% (2019: 32.0%) of the Group's total revenue.

Despite the online channels achieved satisfactory performance in general during the outbreak of the COVID-19 pandemic and the related commissions and logistics expenses have increased accordingly, as well as the increase of depreciation charges in relation to assets of points of sale in recent years as a result of the Group's effort in building up trendy and efficient stores, the percentage of distribution expenses to revenue dropped by 1.4 percentage points during the year, which is mainly attributable to: (1) bonuses of direct sales staff and outsource fees for human resources in stores have decreased in accordance with the decrease in revenue of offline stores; (2) variable rentals have decreased in accordance with the decline in sales revenue from retail terminal during the outbreak of the COVID-19 pandemic, while certain stores enjoyed rent concessions, which has effectively reduced the rental expenses; and (3) the Group has also effectively controlled advertising and marketing expenses and daily expenses for sales staff. In view of the above, the overall distribution expenses have decreased by RMB20,352,000 as compared to last year.

Administrative Expenses

For the year ended 31 December 2020, the Group's overall administrative expenses amounted to RMB805,058,000 (2019: RMB968,264,000), accounting for 5.6% (2019: 7.0%) of the Group's total revenue with a year-on-year decrease of 1.4 percentage points. Administrative expenses mainly comprised of staff costs, management consulting fees, office rental, depreciation and amortisation charges, technological development fees, taxes and other miscellaneous daily expenses.

The decrease in administrative expenses is mainly attributable to: (1) as affected by the COVID-19 pandemic, in order to minimise the pressure currently facing and will be faced by the Group in the future due to the pandemic, the Group focused on various costs and expenses control during the year. Through effective management measures, the Group has reduced the expenses in relation to bonuses of officers, consultation fee expenses, travel costs and other expenses, achieving overall profitability indicators; (2) as affected by the COVID-19 pandemic, the Group has also controlled its investment in research and development during the year, resulting in an overall decrease in relevant technological development expenses; and (3) the Group has made provision for the one-off goodwill impairment not related to operation of RMB36,394,000 in aggregate resulting from the realignment of the Group's overall channel structure last year, while there was no such provision during the year. Consequently, the Group's overall administrative expenses have decreased.

Share of Profit of Investments Accounted for Using the Equity Method

For the year ended 31 December 2020, the Group's share of profit of investments accounted for using the equity method amounted to RMB83,487,000 (2019: RMB343,469,000). The Group shared the one-off gain of RMB269,925,000 in relation to the resumption of a land parcel held by Shanghai Double Happiness Co., Ltd. ("Double Happiness", an associate of the Group) last year.

Significant Investment

As of 31 December 2020, the significant investment held by the Group is the 47.5% equity interest in Double Happiness (31 December 2019: 47.5%). The cost of the Group's investment in Double Happiness is RMB587,335,000 (31 December 2019: RMB587,335,000). As of 31 December 2020, the carrying value of the interest in Double Happiness held by the Group calculated using the equity method is RMB933,478,000 (31 December 2019: RMB916,959,000), representing a percentage of approximately 6.4% (31 December 2019: 7.3%) of the Group's total assets.

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

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

For the year ended 31 December 2020, the Group's EBITDA amounted to RMB3,292,272,000 (2019: RMB2,707,649,000), representing a year-on-year increase of 21.6%.

For the year ended 31 December 2020, the adjusted EBITDA amounted to RMB3,292,272,000 (2019: RMB2,474,118,000), representing a year-on-year increase of 33.1%. Despite the impact of the COVID-19 pandemic, the Group actively adopted the measures of controlling costs and expenses, coupled with the increased subsidies received from the government, therefore the Group has achieved relatively satisfactory results performance.

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

	2020 **RMB'000**	2019 RMB'000
Reconciliation of profit for the year to EBITDA:		
Profit for the year	**1,698,484**	1,499,143
Income tax expense	**549,381**	357,403
Finance income	**(34,658)**	(28,873)
Finance expenses (including amortisation of discount on lease liabilities)	**66,249**	59,005
Depreciation on property, plant and equipment	**533,902**	419,881
Amortisation of land use rights and intangible assets	**42,119**	40,666
Depreciation on right-of-use assets	**432,717**	360,424
Depreciation on investment properties	**4,078**	–
EBITDA	**3,292,272**	2,707,649
Reconciliation items:		
Share of profit of an associate in relation to the disposal of a parcel of land *(1)*	**–**	(269,925)
Provision for goodwill impairment *(2)*	**–**	36,394
Adjusted EBITDA	**3,292,272**	2,474,118

(1) In 2019, the Group's profit for the year increased by RMB269,925,000 due to the share of gains in relation to the disposal of a land parcel held by its associate Double Happiness.

(2) In 2019, the Group made provision for goodwill impairment of RMB36,394,000 due to the realignment of the overall channel structure.

Finance Expenses- Net

For the year ended 31 December 2020, the Group's net finance expenses amounted to RMB31,591,000 (2019: RMB30,132,000). The slight increase in net finance expenses was mainly due to the increase in the Group's interest expenses recognised on lease liabilities as a result of the increase in the average number of stores capitalised as compared to last year. However, the aforesaid impact was partially offset by the increase in interest income arising from the increase in the capital balance of the Group.

Income Tax Expense

For the year ended 31 December 2020, the income tax expense of the Group amounted to RMB549,381,000 (2019: RMB357,403,000) and the effective tax rate was 24.4% (2019: 19.3%). Currently, the Group's income tax expense is almost in line with the standard level.

Overall Profitability Indicators

During the year, the Group's sales revenue slightly improved and gross profit margin remained flat as compared to last year, while expense ratio decreased through its effective control over costs and expenses, thus the overall profitability indicators for the year ended 31 December 2020 improved significantly. During the year, the Group's profit attributable to equity holders amounted to RMB1,698,484,000 (2019: RMB1,499,139,000; and RMB1,265,608,000 after excluding the one-off profit and loss not related to operation), representing a year-on-year increase of 13.3% (a year-on-year increase of 34.2% after excluding the one-off profit and loss not related to operation). The margin of profit attributable to equity holders was 11.7% (2019: 10.8%; and 9.1% after excluding the one-off profit and loss not related to operation). The return on equity attributable to equity holders was 21.5% (2019: 23.2%; and 19.9% after excluding the one-off profit and loss not related to operation).

Provision for Inventories

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

As at 31 December 2020, the accumulated provision for inventories was RMB113,133,000 (31 December 2019: RMB132,687,000). During the second half of the year, in order to minimise the impact of the COVID-19 pandemic, the Group focused on the inventory turnover of old products and made timely adjustments on new products inventory to reduce the number of orders. The balance of the provision for inventories decreased along with the decrease in gross value of inventories. The Group will continue to monitor the changes in inventory ageing so as to improve the inventory ageing structure.

Expected Credit Loss Allowance

The Group's policy in respect of expected credit loss allowance for 2020 was the same as that in 2019. 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 2020, the accumulated expected credit loss allowance was RMB287,344,000 (31 December 2019: RMB267,315,000), among which the accumulated expected credit loss allowance for trade receivables was RMB280,437,000 (31 December 2019: RMB258,193,000) and the accumulated expected credit loss allowance for other receivables was RMB6,907,000 (31 December 2019: RMB9,122,000). The trade receivables and other receivables written off during the year as uncollectible and the effect of exchange rate amounted to RMB10,437,000 (2019: RMB8,871,000). The overall settlements from franchised distributors were satisfactory, while the gross value of trade receivables remained stable with a slight increase in revenue. Nevertheless, due to the uncertainty resulting from COVID-19 pandemic, the expected credit loss allowance increased. The Group will continue to strengthen its cooperation with franchised distributors in response to the negative impact may be brought by the pandemic in the future.

Liquidity and Financial Resource

The Group's net cash generated from operating activities for the year ended 31 December 2020 amounted to RMB2,763,336,000 (2019: RMB3,503,469,000). As at 31 December 2020, cash and cash equivalents (including cash at banks and in hand, and fixed term deposits with original maturity of no more than three months) amounted to RMB7,187,039,000, representing a net increase of RMB1,225,594,000 as compared with the position as at 31 December 2019. Adding back the capital which was recorded in the long-term fixed term deposits, cash balance amounted to RMB7,442,005,000. The increase in cash balance was due to the following items:

Item	Year ended 31 December 2020 RMB'000
Operating activities:	
Net cash generated from operating activities	**2,763,336**
Investing activities:	
Net cash used in investing activities	**(991,555)**
Financing activities:	
Net cash used in financing activities	**(513,491)**
Add: Exchange losses on cash and cash equivalents	**(32,696)**
Net increase in cash and cash equivalents	**1,225,594**
Add: Bank deposits with the maturity over one year	**254,966**
Net increase in cash balance	**1,480,560**

The overall settlements from franchised distributors were satisfactory during the year. However, as the retail sell-through has slowed down due to the sales events in the physical stores were severely affected by the pandemic, the overall cash flow from operating activities recorded a year-on-year decrease. In the meantime, the Group has completed acquisition of land use rights of a parcel of land in Nanning, Guangxi, in 2020 in preparation for establishing production base (details of which were set out in the announcement of the Company dated 8 November 2019) and paid partially for the investments, resulting in an increase in cash outflow from investing activities.

As at 31 December 2020, the Group's banking facilities amounted to RMB1,265,000,000, 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 and Hong Kong use South Korean Won and Hong Kong Dollars as their respective functional currencies. The Group has a small amount of cash and bank deposits denominated in Hong Kong Dollars, United States Dollars, Euros and South Korean Won. The Company also pays dividends in Hong Kong Dollars. In addition, the Group pays certain license fees, sponsorship fees and consultation fees in United States Dollars or Euros.

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

Pledge of Assets

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

Contingent Liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

BUSINESS REVIEW

2020 was an extraordinary and unforgettable year. Affected by the COVID-19 pandemic, the world has undergone significant changes in many aspects, including the global economy, politics and livelihood as well as operating modes of enterprises. With the endeavor of the Chinese government and the general public in the past year, the Chinese economy was the first economy to recover from the worldwide COVID-19 pandemic with its economic aggregate exceeding RMB100 trillion, which indicates a new level of social productivity. Although the sports industry was under short term pressure during the pandemic, the sports consumption market in the PRC remained active under the support and promotion of national policies and governments at all levels. Further, the COVID-19 pandemic has enhanced public awareness of fitness and health across China, resulting in an increase in consumption demand for sports and health products and in turn provided an additional boost to sports consumption. Against such backdrop, we continued to focus on LI-NING's experience value and optimized our marketing strategies based on the individual needs of consumers, thereby enhancing consumer experience continuously. Meanwhile, we strengthened the core values of our brand and products with a focus on creating professional reputation of our products, and strived to keep ourselves abreast of fashion trends. During the year, in conjunction with the prevention and control measures for the COVID-19 pandemic, the Group strictly implemented effective internal and external control and stepped up its efforts in increasing revenue and reducing cost. By seizing every potential business opportunity, the Group has realized positive revenue growth and continuous improvement of profitability and maintained positive growth momentum in this extraordinary year.

During the year, adhering to the core strategy of "Single Brand, Multi-categories, Diversified Channels", we supported and deepened LI-NING's experience value comprehensively through consistent efforts in optimizing and upgrading our products, channels and retail capability, as well as supply chain. In terms of products, we placed emphasis on the professional aspects and highlighted the professional sports attributes of our products. Extra efforts have been made in research and development of sports technology with an aim to optimize product performance continuously. Meanwhile, we paid close attention to the aspect of cultural creativity and latest fashion trends in an attempt to inject new vitality into our professional sports products through fashionable elements and diversified styles, which has not only offered diversified consumption experience to consumers, but also enhanced our brand value. In terms of channels, we continued to optimize the structure of channels and stressed on enhancing the retail efficiency of our stores with diversifying development in various channels as our main focus. In the post-pandemic era, we accelerated the deployment of new retail businesses and consolidated the advantages of our online and offline platforms, which has effectively strengthened differentiated consumption interaction and services. In terms of supply chain, we perfected the supply chain management system which is driven by business needs and continuously established our own supply chain system to increase flexibility of our supply. We also advanced changes to our supply chain system from passive production to proactive production.

Latest operational update for the fourth quarter of 2020

For the fourth quarter ended 31 December 2020, in respect of LI-NING point of sale ("POS") (excluding LI-NING YOUNG) which have been in operation since the beginning of the same quarter of last year, the same-store-sales for the overall platform registered a low-teens growth on a year-on-year basis. In terms of channels, retail (direct operation) channel registered a high-single-digit growth and wholesale (franchised distributors) channel registered a mid-single-digit growth, while the e-commerce virtual stores business registered a low-thirties growth on a year-on-year basis.

For the fourth quarter ended 31 December 2020, the retail sell-through of LI-NING POS (excluding LI-NING YOUNG) for the overall platform increased by mid-teens on a year-on-year basis. In terms of channels, offline channel (including retail and wholesale) registered a low-teens growth, with retail channel increased by mid-single-digit and wholesale channel increased by low-teens, while the e-commerce virtual stores business registered a mid-thirties growth.

As at 31 December 2020, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 5,912, representing a net decrease of 140 POS since the end of previous quarter and a net decrease of 537 POS since the beginning of this year. Among the net decrease of 537 POS, direct retail accounts for a net decrease of 143 POS, and wholesale accounts for a net decrease of 394 POS.

As at 31 December 2020, the total number of LI-NING YOUNG POS in China amounted to 1,021, representing a net decrease of 31 POS since the end of previous quarter and a net decrease of 80 POS since the beginning of this year.

Extensively implementing the strategy of "Single Brand, Multi-categories, Diversified Channels" to enhance the efficiency of products and channels

To attract consumers with our professional products with a view to deepening the product and brand influence

During the year, we stayed focus on our five core categories, namely basketball, running, training, badminton and sports casual. Placing emphasis on the scientific research of sports, we developed the professional attributes of our products to further evolve the brand's DNA of sports. We also conveyed our unique brand value by delving into elements of both the Chinese culture and popular culture.

For professional products, with a strong focus on technological features, we strengthened the knowledge and research of sports science and consistently invested and dedicated our efforts in the exploration and application of new technologies and new materials. Emphasizing on the complementary effect of our products and technology, we leveraged on our professional products to build up customer recognition, thereby enhancing LI-NING brand's core competitiveness in the field of professional sports.

– To create professional star IP products of the running category, we independently developed the "LI-NING 弜" (李寧弜), an anti-shock and rebounding technology, which was used in conjunction with the "LI-NING 䨻" (李寧䨻) technology platform to launch the brand-new "Shadow" (絕影) running shoes. It surpassed the performance threshold by integrating material and structure technologies, hence offering a double rebounding experience to runners. The newly upgraded premium racing shoes, namely "Boom 2.0" (飛電2.0), were released, adopting a compound boost system, once again setting a new high standard for the professional features of racing shoes, thereby facilitating runners to enhance competition performance.

– In terms of professional basketball shoes, we continued to develop the line-up of four core star IPs, namely "Sonic" (音速), "Yushuai" (馭帥), "Power" (空襲) and "Speed" (閃擊) through enriching colour palette and design, as well as enhancing performance for competition use. Professional competition shoes, such as "Speed VII PRM" (閃擊VII PRM) and "Sonic VIII LOW" (音速VIII LOW) were launched and their performance has been recognized by professional players. We released a new "Yushuai XIV" (馭帥XIV) series which continued to adopt the "LI-NING 䨻" (李寧䨻) technology, with a view to reinforcing the professional image of LI-NING basketball. In terms of apparels, we focused on various sports scenarios for professional basketball, and offered comprehensive basketball gear for both competition and training purposes. We also strived to continuously enhance players' performance on the court by making use of technological functions to cater to actual demands, including sports comfort and protection.

– In constant pursuit of improvements in product features and wearing experience of our products of training category, we upgraded the windproof and waterproof technology to develop high performance gears that are appropriate for a wide range of weather conditions. The upgraded speed drying feature, namely "AT DRY", has brought to consumers an extremely comfortable sporting experience. Committed to the research and development of more professional running products, we provided more professional running apparels to runners, with a focus on catering to their running needs in relation to both races and daily running. Under the scenario of races, we provided runners with professional products featuring performance enhancement and protection features. For the purpose of daily running, we offered runners apparel products with lighter and thinner material, as well as improved speed drying and thermal functions to accommodate their needs under different seasons and temperature conditions.

– We carried on enhancing and upgrading our badminton category in terms of its professional attributes. For our badminton rackets, we gained widespread recognition from consumers soon after launching the "Ambush 7" (突襲7) series rackets through the "Tectonic" (蓄力突襲) technology platform. We also released the "WindStorm 74" rackets under the Super Light series, which can withstand a pressure of up to 30 pounds despite weighing only 74g. This product is lightweight and easy to manoeuvre. For our shoes products, we pursued better sports performance by extending and improving our classic series with star badminton shoes products, including the "Ambush III" (突襲III), "Cool Shark II" (酷鯊II) and "Gyrfalcon III" (鶻鷹III) series.

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

– As our high-end basketball product line, the WADE series is always popular and the centre of consumers' attention. During the year, we launched our best ever masterpieces, namely the "Way of Wade 8" (韋德之道8) and "Way of Wade ∞" (韋德之道∞) series, which is the proof of continuous pursuit and exploration of higher goals by the LI-NING brand and WADE series. As a top-class product, every limited release of the "Way of Wade" series aroused heated discussions and products were sold out almost instantly. This time, the "Way of Wade 8" series also adopted our classic "cotton candy" colour of the WADE series to signify Wade's sweet life, where he builds a wonderful world for his children and takes good care of them with wholehearted fatherly love.

– Our "BADFIVE" street basketball series commenced city series projects one by one. Through ongoing engagement in key cities of Chinese's youth culture, it maintained brand popularity and vitality while establishing consumer and market confidence. To pay tribute to Wuhan and all the heroes with our street-style products, we launched the "Heroes" (江湖好漢) series, which was a limited edition for Wuhan under the city series. We also extended the classic and limited city series, namely the "Chang An Young n Rich" (長安少年) and "Too Young To Stay" (少不入川) series, and intensely developed the IP of the "BADFIVE" city series. We applied the concept of "BADFIVE LAB" (反伍實驗室) in an innovative way, so as to share with consumers the most creative, attitude-laden and unconventional street culture and create a highly-valued and attitude-filled product combination.

– In terms of our basketball culture products, we continued to develop our classic basketball culture shoes. Inspired by the works of our designers and product team, our "Essence 2 Sample For Sale" (悟道2 Sample For Sale) series demonstrated a bold and experimental design style. The whole product made full use of the design technique of deconstruction and reorganization and adopted different materials for the three-colour heels. Our new "2020 ACE LOW" series used the abrasion-proof and slip-resistant soles supplied by the renowned Italian rubber manufacturer Vibram, which provided a comfortable wearing experience and practical outdoor style to consumers. In addition, we have cooperated with the Italian fashion brand Neil Barrett in our "Essence 2.3" (悟道2.3) series, which was showcased in its Fashion Week stage. The series achieved good order and sales volume generated in domestic and overseas sales channels.

– As for sports casual products, we continued to reach the young and mainstream consumer groups with intriguing stories and unique styles, while creating products with a good reputation and sales performance. We collaborated with "XLARGE" and "X-girl", both are well-known street style brands, to release two sets of new-wave skateboards products. We called on the new generation with imagination and creativity to come together and release new energy through skateboarding. Besides, we worked with "UPanda" (有熊貓) to jointly develop the "MARS WITH YOU" crossover series, which perfectly integrated the Mars scene and the space version of "A Pu" (阿璞), conveying the young attitude of facing future life.

Improving the allocation of diverse marketing resources with a focus on characteristics of professional and sports casual category

With a focus on the characteristics of professional and sports casual category, we strengthened the comprehensive allocation of marketing resources on an ongoing basis. Continuous exposure of our professional products through sports stars and professional events as well as promotional efforts in tandem with hot topics have further scaled up our consumer groups. Besides, we drew the attention of young consumer groups by continuously enriching our marketing resources with entertainment elements allocated to the sports casual category and deploying for flexible and diversified crossover and digital marketing resources. Under the guidance of fashion opinion leaders, we have gained more recognition from mainstream consumers and enhanced our brand image and value.

– In terms of professional basketball, with Fred VanVleet and Jimmy Butler signing deals with LI-NING basketball, our NBA spokesperson line-up expanded and enjoyed widespread attention and expectation from basketball fans. During the year, given the reduced number of international sports games, Chinese basketball fanatics turned to the CBA League. Centering on the All-Star Game, playoffs, the Finals and other key marketing events, we created topics for our brand to encourage interaction between our products and sports fans, so as to enhance the emotional recognition of the LI-NING brand among basketball consumers.

– In regard to the basketball culture, against the backdrop of the pandemic, we held the LI-NING "3+1" Street Basketball League in 8 cities from August to December 2020, where we attracted approximately 30,000 participants in total. Integrating the street basketball value conveyed by "BADFIVE", we nurtured the hip-hop culture with the same cultural origin. We cooperated with famous domestic hip-hop groups in product promotion and launching, thereby turning more hip-hop fans into consumers of LI-NING. To drive the business of our women's products, we joined hands with Dragon Style, which is a well-known street dance group in China, to hold the "Women's Street Dance Contest". By incorporating cultural elements, we injected unique brand culture into our "BADFIVE" series.

– For our running products, we offered the innovative experience of our "LI-NING䨻" (李寧䨻) technology and full-matrix products to core runners in Hangzhou Marathon, which raised their direct awareness of our brand. We interacted with nearly 10,000 users, proving the effectiveness of the high conversion model "precise target + innovative experience + professional products". During the event, we launched the themed promotion of "Say Hi to Hangzhou Marathon" (杭馬來嗨). Through product promotion efforts and the support of popular key opinion leaders ("KOLs") and celebrities, the themed promotion received 523 million views, which further enhanced the recognition and excellent reputation of LI-NING running among core runners.

– As to our badminton products, the LI-NING brand endorsed its professional products with sports resources. With a view of enriching LI-NING badminton's layout of internationalization on an ongoing basis, it sponsored the national badminton teams of Indonesia, Singapore and Australia, and signed up with a number of international top-notch players, including women's singles player P.V. Sindhu and men's singles player Srikanth Kidambi from India, mixed doubles players Chan Peng Soon (陳炳順) and Goh Liu Ying (吳柳瑩) from Malaysia, and men's doubles player Watanabe Yuta (渡邊勇大) from Japan. During the year, LI-NING badminton launched the promotion of the "Waiting for You" (等你) series in phases. We focused on two dimensions, namely sports promotion and market promotion, with a combination of offline events to achieve marketing goals.

- In regard to our sports casual products, we launched a crossover series with LINE FRIENDS, an international creative studio. We combined product design stories and selling points to create "Best Friend" (最佳萌友) as our marketing keyword. Leveraging the outstanding resources from the creative team of LINE FRIENDS, we centred on this marketing keyword and created China's first creative 3D animated short film customized for the crossover brands and a set of creative illustrations. On top of our skateboard products from the collaboration with famous street style brands "XLARGE" and "X-girl", we produced a number of short videos with eye-catching themes from men's and women's perspectives. Meanwhile, we promoted the topic of "Today is Suitable for Fist Bump" (今日宜結猿) on Weibo, where we invited skateboarders and KOLs with strong street style to the brands' "Fist Bump" event to build momentum for the product launch.

- For marketing campaigns with entertainment, in the first half of the year, as artists had fewer schedules during the pandemic, we paid more attention to collaboration with variety shows and the promotion through online entertainment content. We commenced multi-dimensional cooperation with artists on Hunan Satellite TV and other major platforms. In the second half of the year, we focused on offline campaigns such as China LI-NING pop-up stores. Tapping the influence of artists visiting our stores, we enhanced the popularity and sales of our offline stores. Furthermore, we worked with selected media and artists to increase the exposure of products under the same series. During the year, we cooperated with over 200 artists and placed embedded advertisements in 38 variety shows to diversify our marketing models within the entertainment industry.

Promoting the in-depth development of quality channels to upgrade channel structure and efficiency

In 2020, the Company remained focused on the multi-channel strategy and enhanced the cooperation with high-quality retailers, which optimized the efficiency of retail channel and improved the quality of market coverage. During the year, in order to mitigate the effect of the pandemic promptly, the Company negotiated with major domestic commercial real estate partners closely for the rent reduction, and accelerated the closing down of underperforming and loss-making stores. As the pandemic stabilized gradually, we clearly defined key cities for the directly-operated business in line with the existing channel strategy. Taking into account efficiency and customer preferences, we advanced market transition to reduce market overlap.

Capitalizing on the expedited commencement of China businesses after the pandemic, the Company sped up the establishment of big stores in high-tier markets and shopping malls. It also initiated intense collaboration with China's renowned commercial property groups and set up full-category model stores at prime locations in shopping centres, which resulted in rapid growth in the total operating area of all stores in China and operating area per store. In addition, the Company built comprehensive and close cooperation with China's leading outlet groups. Through the consistent development of high-quality big stores in outlets, we facilitated the rapid business growth of the outlet channel.

As at 31 December 2020, the number of conventional stores, flagship stores, China LI-NING stores, factory outlets and multi-brand stores under LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 6,933, representing a net decrease of 617 POS as compared to 31 December 2019. The number of distributors was 65 (including sales channels of China LI-NING stores), representing a net increase of 2 as compared to 31 December 2019. The number of POS breakdown as at 31 December 2020 is as follows:

LI-NING Brand	31 December 2020	31 December 2019	Change
Franchised	4,763	5,157	-7.6%
Directly-operated retail	1,149	1,292	-11.1%
LI-NING YOUNG	1,021	1,101	-7.3%
Total	6,933	7,550	-8.2%

Number of LI-NING Brand POS by geographical location

	31 December 2020			31 December 2019			
Regions	LI-NING Core Brand	LI-NING YOUNG	Total	LI-NING Core Brand	LI-NING YOUNG	Total	Change
Northern Region *(Note 1)*	2,989	678	3,667	3,226	727	3,953	-7.2%
Southern Region *(Note 2)*	2,243	304	2,547	2,448	336	2,784	-8.5%
Southern China Region *(Note 3)*	680	39	719	775	38	813	-11.6%
Total	5,912	1,021	6,933	6,449	1,101	7,550	-8.2%

Notes:

1. The Northern region includes provinces, municipalities and autonomous regions covering Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Shandong, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang;

2. The Southern region includes provinces, municipalities and an autonomous region covering Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan, Guizhou and Tibet;

3. The Southern China region includes provinces, an autonomous region and a special administrative region covering Guangdong, Guangxi, Fujian, Hainan and Macau.

Optimising product operation model and enhancing product operational efficiency continuously

In 2020, the Company kept its focus on the transformation and optimisation of its product operation model, with a view of further improving product operational efficiency.

– During the pandemic, the Company strictly managed and controlled inventory risk. On one hand, we maintained a reasonable level of total inventory and optimised the inventory ageing structure. On the other hand, we set out a systematic target for inventory turnover with reference to sales forecasts. Through the synergy between online and offline channels, the Company accelerated the sales of slow-moving and obsolete products, thereby keeping the total inventory level and the inventory ageing structure healthy and reasonable.

– The Company established a standard modularised order model designed for different types of stores and products, so as to standardise the order structure for all types of stores and implement the consumer-oriented single store order model. By promoting product depth management, we also enhanced the order depth of major and popular products. Based on the single store model, we pushed forward the direct delivery of products at stores which at the same time made our sales forecast more precise. This not only allowed us to replenish and deploy products more accurately, but also facilitated the efficiency upgrade of store and product operation.

– The Company built the management system for monthly sales planning, through which it has strengthened the management over product sales plans by specifying the product sales targets and pace for each product in each store. This served as the basis for its comprehensive and synergistic sales planning system that covered plans for marketing, product launch, inventory at stores, product showcasing, staff training and selling at stores. At the same time, we promoted the process control over the follow up of plans and improvement actions to increase operational efficiency of product.

– The Company explored the product operation model for big stores to upgrade product management capability of these stores. It set precise business targets for big stores and laid out sales plans for diverse product dimensions including categories, series, sub-categories and key products. Meanwhile, it implemented single store management for big stores and demonstrated the full-categories and professional attributes of products from the products breadth. It also ensured sufficient inventory of individual products from the products depth, hence seizing every business opportunity.

– The Company built the management mechanism for the whole product chain, which improved the visibility of the entire chain from supply to sales. It also enabled more precise product planning for warehousing, delivery and in-store placement. A trial scheme was launched in the directly-operated business unit. In parallel to the above, we established the digital product analysis platform for a standardised and unified product cross-analysis system, which has enhanced our analysis of product data, enabled the identification of problems and countermeasures for business in time, and increased our product operational efficiency.

Strengthening retail operation capability of single store to ensure implementation of retail execution standards

In 2020, the Company continued to explore the efficient and replicable profit model for single store, with the view to enhancing its single-store retail operation capability and store operational efficiency.

- The Company maintained its efforts on advancing the efficient and replicable profit model for single store. Based on the single-store profit and loss structure, the Company aimed at increasing the sell-through of single store, optimising the inventory structure of stores, and controlling the launch and turnover of products, thereby achieving higher store operational efficiency. At the same time, it refined showcasing, marketing, staff scheduling and training arrangements of stores for more efficient store operation.

- The Company gradually improved the functions of the retail operation platform. Through this management platform, it performed analysis and follow-up against key retail indicators and operation standards, which allowed its staff to identify and solve operational issues. This has led to better store execution and operational efficiency. At the same time, the Company optimised the existing retail operation standard with reference to that of big stores with high efficiency and the best practices of the retail management system. In pursuit of excellence in customers' sports, product and shopping experience, the Company established a preliminary operation model and management system for big stores that boosted the results of operation.

- The Company promoted the implementation of the retail operation standards. It set the red line for the key operation standard in the course of daily management and held weekly business meetings with all levels of management to monitor the implementation of relevant standards. It also provided feedbacks to single store and staff promptly, which enabled better store execution and more efficient follow up on operation management.

Improving shopping experience with new store image and driving business growth through member and omni-channel development

During the year, the Company continuously enhanced the visual image of its stores, upgraded types of store props and improved brand recognition among consumers. Meanwhile, it devoted more efforts in member and omni-channel development, so as to boost business growth through online and offline synergy.

- During the year, the Company established and put great efforts in promoting the 8th generation image store of LI-NING brand in line with branding and product direction. In view of the development trend of China LI-NING stores, we marketed the image of China LI-NING 2.0 and opened a number of China LI-NING 2.0 image stores at leading domestic commercial complexes in the second half of the year. In response to the development strategy of the outlets channel, we launched the image of LI-NING Outlet 3.0 after preliminary tests. Upon consolidating our design, props development and engineering teams across China, we established operation standards and optimised relevant procedures, which clearly differentiated various types of store design, props and construction works. This allowed us to accelerate the design and setting up of stores, hence reducing the costs of store construction and props.

- The Company continued to expand its member base and the omni-channel business. As of the end of 2020, the LI-NING Member Club attracted over 30 million registered members in total. Based on which, LI-NING brand enhanced its consumer reach, operation capability and interactive communication. Through the online mini-programs and live streaming business, we boosted member engagement and order amount in all channels. We also developed a set of efficient operating models and procedures for inter-connected member and order processing. Looking ahead, we will stay focused on the long-term development in four dimensions, namely member recruitment, consumer reach and education, member service and interaction, and insight from member data.

Strengthening the service support capability of the logistics system for business units

During the year, the Company strived to establish a logistics service system that supports various business models. Based on the features of different business models and diversified business scenarios, the Company provided differentiated, refined and efficient logistics service support in line with the requirement of relevant business sectors for its principal business and each business division, which promoted the service support capability of the logistics system for all business units.

- The Company developed a logistics service support system to specifically meet differentiated needs, through which it was able to offer efficient logistic services by taking into consideration the timeliness, costs, on-site operation capability and the capacity of business partners. The system covered the entire product chain from exiting factory to sales in terms of time, connected to all levels of warehouse and distribution networks across the country geographically, and supported wholesale, retail, e-commerce, professional channels and the new retail businesses in terms of business models. At the same time, it also refined order and store management.

- The Company achieved precise and efficient goods delivery and turnover. It combined the logistics network resources and the management platform of the Group to fully follow the instruction of the goods management team. Through the cooperation with upstream and downstream players along the supply chain, as well as the great synergy from planning with the goods management team and retail stores, we completed the direct delivery and rapid replenishment from the central warehouse to approximately 1,900 stores across China. The rapid, precise, flexible and efficient goods delivery and turnover by the goods operational management team was complemented with various flexible return policies and deployment models. Meanwhile, the Company established its own retail logistics network to facilitate fast product turnover within different channels and enhance product utilization.

- The Company continued to upgrade its logistics management capability. Capitalizing on the unified information system and product quality standards, the precise and efficient logistics planning system, the comprehensive logistics resources management, and the standard business procedures and logistics operation system, we supported inventory consolidation and management by the goods management team to accelerate efficient product turnover. In order to align our logistics efforts with the market and timely meet the demand from end-users, we formulated differentiated logistics service solutions that targeted the specific needs of stores. Apart from improving our service capability and standards, we also took into account costs and efficiency when gradually bringing store and customer experience to the next level.

- The Company strengthened the management system for logistics informatization and digitalization. It enhanced the basic informatization capabilities of all logistics processes and upgraded the capacity of the information system in key areas, including logistics planning, warehouse network planning and optimization, warehouse operation and management, overall transportation management, coordination and connection of the transportation resources system, logistics handover and the relevant customer service management system.

Exploring brand competitiveness through marketing campaigns and continuously enhancing the efficiency of e-commerce platform

Despite the pandemic-induced pressure on consumption and inventory clearance in the industry, the e-commerce of Li Ning Company maintained stable discount and good profit margins in 2020. In the face of intense market competition, its operating efficiency remained at a high level.

During the year, the e-commerce of Li Ning Company utilized the key marketing resources of the Group to launch a series of promotional campaigns centering on its spokesperson for sports casual products. These campaigns reached out to various fan bases, capitalize on the influence of the artists and appealed to female consumers. Combining market and fashion trends, the Company created hot topics for specific product categories, price range and target consumers to attract online views, increase brand recognition and consumer interaction, and effectively boost online product sales. The Company also devoted more efforts to promote technology products such as basketballs and running shoes, which continuously shaped consumers' perception and raised their awareness of the professional features of the brand.

Meanwhile, the e-commerce platform intensely developed the "COUNTERFLOW BY LI-NING" series, which is an independent sports casual product line with a focus on cultural elements. During the year, the platform organized the "Blossoming Silk Road" (絲路花開) campaign with Dunhuang Museum and launched the "Dunhuang" series to uncover the unique beauty of the Silk Road. We invited celebrities and fashionistas to witness the launch of the newest Dunhuang crossover products at the "Silk Road Exploration" (絲路探行) party in Dunhuang. The event generated significant buzz and further promoted our brand's prominence and sound reputation as the representative of Chinese culture.

Looking ahead, the e-commerce of Li Ning Company will leverage consumer big data and the product data analysis system to enhance brand reputation and product competitiveness. Through online buzz marketing, it will educate consumers and maintain the high operating efficiency of the e-commerce platform.

Transitioning from "passive production" to "active production" to drive business growth with supply chain resources

In 2020, the Company established the "value supply chain" management model for the supply chain system. In pursuit of wastage reduction and efficiency improvement, we used consumer satisfaction as the final indicator of supply chain value, so as to enhance product quality and price-performance ratio. We also continued to consolidate the resources of the footwear and apparel supply chain. At the same time, we advanced the transition of the supply chain from "passive production" to "active production" by building a precise, flexible and efficient supply chain management system for more agile supply and rapid response.

– To promote product research and development and innovation, the footwear and apparel supply chain set up a research and development and innovation centre to incorporate innovation into its routines. Furthermore, it engaged in in-depth cooperation with quality suppliers, textile institutions and research institutes. By boosting product competitiveness through joint development of new products and technology, the Company fueled business growth with technology.

– The Company collectively coordinated and managed supply chain resources to encourage resource sharing among various departments and product categories, which laid a foundation for bulk purchasing and centralised management. To restructure supply resources, it developed a system to retain high-quality suppliers and eliminate underperforming ones. It also continued to increase cooperation with good suppliers to ensure the efficiency and preciseness of supply chain resources.

– The Company pushed forward the transition of the supply chain from "passive production" to "active production". It orchestrated merchandise, production and sales planning to form an effective interaction mechanism, and established a win-win mechanism for the long-term development and synergetic growth with strategic suppliers, so as to meet the business needs of diversified channels and boost business with top-quality supply chain resources.

– In respect of cost management, the Company maintained stringent cost planning and practised the concept of cost control and management in all areas ranging from design, development to various production stages, with a view to driving optimization and upgrade of cost structure with concerted efforts. Meanwhile, the Company continued to tighten the requirements on labour, occupational health and environmental protection to ensure sustainable development.

- The Company maintained its focus on the establishment of its own supply chain system for more flexible and efficient performance. It was committed to gradually instilling the core industrial capabilities into LI-NING's system over time. As a result, it has strengthened its own supply chain management and the application of technological research and development knowledge, which led to a more precise and swift supply chain system.

NEW BUSINESS

LI-NING YOUNG

Adhering to the corporate vision and group strategy, LI-NING YOUNG continued to explore and enhance brand image in 2020. It positioned itself to be "the fashionable professional sports kidswear brand originated from China" and optimised the business model to drive brand growth.

- In respect of products, the Company launched professional sports products for kids enjoying sports. Based on this scenario, it developed technology with professional functions for children, provided professional competition equipment for young athletes in China, and built the reputation as a professional sports brand for kids with a focus on basketball and running products. At the same time, its lifestyle products were supported by the professional sports business. The Company centred its kidswear business around sports lifestyle elements and developed hero products to sustain business growth.

- In terms of the supply chain, the Company continued to develop and enhance supply chain resources to improve the supply chain system of the kidswear business. We consolidated our production processes and resources advantages to minimise product cost, boost product efficiency, ensure product quality, optimize production procedures, promote the flexible response of the supply chain system and facilitate efficiency upgrade.

- For channel development, we focused on the mid-to-high tier market, strengthened the shopping mall and clearance channels, and improved store image to promote channel efficiency and health. In line with the omni-channel strategy of the Company, we actively expanded new retail channels and adapted to external changes to explore new sales channels and business opportunities.

- For brand marketing, we explored specific promotion and sales channels for kidswear such as Mama's Community and members of Wechat groups by fully leveraging and consolidating promotion resources, including current KOLs, sports experts, celebrities and business partners, as well as making use of various digital marketing platforms, with reference to the special features of the kidswear business, thereby continuously exploring new sales channels while expanding brand and product influence.

As of 31 December 2020, LI-NING YOUNG business covered 29 provinces, municipalities and autonomous regions with a total of 1,021 stores. Looking forward, we will continue to intensely develop our kidswear business. Leveraging the LI-NING brand, we 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

In 2020, based on the strategic focus of the Company, the human resources department formulated targeted human resources strategy and continued to optimize the organisation, incentive, talent management and corporate cultural system to cater to business needs.

– Regarding organisational development, in order to enhance operation efficiency, the Company has enhanced its retail operation and product control and management capability by establishing two major business units, namely direct operation and wholesale, to reinforce the functions of the sales headquarters. Moreover, the apparel and footwear research and development center has been established to speed up the enhancement of product research and development capability, while respective business departments for badminton and table tennis have been set up to promote the development of the multi-categories strategy.

– In terms of talent management, the Company controlled the number of basic staff and actively recruited mid- to high-end talents in an effort to accelerate the improvement of the overall capability of its staff. It has also expedited the nurturing of internal talents and building its talent reserves by training management trainees and retail talents on an ongoing basis.

– In terms of remuneration and benefits, in line with the changes of business model, the Company optimized the incentive sharing system by focusing its resources on core staff. As such, incentive resources have been redirected towards staff in core positions that is able to drive performance growth and enhance organizational capabilities, thereby encouraging staff to create value with their job positions.

– Regarding culture and staff relationship, the Company improved its business and culture management system to stimulate organizational and employees' vitality, and continued to optimize its welfare schemes and career development system, aiming to further develop the core values of the Company, improve staff satisfaction and engagement and increase its staff's sense of honor and mission.

In the future, we will optimize our organisational efficiency and accelerate the development of talent teams with the aim of achieving sustainable growth of the Company and enhancing sustainable profitability. In addition, we will establish a new incentive mechanism based on new short-term goals and medium- and long-term strategic plans to reinforce the nurturing of retail talents. We will effectively manage the investments in human resources, while continuing to strengthen our organisational capacity, strictly manage and control the number of staff and enhance the overall performance and efficiency of staff so as to give full support to the Company's strategic goal.

As at 31 December 2020, the Group had 3,625 employees (31 December 2019: 3,783 employees), among which 3,466 employees were at the Group's headquarters and retail subsidiaries (31 December 2019: 3,610 employees), and 159 employees were at other subsidiaries (31 December 2019: 173 employees).

OUTLOOK

In addition to being an extraordinary year, the Year 2020 also marked the 30th anniversary of establishment of LI-NING brand. Having gone through multiple ups and downs in the industry, we are ever more focused and confident to cope with challenges encountered. In 2021, we will consistently adhere to the strategy of "Single Brand, Multi-categories, Diversified Channels", remain devoted to create LI-NING's experience value and strengthen the core business in all aspects in order to promote sustainable business growth of the Group:

– In respect of products, we will continue to focus on product functions and technological innovation. At the same time, we will enhance our capability of precisely analyzing fashion trends and sports cultures, striving to provide consumers with diversified consumption experience, enhance consumers' loyalty and deepen our brand influence;

– In respect of channel development, we will focus on enhancing the efficiency and promoting the development of big stores with high efficiency. We will also accelerate the synergistic operation of the omni-channel by establishing diversified sales channel network and optimizing the structure of channels, so as to maximize the efficiency of our sales channels;

– In respect of retail operation and supply chain, we will optimize the standards of store operation and improve store management ability, as well as improve the online and offline integrated operation mode on the basis of both product and consumption experience. Meanwhile, we will continue to consolidate and optimize the supply chain system to continue enhancing the capability in terms of our own supply chain management and research and development regarding application of technology and knowledge;

– In respect of marketing, we will make full use of digitalization to further strengthen our comprehensive marketing layout with an aim to expand the consumer coverage. Based on actual consumption demand, we will keep abreast of hot topics and trends to increase popularity of our brand and convey our brand value;

– In respect of new business, enhancing single store profitability will remain as our major development goal. We will make reasonable and prudent use of resources to explore business opportunities and market potential, in order to foster new opportunities for the Company's profit growth in the long run.

Along with the continuous growth of the national economy and national consumption, sports consumption has become the key driving force of the sports industry and plays a vital role in nurturing healthy lifestyle. We strongly believe that there will be promising prospects and strong demand for the sports industry in the future. As we headed into the end of 2020, although the COVID-19 pandemic has yet come to an end, the development of vaccine was a "morale booster" to the general public. Hence, the socioeconomic and consumption sentiment in the PRC improved gradually amid strict and orderly implementation of measures for pandemic prevention and control. In view of consumers' demand for diversified products in respect of physical and mental health and living standards, the sports industry has achieved breakthroughs and advancement continuously and becomes widely accepted by the general public in a more diversified, refined and commercialized manner. As one of the leading enterprises in the professional sports industry in the PRC, the Group kept pace with industry development to constantly capture new opportunities and embrace new challenges and developments. Under the strong support of the national policies, we will continue to proactively explore and broaden room for business development, establish a more professional and unique image for LI-NING brand, and bring the spirit of "Anything is Possible" into real practice.

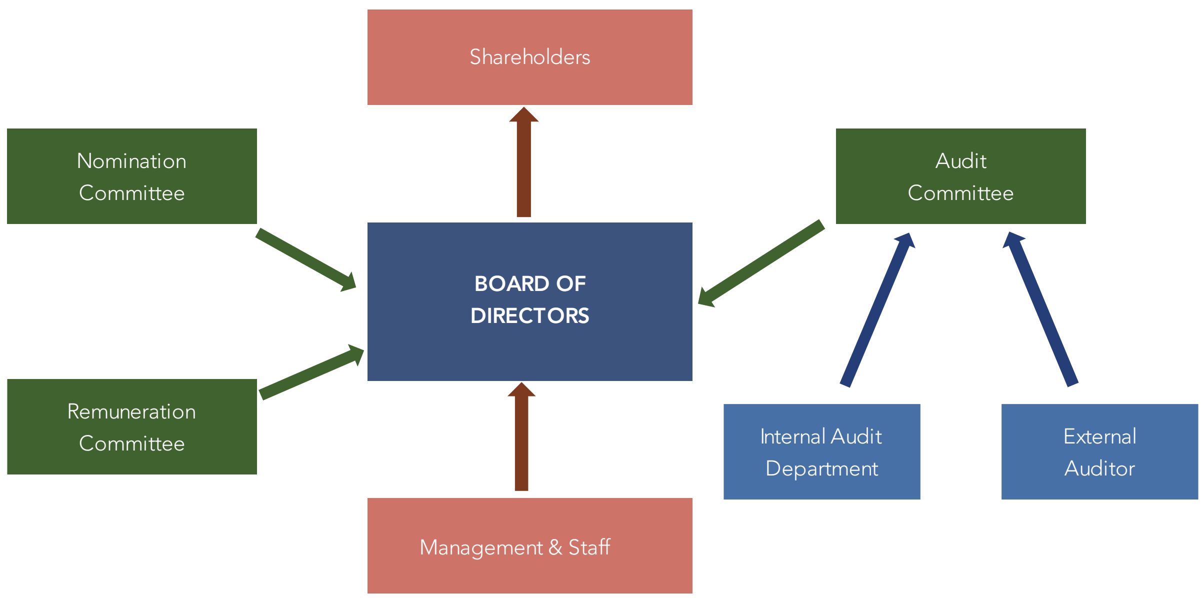
CORPORATE GOVERNANCE REPORT

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 2020, the Company has complied with the code provisions of the Corporate Governance Code ("Code Provisions") as set out in Appendix 14 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 paragraph D.3.1 of the Code Provisions as the duties of the Board in performing its corporate governance functions.

During the year of 2020, 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 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, with a majority of whom being independent non-executive Directors, of which three are executive Directors and four are independent non-executive Directors. During the year of 2020 and up to the date of this report, the composition of the Board and its changes are as follows:

Name of Director

Executive Directors

Mr. Li Ning	*Executive Chairman and Joint Chief Executive Officer*
Mr. Kosaka Takeshi	*Joint Chief Executive Officer*
Mr. Li Qilin	

Independent non-executive Directors

Mr. Koo Fook Sun, Louis
Ms. Wang Ya Fei
Dr. Chan Chung Bun, Bunny, *GBS*, *JP*
Mr. Su Jing Shyh, Samuel

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.

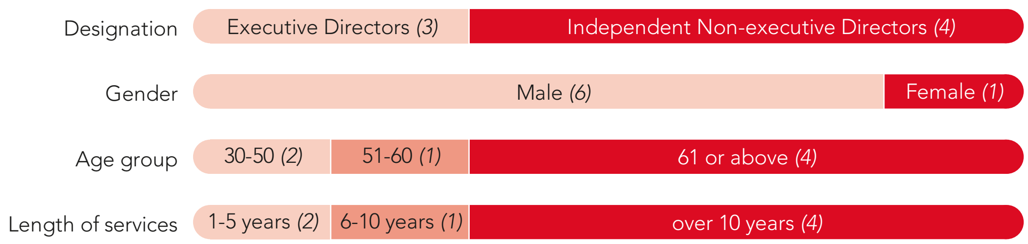
All Directors have disclosed to the Company the number and nature of offices they held in other public companies or organisations and other significant commitments, with the identity of the public companies or organisations, and an indication of the time involved. They are also reminded to notify the 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 will be based on meritocracy, and candidates will be 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 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.

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 paragraph A.2.1 of the Code Provisions, the roles of the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. During the year of 2020, Mr. Li Ning, the Executive Chairman and Joint Chief Executive Officer ("Joint CEO"), and Mr. Kosaka Takeshi, the Executive Director and Joint CEO, jointly assumed the role of chief executive officer of the Company during the year. 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 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 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 paragraph D.3.1 of the Code Provisions.

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 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 two training sessions for the Directors on "Connected Transactions under the Listing Rules" and "ESG compliance requirements of the Hong Kong Stock Exchange and the key points of focusing on the Capital Market".

According to the records maintained by the Company, the Directors received the following trainings and updates in 2020:

Name of Director	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, *GBS, JP*	✓	✓
Mr. Su Jing Shyh, Samuel	✓	✓

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 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. A new Director appointed by the Board is subject to re-election by the Shareholders at the first general meeting after his or her appointment in accordance with the Articles of Association.

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. 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.

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 CEO 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 Code Provisions. 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. Su Jing Shyh, Samuel *(Chairman of the Nomination Committee)*	Independent non-executive Director
Mr. Li Ning	Executive Chairman, Joint CEO & Executive Director
Dr. Chan Chung Bun, Bunny, *GBS, 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 2020:

- 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, and 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, *GBS, 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 2020 are set out in note 36 to the consolidated financial statements. The remuneration of Senior Management for the year ended 31 December 2020 are set out in note 26 to the consolidated financial statements.

The following is a summary of the major tasks carried out by the Remuneration Committee in 2020:

- making recommendations to the Board on the remuneration packages of all the Directors and Senior Management for the year 2020;

- reviewing and approving the bonus plan for the year 2020;

- reviewing, monitoring and approving the implementation of ESOP (employee share option program) and Restricted Share Award Scheme for the year 2020;

- reviewing and approving the recommendation of short-term and long-term incentives for the year 2020;

- reviewing, monitoring and approving the human resources work plans for the year 2020; and

- approving the budget of human resources expenses for the year 2021.

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 Code Provisions. 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, *GBS, JP*	Independent non-executive Director

The external auditor, the CFO and the heads of the internal audit department ("Internal Audit Department") and 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 2020, 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 2020:

- 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 2019 and the interim results announcement and interim financial statements for the six months ended 30 June 2020 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 2020 internal audit findings and recommendations, and approving 2021 internal audit plan; and
- reviewing the effectiveness of the Company's risk management functions and internal control system, including the financial reporting and compliance functions.

Whistleblowing Policy

Whistleblowing policy and system have been established for employees and those who have business dealings with the Company (including suppliers and distributors). They may raise concerns, in confidence, to the Audit Committee about the possible improprieties in any matters related to the Company. A member of the Audit Committee has been appointed as the contact person for channeling any possible irregularities reflected by the staff, suppliers and distributors.

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 (14) 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 Code Provisions.

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.

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 2020			
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive Directors				
Mr. Li Ning *(Executive Chairman and Joint CEO)*	5/5	1/1	N/A	N/A
Mr. Kosaka Takeshi *(Joint CEO)*	5/5	N/A	N/A	N/A
Mr. Li Qilin	5/5	N/A	2/2	N/A
Independent non-executive Directors				
Mr. Koo Fook Sun, Louis	5/5	N/A	N/A	3/3
Ms. Wang Ya Fei	5/5	N/A	2/2	3/3
Dr. Chan Chung Bun, Bunny, *GBS, JP*	5/5	1/1	2/2	3/3
Mr. Su Jing Shyh, Samuel	5/5	1/1	N/A	N/A

Note:

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.

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 2020, 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 2020, the fees for the audit services and non-audit services provided by the external auditor are as follows:

Type of Service	2020 (RMB)	2019 (RMB)
Audit fee for the Group	5,660,000	5,550,000
Tax compliance and other advisory services	2,224,000	1,878,000
Total	7,884,000	7,428,000

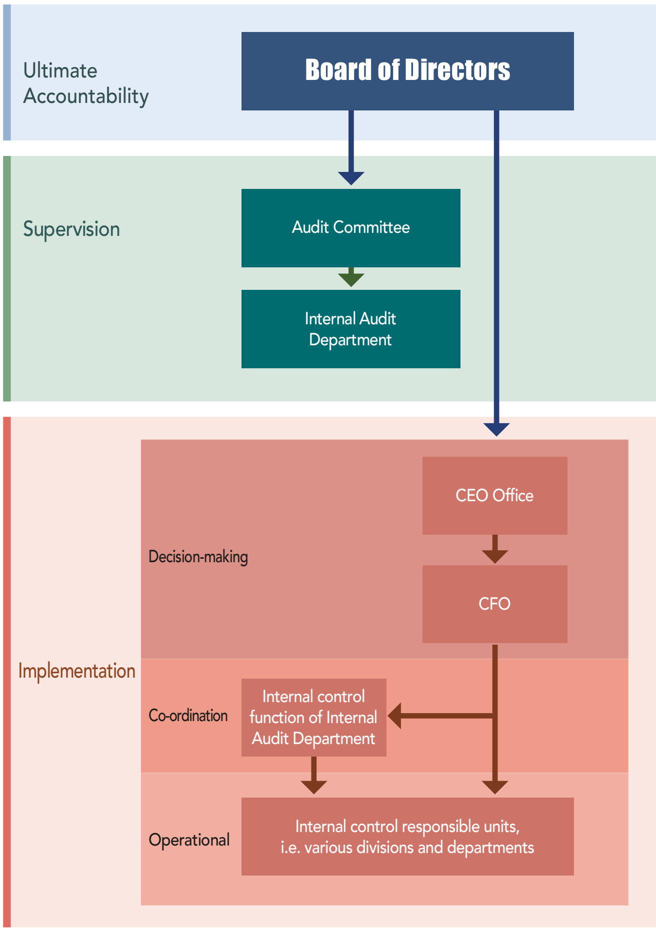
Risk Management and Internal Control

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 2020, 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

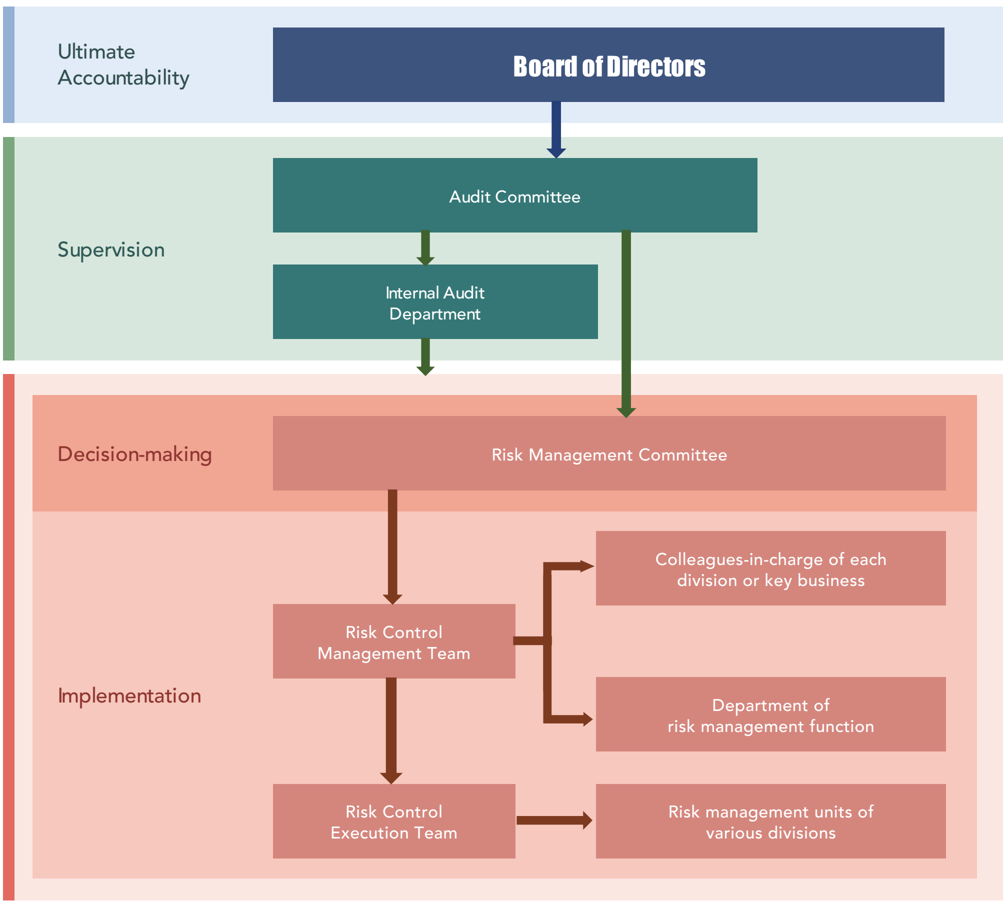
Based on the experience in operation control over the years, the Company has put in place an integrated system of risk management and internal control. The system adopts the globally recognised framework outlined by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"), taking 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) The normal operation of the organizational structure set up on the basis of the COSO risk management and internal control framework is promoted continuously, under which the internal control organization structure 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; (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. Preliminary assessment on the effectiveness of risk management and internal control are conducted by the Internal Audit Department which reports directly to the Audit Committee; and (iii) the implementation level comprises a decision-making group, a coordination body (namely, the internal control function of Internal Audit Department, which is responsible for supporting the planning and establishment of the Group's internal control system, coordinating the promotion and implementation of the internal control structures in different systems, and organising examination on the effectiveness of the internal control and assessment of risks) and operational and functional divisions.

(2) Risk management organization structure is depicted as follows:



The Company has established a top-down organizational and management structure with clear-cut responsibilities and authorities for risk management purposes, embracing four levels which are responsible for ultimate accountability, supervision, decision-making and implementation, respectively: (i) the Board bears the ultimate accountability in the risk management of the Company. It has the right to provide guidance and make final decision on the Company's risk management policies and systems as well as response plans, and bears the ultimate accountability for the effectiveness of the Company's risk management; (ii) the Audit Committee and its Internal Audit Department assess and monitor the implementation of the Company's risk management, and inform the Risk Management Committee of such result and submit to the Board in a timely manner; (iii) the Risk Management Committee is comprised of the Company's management and Group's Vice President for a term of two years. Its basic duties include but are not limited to discussing and approving the policies and systems relating to risk management, making decision(s) on risk management related works, discussing and approving the annual work plan and annual report on risk management, deciding on solutions for major issues arisen during the operation of the Company as well as reporting regularly to the Audit Committee and/or the management in respect of risk management; and (iv) the implementation level comprises a risk control management team (including heads of departments or key business heads, and risk management functions performed by the Internal Audit Department) and a risk control execution team (i.e. staff designated for risk management of each system).

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

(3) 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.

(4) 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. 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. With centralized arrangement and coordination of the internal control function by the Internal Audit Department, key items of internal control and the specific control procedures set out in the Internal Control Manual were updated by the relevant departments during 2020. Such updated procedures have been implemented during the year.

(5) 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 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.

(6) Independent reviews of risks 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.

(7) In order to support the rapid and healthy development of business diversification of the Group, the Company conducts annual risk review at corporate level and assesses risks and risk management controls on the key business aspects based on the Risk Management Manual of Li Ning Company Limited.

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 2020, 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 internal control system.

The results of the review for the year ended 31 December 2020 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 internal control system is adequate and effective and the Company has complied with the Code Provisions of the Corporate Governance Code for the year ended 31 December 2020.

INTERNAL AUDIT

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 2020. The Internal Audit Department also collaborates with the external auditor where appropriate.

The Internal Audit Department formulates the 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 2020, 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 2020, 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 will review the continuing connected transactions and the internal control procedures to ensure that individual connected transactions are indeed conducted in accordance with the pricing policies and mechanism under the framework agreements, and provide its findings to the independent non-executive Directors to assist them in performing their annual review. 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. In 2020, the Internal Audit Department participated in reviewing the implementation of the risk management system, internal control system, risk management of sales channels and branding, and the financial systems.

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 unauthorised 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 standard set out in the Model Code throughout the year ended 31 December 2020, except for the non-compliance as disclosed below.

Employees 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.

On 18 January 2021, the Board was informed by Ms. Wang Ya Fei, an independent non-executive Director, that she had disposed 3,243 Shares on that date. Such dealings in Shares did not comply with the Model Code since (i) the black-out period of the Company for the purpose of publication of 2020 annual results announcement of the Group commenced on 17 January 2021 and was expected to end on 19 March 2021, and (ii) prior written notification for such dealings in Shares was not given by Ms. Wang Ya Fei to the chairman or designated director of the Company.

The Company has taken immediate remedial action to re-circulate the Model Code to all Directors and received acknowledgements from them. To further enhance the Directors' knowledge and awareness of good corporate governance practices, the Company will arrange trainings in respect of internal control, corporate governance and compliance with the Listing Rules to be held for the Directors and senior management of the Company.

Except the above, the Directors and employees of the Group have always complied with the required standard set out in the Model Code.

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. 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.

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 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 (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (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.

For the year of 2020, there was no change in the Articles of Association.

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 (20) clear business days' annual general meeting notice and ten (10) 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 of Company held on 12 June 2020. 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 11 June 2021. Details of the 2021 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 2020 are set out below:

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

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, 18 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

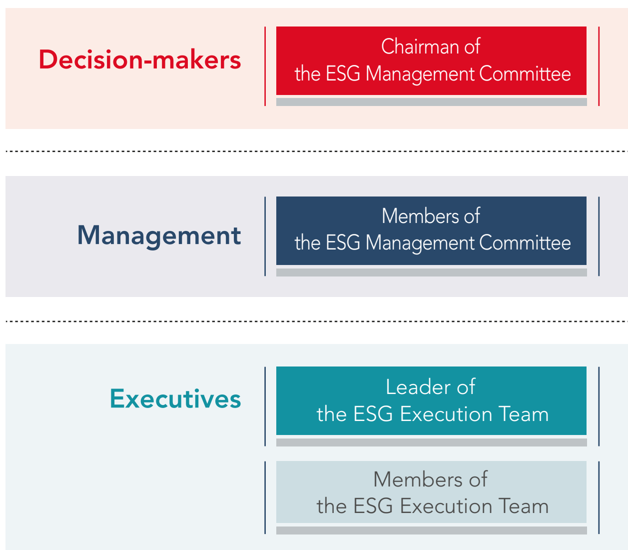
I. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MANAGEMENT SYSTEM

In 2020, the Group continued to focus on the core values of "Winning the Dream", "Consumer Oriented", "Our Culture" and "Breakthrough" to strive to realize the vision of "becoming a world-class professional and fashionable sports brand originated in China and recognized by the world". The Group was committed to building the "Li Ning experience value" integrating product experience, sport experience and purchase experience, attached great importance to promoting the professionalism and function of the products by grasping opportunities and embracing challenges. Taking "Igniting Passion with Sports" as its mission, the Group strived to contribute to the society and pragmatically carried out the responsible corporate citizenship attitude to all aspects of the Group's business development. The Group has always believed that sports is not only a simple competition or fitness, but also plays the role of public welfare and social education. The Group carried out social responsibility activities based on this principle and made continuous progress on sustainable development.

ESG Management Structure and Philosophy

The Group has established the ESG management structure to ensure the highly efficient and orderly implementation of ESG work. The Board assumes full responsibility for ESG strategy and reporting, supervises the management of ESG, and reviews the content of the ESG report before disclosure. The Board has established the ESG Management Committee, which is responsible for reporting to the Board regularly, formulating ESG strategies, and promoting the implementation of specific works by the ESG execution teams. The ESG execution team will be responsible for coordinating relevant departments in formulating ESG management system, setting mid-to-long term ESG goals, and evaluating ESG risks and opportunities.

ESG Management Structure



The Group incorporated the ESG philosophy into its daily operation by actively implementing energy conservation and emissions reduction measures, paying close attention to the impact of climate change and building the value chain of sustainable development. It also placed strong emphasis on protecting the rights and health of employees, realizing mutual development with employees, safeguarding customer rights and interests, protecting customer privacy, maintaining clean operation and enhancing the public participation. The Group continued to promote the sustainable development of itself and the society.

ESG Management Strategy

The Group has formulated ESG management strategies for aspects such as environmental protection, care for employees, supply chain management, product responsibility, anti-corruption and community investment that are in line with the Group's development strategies.

In respect of environmental protection:

- Comply with the laws and regulations regarding environmental protection of the places where the Company operates; actively and consistently adhere to the development philosophy of "lucid waters and lush mountains are invaluable assets";

- Implement energy conservation and emission reduction measures, rationally use clean energy, improve energy use efficiency, set energy conservation and emission reduction targets, and actively respond to climate change;

- Develop the concept of green office, enhance employees' awareness of environmental protection, promote paperless office, implement the principle of green procurement, and give priority to the purchase of green and environmental-friendly equipment;

- Adopt advanced technology, research and develop environmental-friendly recycled fabrics, integrate environmental protection into the product concepts and promote sustainable development.

In respect of care for employees:

- Comply with the laws and regulations regarding employment of the places where the Company operates, strictly eliminate the employment of child and forced labour and adhere to the people-oriented employment philosophy;

- Safeguard the legitimate rights and interests of the employees, abide by the state regulations on working hours, improve the social security and remuneration and benefit system, build a diverse team of employees and adopt a "Zero-Tolerance" policy for discrimination;

- Care for the physical and mental health of the employees, constantly improve the staff health management system and establish a cohesive and friendly workforce;

- Provide diversified training, cultivate all-round talents, and help employees to plan their career development, hence fostering mutual growth of both the employees and the Company.

In respect of supply chain management:

- Strictly implement supplier introduction, assessment and termination process, strengthen supplier assessment requirements, and urge supply chain to improve ESG performance;

- Continuously improve the supplier ESG management system with the benchmark of international standards and best industrial practices, standardize the supply chain ESG management system and process, and build a sustainable value chain with concerted efforts;

- Improve the environmental protection concept of suppliers, continue to carry out environmental compliance and carbon emission management in the supply chain, encourage suppliers to strengthen the implementation of energy conservation and emission reduction measures, and urge suppliers to carry out self-examination on the environmental performance;

- Evaluate suppliers' chemical risk comprehensively, supervise suppliers' full-process management on chemicals, and urge suppliers to improve their chemical management level;

- Enhance social responsibility management of supply chain, urge suppliers to protect employees' rights and interests, prohibit child and forced labour, and promote suppliers to develop and build safe, inclusive and mutually respectful workplaces;

- Actively promote industry collaboration, strengthen industry exchanges, participate in the formulation of industry standards, promote the zero-emission of hazardous chemicals in the production process, and jointly enhance the competitiveness and discourse power of the industry in the global market.

In respect of product responsibility:

- Strengthen management on advertising, labelling and intellectual property to enhance brand recognition, enhance brand awareness and protect brand reputation;

- Facilitate product innovation, maintain stable quality control, and provide high quality products to consumers;

- Safeguard the legitimate rights and interests of consumers, protect consumers' privacy and information security, and improve customer complaint handling skills and after-sales service.

In respect of anti-corruption:

- Adhere to the business philosophy of integrity, and take zero-tolerance attitude toward corrupt behaviors of employees and supplies;

- Conduct anti-corruption training, set up channels for reporting of corruption and bribery, encourage employees to practice the business philosophy of integrity, and maintain an honest office environment.

In respect of community investment:

- Incorporate the sports culture and sportsmanship into charitable events, thereby showing agape love through sports activities, enhance communication with communities and encourage sports-for-all and healthy living style;

- Actively respond to the national policy of poverty alleviation, lend a helping hand to people living in poverty-stricken areas to improve their living standard and provide financial aid to encourage impoverished students to continue their studies;

- Call on the public to care for children with mental disabilities, AIDS and other special needs groups, so that they can receive more care, inclusiveness and acceptance;

- Attach great importance to national sports education with strengthened efforts in promoting the cooperation between the Group and schools and providing support for the cultivation of sports talents.

Actions for Sustainable Development

In 2015, the United Nations officially adopted the "Transforming our World: The 2030 Agenda for Sustainable Development", and put forward 17 Sustainable Development Goals (SDGs), aiming at enhancing world peace and freedom, eradicating poverty and hunger, achieving gender equality, addressing problems of climate change, living in harmony with nature and promoting global common prosperity.

In September 2016, China promulgated China's National Plan on Implementation of the 2030 Agenda for Sustainable Development, which, in light of China's national conditions, formulated plans for the implementation of the 17 SDGs. The Group has taken concrete actions in response to the national plans, and responded to the global call by actively undertaking its responsibilities on the way to achieve global sustainable development, and making possible contributions to help realize the 2030 Sustainable Development Goals.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2020
SDG1 No poverty	• Improve social security system and implement the plan for universal participation in social insurance • Implement precision poverty eradication and relief for rural poor population	• Strictly comply with the "Social Insurance Laws of the People's Republic of China" (《中華人民共和國社會保險法》) to establish a comprehensive social security system and provide social security benefits for its employees. • Provide "five insurances and housing provident fund" and maintain accidental injury insurance and supplemental medical insurance for its employees. • Carry out public welfare projects such as "Helping Outstanding High School Students from Families with Financial Difficulty in Laibin" and "Li Ning Scholarship in Laibin" to support outstanding high school graduates with financial difficulties. • Donate clothing to the impoverished orphans in the "AIDS Affected Children and Adolescents Care and Relief Programme" in conjunction with the Chinese Association of STD and ADIS Prevention and Control.
SDG2 Zero hunger	• Ensure that everyone has safe, nutritious and sufficient food all year • Provide nutrition guidance and intervention for targeted groups such as teenage girls, pregnant women, women who are lactating and elderly women	• Since 2012, the Group has collaborated with China Women's Development Foundation to organize charitable events. The "Postal Parcels for Mothers" Programme was organized every year to lend a helping hand to mothers struggling with poverty.
SDG3 Good health and well-being	• Promote equality of and accessibility to basic medical and healthcare services	• Establish a four-in-one staff health management system covering health examination, healthy exercise, healthy diet and supplementary medical treatment. In addition to statutory medical insurance, maintain supplementary commercial insurance covering accident insurance and critical illness insurance for its employees free-of-charge. • Establish physical rehabilitation research centers and health consultation rooms to provide its employees with basic medicines for treating and preventing common diseases.
SDG4 Quality education	• Safeguard equal rights of underprivileged groups for receiving compulsory education • Implement a model for cultivation of technologies, skills and talents through collaboration between the Group and schools • Strengthen sports education in schools	• Join hands with Chinese Athletes Educational Foundation to support the education and sports development in poverty-stricken and remote regions in China with the construction of "Chinese Athletes Hope Primary Schools" and "All-weather Playgrounds". • Carry out public welfare projects such as "Helping Outstanding High School Students from Families with Financial Difficulty in Laibin" and "Li Ning Scholarship in Laibin" to support outstanding high school graduates with financial difficulties.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2020
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 offering public childcare services	• Combat gender discrimination in employment, wages, benefits, promotion, training, dismissal and retirement. • Prohibit suppliers from involving with any form of gender discrimination in recruitment, establishment of labour relations, access to training, salary, benefits, social insurance, etc. • Establishment of "Home of Employees" and Li Ning & OCEG (Koala Educare) Kindergarten so as to assist the employees to maintain a balance between work and family life.
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	• Conduct drainage for anti-freezing purpose, and use landscape pond drainage to carry out watering of plants within the park for anti-freezing, thus to improve the utilization rate of water resources. • Conduct regular maintenance of water-use equipment to prevent water resource waste caused by the leakage of equipment. • Post promotional slogans about water conservation in common areas such as restrooms and pantries. • Require suppliers to develop management systems to reduce the discharge of wastewater from production and operation activities and strictly prohibit the illegal discharge of sewage. • Conduct stringent review of the wastewater monitoring report and sewage discharge permit of the Group's suppliers and carry out tests on suppliers' wastewater data to enhance the monitoring and control over wastewater along the supply chain. • Require the suppliers to conduct at least one wastewater test per year, with T2 plants currently conducting wastewater testing accounting for more than 95% of the material orders. • Participate in the formulation of and comply with ZDHC Wastewater Guidelines.
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 • Develop modern energy system that is clean, low carbon consumption, safe and highly efficient	• Install solar panels at the roof-top of the buildings within the office park of the Beijing headquarters, thereby providing part of the electricity required for daily operation in the office park. • Install air conditioning and fresh air units to fully utilize the low temperature environment during winter to cool down the machine room and reduce electricity consumption. • Install plenty of electric vehicle charging piles in the office park in the headquarters to encourage employees to commute by environmental-friendly electric vehicles. • Encourage and promote suppliers to manage energy system and regularly track and streamline the energy consumption data of suppliers.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2020
SDG8 Decent work and economic growth	• Promote the development of the manufacturing industry towards a high-end, intelligent, green and service-oriented direction • Improve the employment and entrepreneurial service system and implement a life-long vocational skills training system	• Organize targeted training activities on various knowledge, skills and attitudes for employees, and provide a diversified development mechanism to enhance the employees' comprehensive quality. • Strengthen the development of internal online learning platform, covering general skills, professional skills, management skills, corporate culture and other types of course contents.
SDG9 Industry, innovation, and infrastructure	• Accelerate the upgrading and transformation of traditional industries and promote low-carbon industrial energy use	• Join China National Textile and Apparel Council Life Cycle Assessment (CNTAC-LCA) Working Group to jointly guide the industry to accelerate green transformation, optimize energy conservation and emission reduction and environmental management path of supply chain. • Assist the Social Responsibility Office of China National Textile and Apparel Council in compiling the "Circular Fashion: Prospects of China's New Textile Economy", and jointly discuss on the current situation and opportunities of industrial circular transformation, circular economy and sustainable fashion as an expert committee. • Join the China 2030 Action for Climate Innovation to promote the industrial transformation towards low carbon operation
SDG10 Reduced inequalities	• 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	• Always adhere to the principle of openness, fairness, competition and merit-based in the recruitment process and offer equal employment opportunity and fair remuneration package for all candidates. • Design a scientific and efficient salary management system, and give extra rewards to outstanding talents to attract, motivate and retain outstanding talents.
SDG11 Sustainable cities and communities	• Implement development strategy that prioritize public transportation to promote the development of sustainable urban transportation system	• Encourage the staff to use public transportation and provide convenient shuttle bus services for staff working in the office park of the Group's headquarters to reduce carbon emission for commuting to work.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2020
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	• Exercise all-round supervision over the use of chemicals, to control the quality of raw materials, and ensure the health of customers at source. • Process the waste coffee grounds into recyclable "Coffee Carbon Fiber", an environmental-friendly fabric, and then convert the fabric into "Coffee Carbon Fiber" environmental-friendly limited T-shirt. • Use waste plastic bottles to process into environmentally friendly-recycled materials for making socks. • Advocate environmental protection concepts to increase customers' acceptance of products produced under circular economy. • Formulate "Manufacturing Restricted Substances List and Policy of Li Ning Company (《李寧公司生產工藝中限用物質清單政策》)" and "Tools for Quarterly Review of Environmental Evaluation of Suppliers of Li Ning (《李寧供應商環境審核季度評估工具》)" to specify the management and control of restricted substances in the production process. • Conduct on-site chemical management audit for key material suppliers using the Chemical Management Performance Audit Tools of Li Ning. • Suppliers are required to sign the "Declaration of Compliance Regarding the Manufacturing Restricted Substances List (MRSL) of Li Ning Company (《李寧公司生產工藝中限用物質(MRSL)遵從聲明書》)". • Formulate and promulgate the "Manual for Social Responsibility Management of Suppliers of Li Ning (《李寧供應商社會責任管理手冊》)" to optimize the social responsibility management system of the supply chain. • Formulate the "Code of Conduct Regarding Social Responsibilities of Suppliers of Li Ning (《李寧供應商社會責任行為準則》)" to incorporate the requirements such as harmonious employment relationship, rights of employees, health and safety and environmental protection into the strategies and evaluation systems of supplier management.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2020
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	• Enhance employees' awareness of energy conservation and promote green lifestyle. • Encourage staff to more frequently use environmental-friendly electric vehicles and public transportation and introduce professional shuttle bus service companies for the office park of the headquarters in Beijing to reduce the use of private cars. • Continuously promote the paperless office by requiring employees to process their daily work through office automation systems and electronic devices. • Join the China Fashion Industry Climate Leadership Programme to jointly build low-carbon brands and low-carbon supply chains. • Join the "Climate Stewardship 2030 (時尚氣候創新2030行動)" and build related brands. • Collect data in relation to energy consumption and climate change from the supply chain on a quarterly basis with a view to enhancing the management of carbon emission along the supply chain.
SDG16 Peace, justice and strong institutions	• Implement the "Law on the Protection of Minors", and crack down, in accordance with the laws, on the unlawful and criminal acts such as use of child and forced labour, child abduction and trafficking	• The Company's "Staff Handbook" expressly stipulates that illegal employment of child labour and minor employees is prohibited. • We will take into account the ability and willingness of employees in work arrangement and strictly eliminate forced labour. • Strictly prohibit the suppliers from employing child labour and from using or supporting the use of any form of forced labour.
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	• Actively participate in the resolutions and elections for major affairs of the Zero Discharge of Hazardous Chemicals (ZDHC) Programme. • Join China National Textile and Apparel Council Life Cycle Assessment (CNTAC-LCA) Working Group. • Join the China Fashion Industry Climate Leadership Programme.

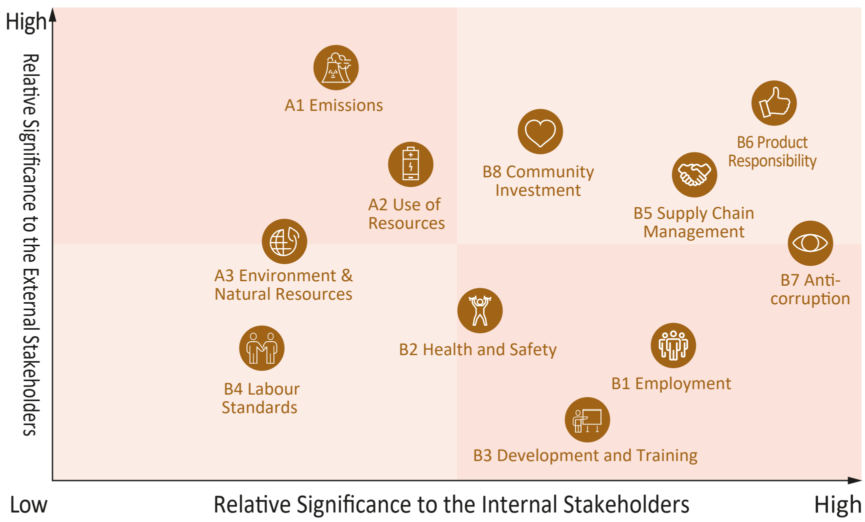
Communication with Stakeholders and Key Issues Identification

The Group's implementation of the sustainable development cannot be separated from the communication and participation of stakeholders. Based on the features of the industry and its own development strategies, the Group has identified seven major stakeholders groups that are closely related to its development, including government and regulatory authorities, shareholders and investors, employees, distributors and suppliers, media, consumers, communities and general public. The Group maintained good communication with stakeholders through various communication channels, and responded to the key ESG issues concerned by stakeholders from various aspects such as enterprise operation and development, so as to demonstrate the level of ESG management of the Group and carry out ESG related work in a more orderly and efficient manner.

Key Stakeholders Identification

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	Strengthen ESG management; Maintain brand value; Regularly publish results announcement; Promote risk and internal control management
Employees	Trade union; Staff representatives meeting; Intranet mailbox; Corporate activity	Employee remuneration and benefits; Community charity; Development and training; Safety and protection	Bring the role of trade union into play; Enrich employees' life; Care about health of employees; Establish a learning platform; Protect employees' rights and interests
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 environmental and social risk awareness; Establish a good relationship in business cooperation
Media	Press Release; Media platform; Site visit	Corporate influence; Transparency of information disclosure; Ability in public relations	Regularly organize the open day for media; Real-time news release; Timely and objective information disclosure
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 information security
Community and general public	Charity activity; Volunteer action; Community activity	Benevolent and charitable activities; Community development; Community relations	Regularly conduct volunteer activities; Increase external donations; Promote professional sports knowledge

Based on the 11 disclosure aspects identified in the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, the Group evaluated the significance of ESG issues of concern to key stakeholders by way of questionnaires. According to the feedback results of the questionnaires, the Group divided and evaluated the internal and external key stakeholders, and identified the main concerns of stakeholders, including product responsibility, community investment and supply chain management.



Analysis Matrix of Concerns of Key Stakeholders over various aspects of the Environmental, Social and Governance Guidelines

II. ENVIRONMENTAL MANAGEMENT

Environmental Management Policy

The Group actively put into practice the development philosophy of "lucid waters and lush mountains are invaluable assets" and has always upheld the principle of green operation. It strictly complied with laws and regulations such as the "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", "Measures for the Management of Municipal Solid Waste", "Law of the People's Republic of China on Conserving Energy", and "Renewable Energy Law of the People's Republic of China". The Group adhered to the concept of harmonious coexistence with the natural environment by implementing energy conservation and emission reduction measures, promoting the use of renewable energy and strengthening waste management, to achieve efficient production and operation, and strive to build an "environmental-friendly" enterprise. Li Ning (China) Sporting Goods Co., Ltd. has passed ISO14001 Environmental Management System Certification. In 2020, no significant pollution and impact on the environment was found in the course of the Group's production and operation.

Environmental Management Measures

The Group has formulated and implemented various internal management systems, including the "Li Ning Company Energy (Resources) Saving Management Standards (李寧公司節能(源)管理標準)", "Li Ning Company Energy Saving Arrangements (李寧公司節能工作安排)" and "Li Ning Company Energy Saving Measures (李寧公司節能措施)". The Group incorporated green operation into daily management to promote the implementation of energy conservation and emission reduction work, and improve employees' awareness of energy conservation and environmental protection. The Group adopted a variety of measures to strengthen the use and management of various types of energy and resource to reduce greenhouse gas emissions, transfer waste to qualified units for transportation and disposal, and actively introduce well-established and advanced technology and equipment, so as to increase energy utilization efficiency and reduce energy consumption.

Emission Management

The Group conducted regular inspection of the boiler equipment to ensure that the emissions meet the standard requirements, encouraged employees to travel green, reduce exhaust emissions, promote paperless office to reduce the use of printing consumables, and employed qualified suppliers to dispose of waste, with a view to reducing the impact of the Group's office operation on the environment.

- **Conduct regular inspection of boiler equipment:** the office park of the Group's headquarters used boiler equipment meeting the requirements of the "Boiler Air Pollutant Emission Standards" for heating, monitored the running state of the boiler equipment in a real-time manner, and strictly abided by the emission limits of nitrogen oxides and other air pollutants. In 2020, the Group inspected the boiler equipment to ensure that its exhaust emission indicators met the standard requirements.

- **Encourage green commuting:** In order to reduce the frequency of employees' use of private cars, the Group provided convenient shuttle bus service for employees in the office park of the headquarters, and provided transportation subsidies to encourage employees to choose shuttle bus or other public transportation, so as to reduce the carbon emissions generated during the commuting process. In addition, the Group installed plenty of electric vehicle charging piles in the office park in the headquarters and provided convenience to encourage employees to commute by environmental-friendly electric vehicles.

- **Implement paperless office:** The Group continued to promote paperless office by requiring employees to handle daily work through office automation system and electronic equipment, avoiding unnecessary printing needs and reducing hazardous waste such as discarded toner, toner cartridge and ink cartridge.

- **Reasonable disposal of waste:** the main emission involved in the operation of the Group was the waste emission generated from office operation. We cooperated with qualified property service companies to entrust them to collect, classify and stash the hazardous and non-hazardous wastes generated in the operation process, and timely arrange classified removal and transportation.

Resource Use Management

The Group actively promoted resource conservation by green transformation of office space, use of high-efficiency and energy-saving equipment, improvement of energy efficiency, promotion of green lifestyle, and adherence to the practice of green office.

- **Achieve smart office equipment:** The Group has adopted an efficient building automation system in the office park of its headquarters in Beijing, which is able to automatically switch to energy-saving lighting mode during non-working hours to save electricity for lighting, and at the same time enables cooling and heating system to collect indoor temperature by the temperature sensors installed across the office park in a real time manner, thus to timely adjust the system and improve energy use efficiency.

- **Transform fresh air-conditioning units in the machine room:** The office park of its headquarters in Beijing installed 4 sets of air conditioning and fresh air units, which fully utilizes the low temperature environment during winter to cool down the machine room by the filtered cold air and reduces the electricity consumption of the machine room by approximately 70% each day in the winter. The air conditioning and fresh air units can save approximately 90,000 kilowatt-hours of electricity per year which is calculated by 90 days with temperature below 5°C.

- **Promote the use of clean energy:** To fully utilize the space available at the roof-top of the buildings of the office park of its headquarters in Beijing, the Group installed over 5,700 solar panels with a total area of approximately 15,000 square meters to provide the office park with electricity partly required for daily operation through solar energy. Currently, the electricity generated by the solar panels enabled approximately 30% reduction of the use of power generated with non-clean energy in the office park of its headquarters; CO_2 and SO_2 emissions are expected to reduce by approximately 1,600 tons and approximately 50 tons per year, respectively.

- **Strengthen water management:** Every winter, the Group carries out drainage for anti-freezing purpose for the landscape pond system of the office park of its headquarters, that is, the water discharged from the pond is used for watering of plants within the park, thereby improving the utilization rate of water resources. Meanwhile, the Group conducted regular maintenance of water-use equipment to prevent water resource waste caused by the leakage of equipment. Promotional slogans about water conservation were posted in common areas such as pantries and restrooms to promote and enhance the employees' awareness of water conservation.

- **Promote green office and lifestyle:** The Group advocated efficient office work and required employees who need to extend office hours due to special circumstances to work together in designated office so as to reduce consumption of electricity, lighting and heating energy and improve energy efficiency. In addition, The Group encouraged employees to use the stairs instead of elevators, so as to reduce the frequency of elevator use and energy consumption while implementing the concept of healthy life.

- **Strengthen management of packaging materials:** The Group required all departments to apply for cartons, sealing tapes and other packaging materials according to actual needs, which shall be uniformly managed and distributed by administrative departments to prevent waste. During product packaging, the volume and weight of packaging should be kept to a minimum within the range acceptable to consumers, and scientific packaging methods should be adopted to ensure the recycling and reuse of packaging materials as far as possible. The cashier should fold the products of customers and try to place them into one shopping bag to reduce the consumption of shopping bags.

- **Energy saving management for warehouses:** The Group replaced the lighting facilities of Jingmen Logistics Park from high-energy consuming products to energy-saving products, and carried out lighting control in different time periods to ensure that the lights were off when people left. It conducted control over the use of air conditioning by setting not more than 20°C for heating and not less than 26°C for cooling, and implemented morning inspection for all areas in the office park to check the presence of leakage or dripping of water pipelines, water valves, faucets and other facilities, and timely fixed the leakage or dripping once found. In addition, the Group recorded the data of water meter each day, controlled daily water consumption and checked whether the data was abnormal.

- **Energy saving management for stores:** The Group required all stores to turn on air conditioners only during business hours, and controlled the use of air conditioners according to the outdoor temperature in different places. It controlled the working time of lighting equipment in stores by stipulating that only the necessary lighting equipment can be turned on before the operation, the consumption of lighting should be reduced in the case of sufficient natural light during daytime, and the facade signs should be turned on according to the time of sunset. In addition, it required the shop assistants to turn off the lighting when leaving for darker places, such as warehouses of the stores, and turn off the power for equipment except for explosion-proof and anti-theft equipment in the stores at the end of work.

2020 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 Centre situated in Beijing, Shanghai office area, Foshan office area and Jingmen Logistics Park as well as each of the retail subsidiaries, whereas the rest will be included as and when appropriate in the future.

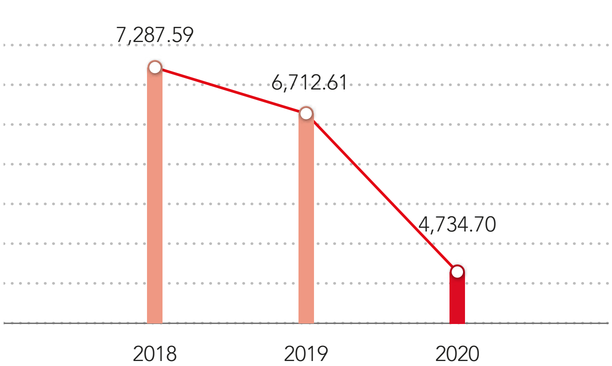
1. EMISSION[1]

Indicator	Performance
Total emission of greenhouse gases (Scope 1 and Scope 2) (tons)[2]	4,734.70
Emission of greenhouse gases per square meter of floor area (Scope 1 and Scope 2) (tons/square meter)	0.03
Direct emission (Scope 1) (tons)	623.38
Company car oil consumption	1.30
Natural gas	622.08
Indirect emission (Scope 2) (tons)	4,111.32
Purchased electricity	4,111.32
Total amount of hazardous waste (tons)[3]	0.28
Weight of hazardous waste per square meter of floor area (tons/square meter)	0.000002
Total amount of non-hazardous waste (tons)[4]	581.12
Weight of non-hazardous waste per square meter of floor area (tons/square meter)	0.0041

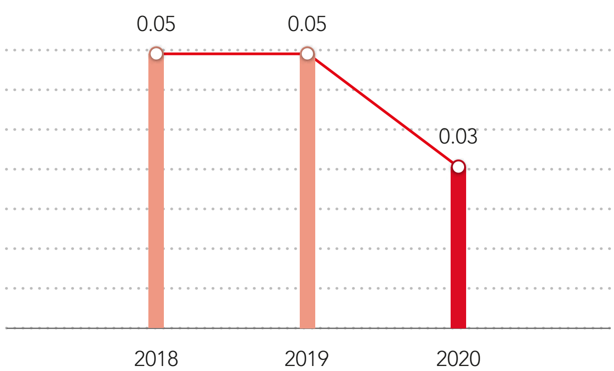
Notes:

1. Due to the nature of the Group's operation, 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 and fuel. Greenhouse gas emission data is presented in carbon dioxide equivalents and is computed with reference to the "2019 Baseline Emission Factors for Regional Power Grids in China for Emission Reduction Projects" (《2019年度減排項目中國區域電網基準線排放因子》) issued by the Ministry of Ecology and Environment of the People's Republic of China and the "IPCC 2006 Guidelines for National Greenhouse Gas Inventories (2019 Revision)" (《IPCC 2006年國家溫室氣體清單指南 2019修訂版》) issued by the Intergovernmental Panel on Climate Change ("IPCC").
3. Types of hazardous waste generated from the Group's operation mainly included waste lead-acid batteries and waste ink cartridges, waste toner cartridges and waste toner incurred by the printing equipment in offices, etc.. The 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 waste, kitchen waste and waste production hard disks. Office waste and kitchen waste were centrally processed at the premises where they are located, while waste production hard disks were recycled by recyclers. In particular, the office wastes of the Group's retail subsidiaries in Nanning, Xiamen (Fuzhou office), Harbin, Daqing, Guangzhou, Chengdu, Hangzhou, Wuhan and Shenyang and Foshan office area were centrally processed 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" (《第一次全國污染源普查城鎮生活源產排污係數手冊》) issued by the State Council.

Total emission of greenhouse gases (tons)



Emission of greenhouse gases per square meter of floor area (tons/square meter)



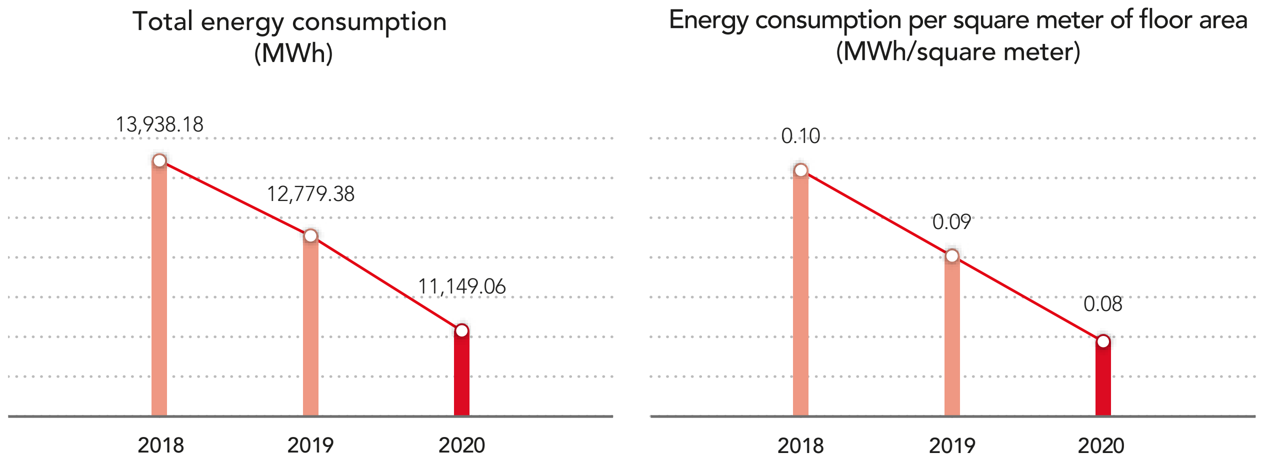
Change in total emission of greenhouse gases and intensity

2. ENERGY AND RESOURCES CONSUMPTION

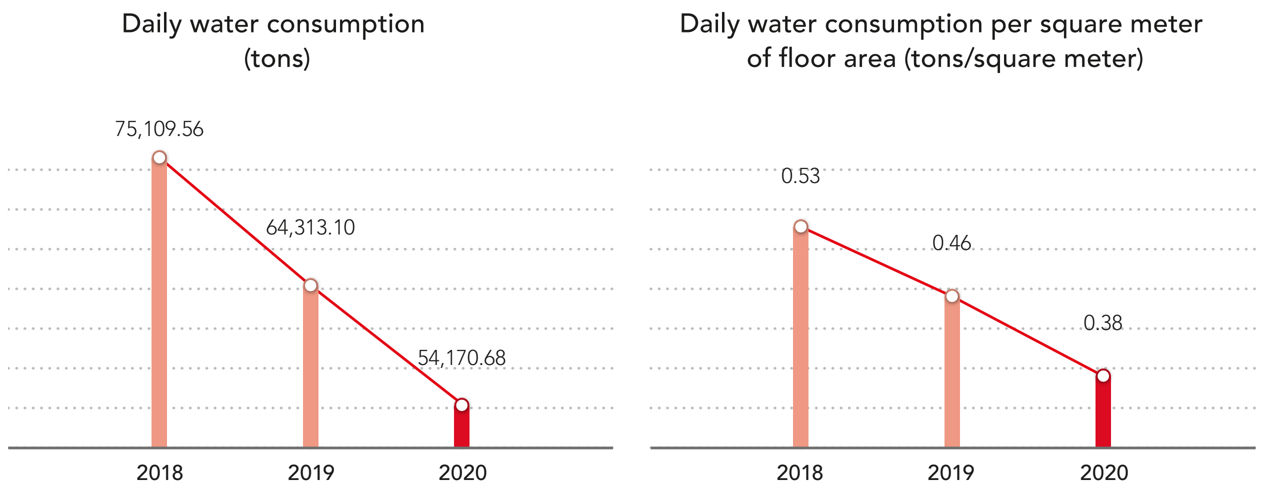
Indicator	Performance
Total energy consumption (MWh)[1]	11,149.06[6]
Energy consumption per square meter of floor area (MWh/square meter)	0.08
Direct energy consumption (MWh)	4,807.05
Gasoline	5.32
Natural gas	3,181.43
Solar energy	1,620.30
Indirect energy consumption (MWh)	6,342.02
Purchased electricity	6,342.02
Daily water consumption (tons)[2]	54,170.68
Daily water consumption per square meter of floor area (tons/square meter)	0.38
Total amount of paper used (tons)[3]	20.68
Total amount of packaging material used for finished products (tons)[4]	20,082.80
Amount of packaging material for finished products consumed per million revenue (tons/million yuan)[5]	1.39

Notes:

1. Energy consumption data, including electricity, natural gas and company car oil consumption, is computed according to the relevant conversion factors provided under the "General Principles for Calculation of Comprehensive Energy Consumption (GB/T 2589-2008) (《綜合能耗計算通則 (GB/T 2589-2008)》) ", the national standard of the People's Republic of China.
2. Daily water consumption includes tap water and reclaimed water. In particular, daily water consumption of Shanghai office area, and the Group's retail subsidiaries in Lanzhou, Xiamen, Xiamen (Fuzhou office), Hefei, Tianjin, Guangzhou, Chengdu, Hangzhou, Wuhan, Shenyang, Xi'an, Changchun, 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 "Regulations for Design of Water Supply and Drainage of Buildings (GB50015-2019) (《建築給水排水設計規範》(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.
6. Due to rounding, the addition sum of direct energy consumption and indirect energy consumption amounts to 11,149.07 MWh, which is 0.01 MWh higher than the present figure.



Change in energy consumption and intensity



Change in daily water consumption and intensity

III. EMPLOYMENT MANAGEMENT

The Group strictly complies with the laws and regulations such as the "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China", "Social Insurance Law of the People's Republic of China" and "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" and has formulated various systems and measures including "Staff Handbook" and "Regulations on Staff Attendance and Leave". It also established sound supervision and safeguarding system for employees' rights to ensure the fairness and justice in employment and promotion, created equal and diversified staff team by prohibiting any form of discrimination, making legal and rational arrangement on employees' working time and vacation, provided healthy and safe working environment for employees, to promote mutual development of the Group and employees. As at 31 December 2020, the Group had 3,625 employees, among which 3,466 employees were at the Group's headquarters and retail subsidiaries, and 159 employees were at other subsidiaries.

Lawful Employment to Realize Mutual Development

The Group always adheres to the principle of openness, fairness, competition and merit-based in the recruitment process, offers equal employment opportunity and fair remuneration for all candidates, and hires suitable candidates with good performance according to job requirements. When signing labour contracts, the Group strictly follows the provisions of the relevant national and local laws and regulations, expressly stipulates the rights and obligations of both parties in the contracts with a view to protecting the legitimate rights and interests of employees and building a harmonious and stable employment relationship. If certain employees need to be dismissed, the Group will terminate the labour contract with the employees in accordance with the laws and go through the dimission procedures in accordance with the regulations.

The Group promotes anti-discrimination and equal opportunity in all decisions regarding human resources to foster a fair, diverse and mutually respectful working environment for its employees. In the "Staff Handbook", the Group values anti-discrimination as a basic norm and provides full respect to employees, and stipulates that there is no discrimination against any employee on any occasion due to his/her ethnicity, race, color, gender, marital status, sexual orientation, religion, political stance, disability, nationality, family background, age and other reasons, which applies to all aspects of the Group's human resource management, including employees' wages, benefits, promotion, training, discipline, dismissal and retirement. The Group encourages employees to report any incidents involving discrimination to the HR department of the Company, and take necessary action based on the actual situation.

In order to prevent the illegal employment of child labour, our "Staff Handbook" expressly stipulates that candidates must provide valid identification document before completing employment to ensure he/she must meet the legitimate age. Taking employees' ability and actual situation at work into consideration, forced labour is strictly prohibited. No employment of minors or forced labour has been found by the Group so far.

In order to effectively promote democratic management and provide employees with an effective way to safeguard their legitimate rights and interests, the Group has established a trade union to express opinions and recommendations on all major measures involving the vital interests of employees. In addition, employees can make recommendations, complaints and feedback in a timely and effective manner on questions or opinions about the Company's management through the suggestion box or interview.

Caring for Employees and Providing Benefits

The Group constantly improves the employment management system and the staff attendance system, and arranges the working hours in accordance with the law. In the case of exceeding the standard working hours due to work reasons, the Group will compensate employees by way of compensatory leave or overtime payment. We have formulated the "Employee Attendance and Leave Management System (《員工考核及休假管理制度》)" that expressly stipulated that employees are entitled to statutory holidays, annual leave, marriage leave, maternity leave, breast-feeding leave, funeral leave and sick leave to guarantee the rest and leave of employees.

The Group has always been committed to improving the welfare system to enhance the happiness and satisfaction of employees. According to the requirements of the national and local government, the Group has provided complete social security benefits, including basic salary, incentive bonus, medical insurance, pension, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund. In addition, the Group provided employees with additional benefits such as catering and transportation subsidies, birthday presents, wedding and baby birth presents, allowance for traditional festivals and supplementary commercial insurance.

In 2020, the Group set up Li Ning & OCEG (Koala Educare) Kindergarten in the office park of its headquarters in Beijing, and provided professional teachers to allow the employees' children to enjoy quality education, and save the time of employees picking up and sending their children from and to the kindergarten respectively. Moreover, we establish a "Care Center under Home for Employees" in the office park of the headquarters that offers free caring services for employees' children during winter and summer vacations or extreme weather to allow the employees to work contentedly. We have also set up a mutual assistance fund to help employees who encounter difficulty in daily living due to accidents or critical illnesses, thereby easing their burden and making them feel the caring warmth from the Company.

Li Ning & OCEG (Koala Educare) Kindergarten

Provide quality education resources for employees' children —— Li Ning & OCEG (Koala Educare) Kindergarten

In September 2020, adhering to the concept of "sports + education", Li Ning & OCEG (Koala Educare) Kindergarten, which was jointly established by the Group and Oriental Cambridge Education Group, was officially opened. The kindergarten is located in the office park of Li Ning headquarter, with a total of five classes, multi-purpose classrooms, dance classrooms, science rooms, art rooms, baking rooms and other diverse classrooms, to provide high-quality full-time education and rich activities for children of school age. The kindergarten attaches equal importance to education and physical education to help children develop exercise habit and promote happy and healthy growth.

The establishment of Li Ning & OCEG (Koala Educare) Kindergarten can save more time of employees, improve their family happiness, and help employees keep a balance between work and family. At the same time, the kindergarten is open to the surrounding communities, which is an effective practice of building a high-quality community harmoniously by enterprises and the society.

Care in winter —— provide relief and express solicitude to employees in hardship

During the Spring Festival of 2020, the Group provided relief and expressed solicitude to employees in hardship, giving priority to help employees and their family members in difficulties due to critical illnesses or disabilities, loss of their only child, major accidents or emergencies, etc. The Group's basic-level labour unions collect the assistance applications and relevant supporting materials, and submit the materials to the superior labour union for approval. The relief fund will be directly remitted to the employee's bank account. In this occasion, 10 employees were relieved, granting a total fund aid of RMB20,000, bringing the warmth and care of the big family of Li Ning to every affected employee, and allowing them to spend a peaceful and warm Spring Festival despite the hardship.

Focusing on Health and Safety Protection

The Group strictly abides by various provisions of the "Labour Contract Law of the People's Republic of China" on the employment environment and the laws and regulations such as the "Production Safety Law of the People's Republic of China" and the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases". It has established the four-in-one staff health management system covering health examination, healthy exercise, healthy diet and supplementary medical treatment.

We provide entry physical examination and annual physical examination for each employee, and set up physical rehabilitation research centers and health consultation rooms to provide employees with basic medicines for treating and preventing common diseases and take full care of the health of employees. There are badminton courts, basketball courts, tennis courts, swimming pools and other sports venues in the office park of the headquarters, which are equipped with various fitness facilities to encourage employees to build up their physical fitness through exercises and relax themselves after busy work. The staff canteen commissions catering companies with professional qualification to provide catering services, strictly controls the quality of food, and develop a scientific diet system for employees. We pay commercial insurance premium for each employee and their children to maximize their risk-resistance capacity. In addition, in order to improve employees' self-awareness of health care and popularize health knowledge, the Company invites well-known health experts to give on-site lectures on an irregular basic to help employees carry out healthcare in a formative manner.

By integrating with the overall planning of the office park, the Group has formulated systems including "Li Ning Group Emergency Plan for Fire Protection (《李寧集團消防應急預案》)" and "Li Ning Group Emergency Evacuation Plan (《李寧集團疏散應急預案》)", and designated the safe and effective evacuation routes to ensure the safe evacuation of employees in case of accident. In 2020, the Group carried out fire fighting building facilities inspection and fire fighting electrical device detection in the headquarters office park to guarantee fire safety. It also organized fire emergency response drill, drill on the practical use of fire-fighting equipment, fire evacuation drill and fire education activities in July and November, thereby effectively enhancing employees' ability to respond to fire emergencies and evacuation.

Drilling of using fire-fighting equipment

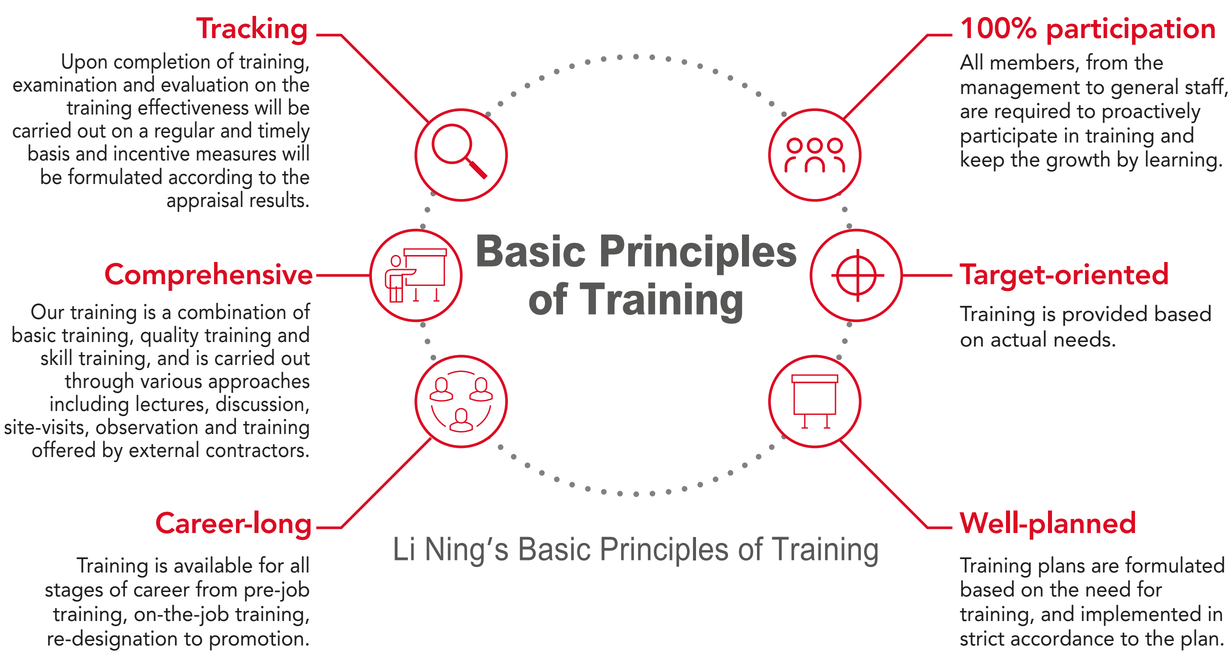
Talent Training and Promotion of Staff Development

The Group designs a scientific and efficient remuneration management system based on the Company's strategic development objectives, industry characteristics and other factors, regularly participates in salary research activities externally in the market, and adjusts the Company's salary level and structure from time to time by comparing the relevant industry data, with a view to fully attracting, motivating and retaining outstanding talents. The Group encourages and recognizes the outstanding employees by providing sales bonuses, sales commissions, stock options and share awards, and implementing profit sharing plans, etc. according to the performance contributions of the employees from different positions.

The Group regards talent development as the core of its talent management strategy, and enables employees to constantly improve themselves through work experience, training courses, coaching and feedback. To meet the demand of the Company's development and employees' development, and constantly improve the employees' work skills and personal comprehensive quality, build excellent staff team and establish a learning organization, the Group organized targeted training activities on various knowledge, skills and attitudes for employees, and provided a diversified development mechanism to enhance the employees' comprehensive quality, help employees improve themselves, achieve their personal goals, and grow together with the Company. In 2020, the coverage rate of internal training received by our frontline employees reached 100%.

The Group continued to strengthen the development of the internal online learning platform, enriched the course contents, and formed a curriculum system consisting of 16 sub-categories under 4 categories of general skills, professional skills, management skills, and corporate culture. In 2020, the number of new courses exceeded 100, achieving full coverage of training for all employees. In addition, coping with the pandemic prevention demands during the outbreak of pandemic, a special category of "physical and mental health" was added, providing pandemic prevention courses to all employees to help them master the knowledge on scientific pandemic prevention. In 2020, the regular employees of the Group participated in various training programs organized by the Group, amounting to approximately 8,000 person-times and a total of approximately 90,000 hours.

The basic principles of our training are as follows:



Li Ning's Basic Principles of Training

Orientation training for new employees: In order to help new employees adapt to the working environment faster, the Group updated the orientation training contents for new employees in 2020, added the online test of "Common Knowledge and Information on New Employees' Orientation", and organized new employees to participate in the training monthly.

Field training in store for management trainees: From August to October 2020, we organized management trainees from product, design, supply chain and functional management units for field training in retail stores in batches to help them systematically learn the relevant knowledge of retail operation and establish a "consumer-oriented" value orientation.

Training for retail-end staff: The Group regularly organized training programs for retail staff every month to improve their comprehensive quality and create a sports atmosphere among retail-end shops by combining product knowledge training, new employees training, promotion training, course training within the system, training camp and other training programmes.

IV. SUPPLY CHAIN MANAGEMENT

The Group is committed to achieving responsible supply chain. We established a relatively well-established supplier social responsibility management system that integrated the social responsibility into the supplier selection, assessment and improvement, formulated "Manual for Corporate Social Responsibility Management of Suppliers of Li Ning Company Limited (《李寧有限公司供應商企業社會責任管理手冊》) ", which clarified the Group's principles and basic requirements for suppliers' social responsibility management, with the aim to promote the building of a safe, inclusive and mutually respectful workplace by the suppliers, drive the mutual growth of the value chain brands, and jointly build a sustainable value chain with partners. As at the end of 2020, the Group currently has a total of 319 suppliers.

Qualification and Assessment of Suppliers

The Group strictly implemented the policies regarding the introduction, assessment and termination of suppliers, incorporated the policies into the assessment process of suppliers' social responsibility. We formulated the code of conduct for supplies, which put forward the requirements on the environmental and social management and performance of suppliers.

The potential suppliers are subject to the assessment in aspects such as basic qualifications, scale requirement, quality system, production technology and social responsibility. We will first conduct assessment on the social responsibility of the potential suppliers as priority, which serves as the foundation for other assessments. The assessment on social responsibility of the potential supplies includes four steps, i.e. collection of suppliers' information, document self-examination by suppliers, first round and second round of document provision. The potential suppliers shall provide documentation related to labour, occupational health, fire prevention, chemical management and environmental protection to demonstrate their management level. The Group will terminate the introduction process of the potential supplier if zero-tolerance circumstances such as commercial bribery, employment of child labour and payment below the legal minimum wage are found during the assessment. If it is found that there are significant risk items such as no fire prevention acceptance or fire prevention filing, use of restricted substances and no environmental documentation, the introduction process cannot be restarted until the rectification is completed. In 2020, the Group assessed 26 potential suppliers and introduced 23 suppliers, with 88% of passing rate.

According to the requirements of the suppliers' position and management strategy, with reference to the Supply-Chain Operations Reference model (SCOR System), the Group sets up assessment index for different types of suppliers at various levels. In addition, the Group conducts quarterly and annual assessments, together with the suppliers' self-examination and the third-party audit, to evaluate the social responsibility performance and risks of the suppliers. Suppliers shall provide relevant reports or documents on employment, fire safety, environmental impact, occupational hazard factors, energy statement, greenhouse gas list, etc. in accordance with the principles of transparency, clarity, relevance, timeliness and traceability, and conduct self-examination in the above areas. After the data analysis and review, the supplier should follow the improvement requirements to complete the relevant rectifications. In 2020, the Group conducted quarterly assessment and evaluation on all suppliers' self-examination/self-report, including 156 times of review on Tier 1 plant documents in relation to social responsibility and 236 times of review on Tier 2 plants' environmental documents.

If the supplier was found any "zero-tolerance circumstance" such as false records, commercial bribery, employment of child labour, forced labour, illegal discharge of sewage and hazardous waste during the assessment, the Group shall have the right to cease the introduction process of the supplier or terminate the cooperation. For the suppliers under cooperation, if they receive red card in on-site assessment for two consecutive years, they will be ordered to withdraw from the cooperation. When implementing the supply chain exit process, the Group will consider the supply chain vacancy and other related risks, confirm the supply capacity of other suppliers, and timely introduce new suppliers when necessary to ensure the sustainable development of the supply chain.

ESG Assessment of Supply Chain

The Group regards ESG management as one of the dimensions to evaluate partners, and has formulated policies and systems such as "Manufacturing Restricted Substances List and Policy of Li Ning Company (《李寧公司生產工藝中限用物質清單政策》)", "Tools for Quarterly Review of Environmental Evaluation of Suppliers of Li Ning (《李寧供應商環境審核季度評估工具》)", "Code of Conduct Regarding Social Responsibilities of Suppliers of Li Ning (《李寧公司供應商社會責任行為準則》)", "Manual for Social Responsibility Management of Suppliers of Li Ning (《李寧供應商社會責任管理手冊》)" and "Social Responsibility Implementation Guideline of Li Ning's Supplier (《李寧供應商社會責任實施指南》)" to standardize ESG management system and process in supply chain. The Group improves the environmental protection awareness of the supply chain, urges them to conduct environmental performance self-examination, standardizes supply chain health and safety management, and pushes suppliers to improve their ESG performance by ways of policy modification, professional trainings, on-site assessments, etc. In addition, the Group relies on its own product quality control system to monitor the key steps of the production and operation process. Combined with the third-party evaluation mechanism, the Group urges suppliers to improve production technology and formulate energy saving and emission reduction measures to help the supply chain achieve green operation.

- Based on the cooperation with and the assessment result of suppliers for the previous year, the Group selects certain suppliers each year for on-site review and assessment by the Group or third party companies based on four major aspects, namely business ethics, labour force, health and safety and environment. The on-site review and assessment results are shown in green card[1], blue card, yellow card and red card, where red card means disqualified level.
- The Group conducted on-site audit for 16 finished product suppliers in 2020, and the audited suppliers were required to rectify issues such as energy and environment, safety and business continuity, business ethics and labour employment within a specific time limit. After the rectification, 5 suppliers have obtained the green card and 7 have obtained the blue card.
- In 2020, the Group appointed third-party audit organization to carry out on-site audit and assessment of environmental compliance on the 18 representative core material suppliers, among which 6 suppliers rectified all the problems found, 13 received green card assessment after rectification, 3 received blue card assessment and 2 received certificates for excellent supplier.
- The Group used its chemical management performance audit tool to conduct on-site chemical management audit for 7 key material suppliers, and evaluated the chemical management level of suppliers and on-site chemical risk from chemical management system, resource and waste management, source control and optimization, and process improvement.
- The Group required the suppliers to conduct at least one wastewater test per year, with Tier 2 plants currently conducting wastewater testing accounting for more than 95% of the material orders and approximately 55% for 100% compliance with the Manufacturing Restricted Substances List (MRSL).
- The Group audited, coached and followed up the on-site carbon inventory of five core material suppliers, and continuously collected the quarterly energy consumption data and climate change-related data of the supply chain to prepare the baseline data for the Group's strategic planning on sustainable development.

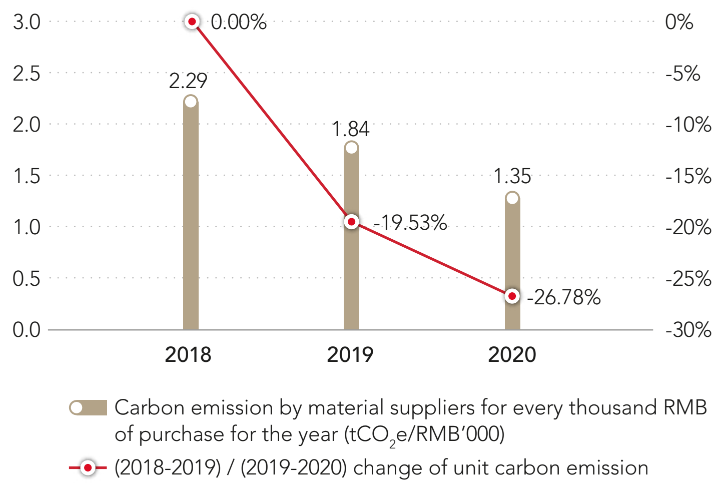
Note:

1. Requirements for on-site audit rating: green card: score >=85, blue card: 85>score>=70, yellow card: 70>score>=60, red card: score<60.

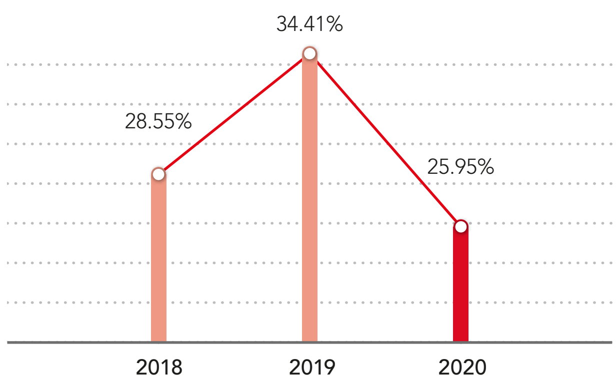
- The Group continued to implement the annual certification principle for the factories producing products under cooperating brands and a total of 50 factories obtained WCA[2] certification throughout the year.
- The Group signed the "Declaration of Compliance Regarding the Manufacturing Restricted Substances List (MRSL) of Li Ning Company (《李寧公司生產工藝中限用物質(MRSL)遵從聲明書》)" with its suppliers to limit the use of hazardous and harmful substances in the production process of suppliers, reduce the impact of the production process om environment, and protect the health of employees and consumers.

The Group continuously follows up with the carbon emission data of suppliers. The greenhouse gas emissions of major Tier 2 suppliers in the past three years are as follows:

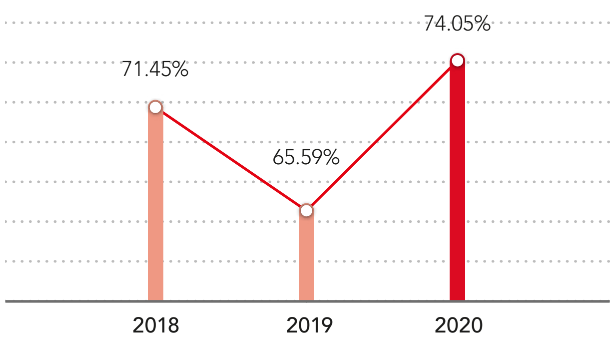
2018-2020 trend of changes in carbon emission intensity by major apparel material suppliers



Proportion of carbon emission in scope 1



Proportion of carbon emission in scope 2



Note:

2. WCA: Workplace Conditions Assessment.

Participating in Industrial Cooperation

The Group actively participated in the industry's discussion on the environmental issues in relation to supply chain, actively joined various working groups, plans and actions, and jointly discussed the advanced concepts and development direction of the textile industry in chemical management, energy conservation, and low carbon cycle. In 2020, the Group, as a member of the expert committee, assisted the Social Responsibility Office of China National Textile and Apparel Council in compiling the "Circular Fashion: Prospects of China's New Textile Economy" to jointly explore the current situation and opportunities of industrial circular transformation, circular economy and sustainable fashion.

China National Textile and Apparel Council Life Cycle Assessment (CNTAC-LCA) Working Group

The China Textile and Apparel Industry Social Responsibility Annual Conference was held on December 22, 2020, in which China National Textile and Apparel Council (CNTAC) and 40 well-known enterprise members, academic and technological institutions including the Group, jointly established the "China National Textile and Apparel Council Life Cycle Assessment (CNTAC-LCA) Working Group". The Working Group is committed to guiding the industry to accelerate the green transformation, jointly establish LCA system for textile products, develop the environmental database for the materials in the entire life cycle of textile industry chain, realize the standardized measurement and ecological analysis of multiple environmental indicators including carbon footprint, water footprint and chemical footprint of textile and related products, optimize the path of energy conservation and emission reduction and supply chain environmental management, strengthen cooperation between industrial chain and value chain, carry out green governance in a coordinated manner, and enhance the competitiveness and discourse power of our industry in the global market.

Zero Discharge of Hazardous Chemicals (ZDHC) Program

As one of the six founding brands of ZDHC Program, the Group worked with other brands to formulate comprehensive performance standards for the global fashion and footwear industry and strive to achieve zero emissions of hazardous chemical substances in the production process. The Group has actively participated in the contracted brand leadership project team of ZDHC, participated in the formulation of ZDHC Wastewater Guidelines, and assisted the ZDHC Foundation and CNTAC to jointly organize the Implementation Circuit Workshop of Chemicals Stewardship 2020, encouraged chemical management trainings in the industry, and made positive contributions for the zero emission goal of hazardous chemicals in the industrial supply chain. In 2020, ZDHC published the version 2.0 of ZDHC Manufacturing Restricted Substances List, which is applicable to textiles, leather, rubber and adhesives and their processing processes, and expressly specifies the chemical substances that are prohibited for intentional use.

Climate Stewardship 2030 in Fashion

In recent years, CNTAC has organized the Leading Climate Stewardship in China's Fashion Industry, which is committed to building low-carbon brands and low-carbon supply chains through industrial collaboration, so as to establish the international status of China's fashion industry. The Group, as the first brand with commitment to join "Climate Stewardship 2030 in Fashion", will continue to pay attention to the energy efficiency improvement strategy of the fashion industry, advocate to accelerate the low-carbon transformation in the industry, actively participate in industry communication, and jointly discuss the practical experience and development direction of coping with climate change and achieving energy conservation and emission reduction.

V. PRODUCT RESPONSIBILITY MANAGEMENT

The Group, as a domestic leading sporting goods company, strictly abides by the 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 the Protection of Consumer Rights and Interests". It has implemented measures in order to implement product quality assurance and protect customers' rights and interests, striving to improve product quality, strengthen quality control management, protect customers' rights and interests, meet customers' needs, protect customers' privacy and information security, and improve customer complaint handling and after-sales service level, thereby actively undertaking corporate social responsibility.

Product Quality Control

According to the requirements of GB/T 19001-2016 National Quality Management System and ISO9001 Quality Management System and taking reference to the relevant standards of the industry, the Group has formulated various garment enterprise standards and quality control management systems beyond the national and industrial standards, including physical and chemical properties, functional quality, appearance quality, auxiliary materials and accessories quality, and safety technical requirements of all kinds of clothing and shoes products. Those standards and management systems include "Quality Management System Assessment Table for Clothing Suppliers (《服裝供應商質量管理體系審核表》)", "Supervision and Assessment Table for Operation of Quality Management System of Clothing Suppliers (《服裝供應商質量管理體系運行情況監督審核表》) ", "Quality Management and Control Procedures for Clothing R&D Phase (《服裝研開發階段質量管控流程》) ", "Quality Management and Control Requirements for Development and Production of Clothing (《服裝開發及生產質量管控要求》) " and "Management Measures for Li Ning Product Marking and Labeling (《李寧公司產品標識標註管理辦法》)". Before the Group's products are marketed, they shall be subject to test of national qualified testing institutions and can only be marketed after meeting the corresponding national standards.

The Group implements the whole process management on product quality and supervises each link of the production process. During the product development stage, the Risk Assessment Team comprised of the product development project team, quality control department (QC) and quality assurance department (QA) evaluated the quality risk of the developed products piece by piece on a quarterly basis. In the production stage, the joint inspection team consisting of QC and QA members conducted joint quality inspections at the warehouse of the Group on a quarterly basis in various aspects, including procedure management, material quality and production techniques. In order to guarantee the stability of the Group's product quality, the Group required all raw material suppliers to conduct quality management system self-assessments on a regular basis, and randomly selected some suppliers for on-site inspection and supervision. Based on the assessment results, unqualified suppliers may face penalties such as rectification within a time limit, interviews, circulation of a notice of criticism, reduction in order volume and initiation of termination procedure to continuously guarantee the quality of the Group's products.

Product Examination and Recall

The Group strictly abides by laws and regulations of the "Product Quality Law of the People's Republic of China" and "Law of the People's Republic of China on Protection of Consumer Rights and Interests", and has formulated the management measures including "Procedures and Standards on Recall of Li Ning's Defective Goods (《李寧殘品收殘程序及標準》) " and "Service Commitment (Repair, Replacement and Return) of Product Quality (《產品質量三包服務承諾》) ". In 2020, the Group revised "Li Ning Company's Defective Product Recall Management Regulations (《李寧公司缺陷產品召回管理規定》) " to further standardize the recall management of defective products to eliminate the danger caused by defective products to the health and safety of consumers, thereby protecting the rights and interests of consumers.

If the products have quality problems within the promised period, the Group will offer return, replacement, repair and other services according to "Li Ning Product Aftersales Service Manual (《李寧產品售後服務手冊》)". In 2020, in order to better serve customers and improve consumers' shopping experience, the Group has completed online after-sale service training for all personnel in sales system and defective products management personnel in logistics system, so as to help relevant personnel quickly and accurately solve product quality problems in the process of sales and after-sale. For returned products, the Group has set up a defective product examination team in Jingmen, Hubei Province, which is responsible for defective product examination, and providing feedback of the inspection results to customers, logistics department, finance department and suppliers. At the same time, these feedbacks were incorporated into the Monthly Quality Report which provided effective market feedback for R&D Department and therefore continuously enhancing and improving product quality.

If the products quality is not qualified after being inspected by the Group or the state or local market supervision department, or if the defects in design or manufacturing have caused or may cause personal or property losses to consumers, or if there is infringement or plagiarism, the quality department of the Group shall have the right to request to stop the sale of the products, immediately conduct an investigation together with other relevant departments, decide to implement a recall plan based on the quality test report, infringement identification report or market feedback, and formulate a disposal plan for the recalled products.

Customer Complaints and Protection

The Group adheres to the customer service principle of "customer priority and professional services", and has built a sound customer service system to ensure customer experience. We constantly enriched customer feedback channels and formulated regulations, including "Customer Service Telephone and Online Support Management Regulations (《客戶服務電話與在線支持管理規定》)", "Customer Services Knowledge Management Principles (《客戶服務知識管理準則》)" and "Customer Service Hotline Daily Management Standards (《客戶服務熱線日常管理規範》)" to clarify the processing process and response time of all kinds of customer feedback, promote the follow-up, handling and feedback of all kinds of customer problems in a responsible attitude, and summarize and analyze the potential opportunities and risks to ensure the continuous improvement of the overall customer experience.

The Group established an all-media customer service platform with multiple communication modes, including customer care hotline started with 400 (400-610-0011), Weibo We-Media channel (@李寧官方微博), Li Ning Club public account (search "李寧CLUB" in WeChat), WeChat mini programme (search "李寧官方旗艦店" in WeChat), e-mail (ccc.support@li-ning.com.cn) and voice message to realize 7-24 full-covered support, so that customers can give feedback and suggestions to us at any time. We carefully recorded the questions, demands and suggestions raised by customers, and took the initiative to make return visit when necessary to obtain customer feedback, so as to ensure that customer demands are properly solved and serve as important references for future work. In 2020, the Group's customer complaint handling satisfaction of all-media customer service platform reached 98.97%.

Customer Data Protection

The Group strictly abided by the requirements of the "Cyber Security Law of the People's Republic of China" and other laws and regulations, established sound information security management system and mechanism, applied technologies such as advanced firewalls so as to strictly monitor the process of data flow and protect information from external malicious theft, standardized operation process and provided comprehensive protection to customer privacy and information security.

For the collection of membership information from consumers, we will obtain consumer consent when collecting information other than mobile authentication of customers required by the government. All employees in key positions who have access to consumer data, including frontline customer service personnel, are required to sign relevant confidentiality agreement or information security commitment to ensure consistent requirements for information security maintenance from inside to outside, from the grassroots level to the management level. We strictly control the authorization of employees, process sensitive fields through technical means, monitor the system on the operating platform, screen the data download interface, and prohibit batch export and query at the terminal to effectively avoid the risk of data information leakage caused by human.

Intellectual Property and Brand Protection

Regarding advertising production and publicity process, the Group strictly abides by the relevant laws and regulations such as the "Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》) ", "Law of the People's Republic of China Against Unfair Competition (《中華人民共和國反不正當競爭法》)" and "Law of the People's Republic of China on Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) ". It strictly reviews the promotion contents, and requires the contents and data reflected in the promotion of business departments should be consistent with the facts. It is prohibited to publish, edit and falsify unauthorized pictures, fonts, text and music works, and the publicity and promotion contents shall not infringe others' rights such as patent right, copyright, name right and portrait right. If there is any problem with the published advertisement, the Group will immediately cancel the published advertisement content, discuss solution, and require relevant business departments to immediately make summary to prevent the recurrence of similar situations.

In order to better manage intangible assets of the brand, unify brand identity, enhance brand identification and promote brand recognition, the Group strictly abides by the "Trademark Law of the People's Republic of China (《中華人民共和國商標法》) ", "Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) " and other laws and regulations, and has formulated "Enterprise Logo Usage Standards of Li Ning Brand (《李寧品牌企業標識使用規範》) ", which clearly stipulated the using area, presentation format, appearance proportion, position, font and color of the brand logo. In 2020, the Group initiated the "Brand External Cooperation Process", aiming to achieve "visualization, traceability and process" of all external cooperation approval, that is, the exposure of all brand logos must go through the Group's systematic review, so as to maximize the standard use of brand logos.

Regarding intellectual property protection and management, the Group has formulated its rules and measures such as "Intellectual Property Management Measures (《知識產權管理制度》)", "Trademark Management Measures (《商標管理辦法》)", "Patent Management Measures (《專利管理辦法》)" and "Copyright Management Measures (《著作權管理辦法》)" in line with the "Trademark Law of the People's Republic of China (《中華人民共和國商標法》)", "Patent Law of the People's Republic of China (《中華人民共和國專利法》)", "Copyright Law of the People's Republic of China (《中華人民共和國著作權法》)" and other laws and regulations. In June 2020, to further standardize the management of intellectual property and specify relevant responsibilities and obligations, the Group revised its "Intellectual Property Management Measures (《知識產權管理制度》)", which further standardized submission processes of the Company, such as internal trademark, patent and copyright applications, optimized the approval process of product design of the designers, and set out confidentiality obligations of intellectual property rights and the rule of punishments. In 2020, no material dispute or litigation of intellectual property rights against the Group has been identified.

To protect the Group's brand reputation and intellectual property rights, the Group obtained information on production and sale of counterfeit brands or infringement through a variety of channels. It cooperated with the third-party sales platforms to complain and delete the infringing links, filed complaints to the industry and commerce authorities about producing and selling counterfeits in the market, and carried out legal rights protection activities against the enterprises or individuals who infringe the rights by means of civil infringement action and criminal report.

VI. ANTI-CORRUPTION MANAGEMENT

The Group requires and urges all its employees, suppliers and service providers to always follow the values and standards of integrity, fairness and openness in their work, and maintain a work style of dedication, justice and integrity. Adhering to the operation philosophy of being honest, the Group strictly complies with the requirements of relevant laws and regulations such as "Company Law of the People's Republic of China (《中華人民共和國公司法》)" and "Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》)". It has also revised the "Anti-Corruption and Anti-Bribery System of Li Ning Group (《李寧集團反腐敗和反賄賂制度》)". The Group adopted zero-tolerance attitude toward the corrupt behaviors of its employees and suppliers, and has developed corresponding standards and procedures. Regarding its employees, the Group requires its new employees and regular employees to fill in the "Anti-Corruption and Anti-Bribery Declaration Form for New Employees (《新入職員工反腐敗和反賄賂申報表》)" and "Anti-Corruption and Anti-Bribery Declaration Form for Regular Employees (《在職員工反腐敗和反賄賂申報表》)", respectively, and sign the "Letter of Undertaking on Anti-Corruption and Anti-Bribery (《反腐敗和反賄賂承諾書》)". Regarding its suppliers, the Group requires its suppliers to fill in the "Anti-Corruption and Anti-Bribery Investigation Form of Li Ning Company (《李寧公司反腐敗和反賄賂調查表》)", and sign the "Letter of Undertaking on Anti-Corruption and Anti-Bribery (《反腐敗和反賄賂承諾書》)", practice clean procurement, and jointly prevent the occurrence of corruption and commercial bribery and other improper behaviors with suppliers.

In 2020, the Group revised the "Anti-Corruption and Anti-Bribery System of Li Ning Group (《李寧集團反腐敗和反賄賂制度》)", and released the revised training handout of the system to all employees through video recording, requiring all its employees to complete the online training as required. The course duration was 30 minutes, and approximately 9,600 person-times (including contract employees and outsourcing employees) attended the course.

In addition, the Group has formulated anti-corruption and anti-bribery reward and punishment measures. For the employees who voluntarily report others' corruption or bribery, the Group will give one-off reward to the employees after the report is verified to be correct. If an employee violates the anti-corruption and anti-bribery system of the Group, the Group will impose demerit or immediately terminate the labour contract according to the amount involved. If the case is serious, the Group will transfer the case to the judicial authority for handling. The Group has established corruption and bribery reporting channels where staff can report any corruption and bribery to the Group via emails, and the Group will keep the identity of reporting staff strictly confidential. In 2020, we added a senior officer complaint mailbox and a complaint channel of the human resources department and voluntary reporting channels for employees, encouraging employees to practice the business philosophy of integrity, curb corruption, and maintain a clean environment.

VII. COMMUNITY INVESTMENT MANAGEMENT

The Group attaches great importance to and actively assumes social responsibilities, maintains communication with the surrounding communities, gets along with them amicably, carries out exchange activities in various forms, and builds a mutually beneficial and sustainable relationship between the enterprise and the community. Upholding the charity philosophy of "Practicing Love with Sports", the Group takes an active part in public welfare undertakings, provides necessary help to the disadvantaged groups, carries forward sportsmanship, and contributes to the construction of a harmonious society.

Building a harmonious society with charity

The Group attaches great importance to the development of public welfare undertakings. We care for women and children, pay attention to the development of education level and the health of residents in poverty-stricken areas, maintain long-term cooperation with China Women's Development Foundation, and continuously lend a helping hand to mothers struggling with poverty, thereby injecting resources and vitality into public welfare construction in poverty-stricken areas. We aim to let more people enjoy life and sports through the spread of love and the publicity of charity concept.

Care for women struggling with poverty — The "Postal Parcels for Mothers" Programme

During the Spring Festival in 2020, the Group participated in the "Bring Love Home" & "Postal Parcels for Mothers" programme sponsored by China Women's Development Foundation. The programme was in response to the "Bring Love Home" Millions of Volunteers and Left-behind Children Pairing Initiative in winter vacation jointly organized by seven ministries and commissions, including All-China Women's Federation, the Ministry of Civil Affairs and the Office of National Working Committee on Children and Women under the State Council, sending postal parcels to mothers struggling with poverty. The postal parcels include cotton vests, hats, scarves, gloves and other winter daily necessities, hoping to bring warmth and care to impoverished women. This programme follows the Group's concept of social responsibility to care for women, and makes contributions to improving women's quality of life and happiness index within its ability.

Postal Parcels for Mothers

Support local education — Guangxi Li Ning Foundation's public welfare programmes for students

In 2020, Mr. Li Ning initiated and set up the "Guangxi Li Ning Foundation" and, together with the Physical Education Bureau of Laibin, the Charity Association of Liuzhou and the Education Bureau of Rongshui County, Rong'an County and Sanjiang County, has launched public welfare projects such as "Helping Outstanding High School Students from Impoverished Families in Laibin", "Li Ning Scholarship in Laibin" and "Li Ning Grant for Students". By the end of 2020, Guangxi Li Ning Foundation had supported 330 person-times of outstanding high school graduates with financial difficulties and provided scholarships of RMB1.25 million in total to help them realize their dreams of studying in universities and support their personal development.

Grant Presentation Ceremony

Care for Children — "Care and Relief Programme for Children and Teenagers Infected with AIDS" in Liangshan Prefecture, Sichuan

Prepare Clothes to be Donated to Impoverished Orphans

Since 2018, the Group has been engaged in the "Care and Relief Programme for Children and Teenagers Infected with AIDS" in Liangshan Prefecture, caring for the children struggling with poverty and illness, and hoping to offer more help and care for the happy growth of children. In May 2020, the Company, together with the Chinese Association of STD and AIDS Prevention and Control, donated clothing items to the orphans living in poverty under the "Care and Relief Programme for Children and Teenagers Infected with AIDS". A total of 2,166 pieces of clothing and shoes were donated to the orphans, worth more than RMB600,000. By the end of 2020, the Group has donated cash and items worth RMB2.15 million in total in the programme. We will continue to pay attention to and care for the children infected with AIDS and make continuous efforts for their healthy and happy growth.

Supporting green environmental protection with charity

The Group actively practices the concept of sustainable development, strives to explore and apply advanced environmental protection and processing technologies, achieves the application of recyclable materials in product manufacturing, and launches various environmental protection products to convey environmental protection concept to consumers, and boost the enthusiasm of the public for environmental protection.

Environmental protection technology turns waste into treasure — "Coffee carbon fiber" enviromental-friendly limited T-shirts

In 2020, we jointly launched T-shirts made exclusively for environmental protection with LOVERE and COSTA. The T-shirts adopted cutting-edged enviromental-friendly fabric technology that processed common coffee grounds in daily life into recyclable "coffee carbon fiber", an enviromental-friendly fabric, by sorting, cleaning, crushing and other procedures. The T-shirts launched in this stage take "Essence, Vitality and Spirit (精氣神)" as their theme, with the cartoon playing Tai Chi and the slogan of "Your Actions Will Save The Vitality Of The Earth", aiming to convey the Group's philosophy of green environmental protection and building harmonious ecosystem, and appeal to the public to enhance environmental awareness, do outdoor exercise and enjoy a healthy life.

Environmental-friendly limited T-shirts made of coffee carbon fiber

LI-NING brand joined hands with WABC to launch a public welfare activity themed "Caring for the Autism"

On 2 April, 2020, i.e. the World Autism Awareness Day, Li Ning and World of Art Brut Culture (WABC) spoke for those with autism and appealed to the public to eliminate the misunderstanding towards and discrimination against the autism. In December, Li Ning, WABC and LOVERE under Wan Wu Xin Sheng Group, jointly launched a public welfare activity with the theme of "Difference Boost Beauty", aiming to appeal to the public to care for the mentally handicapped population and spread equal love. In the activity, the Group applied environmental-friendly technology and used waste plastic bottles to be processed into enviromental-friendly recycled raw materials to make socks. The patterns on socks were designed by "little friends" from WABC. Fashionable and environmental-friendly socks with a total of five different patterns were released to encourage the public to put on two "mismatched" socks for charity on December 23 to participate in the "Mismatched Socks Day". Through the activity, we hope to arouse more empathy from the public, appeal to the public to pay attention to, tolerate and accept people with mental disabilities such as autism, cerebral palsy and Down syndrome and their families, so that they can enjoy an equal, free and happy life, and make contributions to promoting the diverse integration of the society.

Environmental-friendly "mismatched" socks

Vitalizing the community with sports

The Group, as a quality sports brand, is committed to conveying the sportsmanship, maintaining communication with surrounding communities, holding a variety of sports competitions, encouraging the public to strengthen their physical fitness, advocating the spirit of hard work and pursuit of excellence, and vigorously promoting national fitness campaign.

Sports competitions for staff of foreign enterprises — "20th Badminton Competition" and "20th Basketball Competition"

The "20th Badminton Friendship Competition" and "20th Basketball Competition" hosted by Beijing Trade Union Federation for Foreign Enterprises were successfully held in Li-Ning Centre on 5 September 2020 and 7-8 November 2020, respectively. During the competitions, the participants played aggressively and wholeheartedly, with concerted efforts and intense competition atmosphere, showing the excellent sports skills and the hard-working spirit. The competitions enriched the leisure life of the participants and enhanced the sense of honor and cohesiveness, so as to achieve the goal of active mass participation in fitness.

The "20th Badminton Friendship Competition"

The "20th Basketball Competition"

VIII. FIGHT AGAINST THE EPIDEMIC AND OVERCOME THE DIFFICULTIES TOGETHER

In the beginning of 2020, facing the sudden outbreak of COVID-19, the Group responded to the epidemic prevention and control immediately by swiftly establishing a joint epidemic prevention and control team covering all subsidiaries in various regions, actively responding to the national epidemic prevention and control work, implementing the prevention and control requirements, and ensuring the health of employees and the safety of the workplace environment after resumption of work. At the same time, in line with its own resource advantages, the Group actively donated money and supplies to provide support and help to the affected people and workers at the frontline within its ability.

Take Multiple Measures to Prevent and Control the Epidemic

During the time of epidemic outbreak, the Group strictly implemented the prevention and control requirements of local governments, formulated targeted and specific response measures, regularly cleaned and disinfected the surfaces of objects in the office, and provided sufficient hand sanitizers and alcohol cotton balls in the office areas. Meanwhile, it facilitates the ventilation in the workplace by giving priority to natural ventilation, and timely disinfecting and cleaning the air conditioning system. The Group took strict measures to take temperature and make registration by scanning code for all people entering and leaving the office area, kept required distance in staff rest areas and dining areas, required staff to eat alone, and regularly disinfected the tableware. It tried to avoid or reduce staff gatherings and group activities as much as possible by controlling the frequency and size of meetings.

The Group timely published epidemic prevention and control information and emergency information by means such as health tips, posters, training and education, Weibo and WeChat, to guide employees to fully understand knowledge on epidemic prevention and control, understand the epidemic situation in a scientific and rational manner, master the key points of epidemic prevention, enhance the awareness of prevention, understand, support and cooperate with the prevention and control work. It required and guided staff who returned from overseas to take health management measures, such as quarantine, registration, temperature monitoring and wearing masks, as required by the local government in an appropriate manner.

Care for the Physical and Mental Health of Employees

The Group used the online office software to make daily health report, thus to effectively keep track of staff's movement and health conditions. In line with the principle of "reporting any COVID-19 cases and making quick response", the Group has established a mechanism for daily inspection and inquiry of employees' health conditions, collected epidemic prevention and control information from various platforms, subsidiaries and factories in a timely manner, urged those with abnormal physical conditions to seek medical advice immediately, and conducted follow-up inquiries on their conditions. At the group level, we cooperated with each subsidiary to purchase epidemic protection supplies, and coordinated the distribution to support areas with insufficient supplies, so as to ensure sufficient supplies for employees in various places after resumption of work.

In addition, in order to alleviate the psychological pressure of employees brought by the epidemic, the Group invited well-known experts in psychological crisis intervention to deliver "Public Lecture on Psychological Adjustment under the Epidemic", which provided efficient guidance for employees to improve their ability of epidemic prevention from psychological aspect. At the same time, the Group actively organized the online "Epidemic Prevention from Psychological Aspect" column to improve the staff's self-protection ability and boost their confidence in fighting the epidemic.

Donate Supplies and Money to Fight against the COVID-19 Together

The Group paid close attention to the development of COVID-19, and actively shouldered its social responsibility as a corporate citizen by donating supplies to the frontline, and working with the people of the whole country to overcome difficulties and win the battle.

- In late January 2020, after learning the epidemic prevention and control needs, the Group immediately donated RMB10 million through the China Charity Federation. The Hubei Branch of Li Ning Group immediately donated RMB1 million and some urgently needed medical supplies to the Red Cross Society of Jingmen, Hubei Province, to support the prevention and control work of COVID-19.

- In the middle and late February 2020, cold wave and moderate to heavy snow hit some areas of Hubei Province, which had a certain impact on the local prevention and control of COVID-19. Upon leaning the difficulties in frontline, the Group, together with China Women's Development Foundation, according to the actual local demands, leveraged its own advantages to collect resources in an emergency manner, and donated supplies worth RMB10 million to Hubei in a timely manner to fight against the epidemic. Those cold-proof supplies included long-sleeved hoodies, wind coats, cotton coats, down jackets and warm shoes for medical staff and patients to keep warm.

- In March 2020, the Group, together with the Li Ning Foundation, donated 1,200 sets of Li Ning equipment to the Guangxi Medical Team in Hubei to support the frontline medical personnel in fighting against the epidemic. In late March 2020, the Group worked with the One Foundation to fight against the epidemic and actively supported One Foundation's initiative to help Hubei Province. It donated 2,000 sets of disposable medical protective clothing to the frontline medical workers in Hubei to help the teams maintain sufficient combat capacity and continue to fight the epidemic.

Donated disposable medical protective clothing and cold-proof supplies to fight against the epidemic

Li Ning Group will continue to follow the development of the epidemic, strengthen confidence and work together to comprehensively win the battle against the epidemic.

IX. PARTICULARS OF THE REPORT

Report Summary

This report aims to disclose to the stakeholders the latest progress of the work of Li Ning Company Limited (the "Company") and its subsidiaries (collectively, the "Group") in respect of Environmental, Social and Governance (ESG) in 2020. This report has been prepared in accordance with the ESG Reporting Guide set out in Appendix 27 to the Listing Rules on the Hong Kong Stock Exchange. This report should be read together with the "Corporate Governance Report" section in the 2020 Annual Report and the "Social Responsibility" column on the Group's website.

Reporting period

From 1 January 2020 to 31 December 2020, some contents of the report date back to previous year as appropriate.

Reporting scope

Unless otherwise stated, the scope of disclosure in this ESG Report is the same as that covered in the Annual Report.

Reporting principles

Materiality: This report evaluates the areas of major concerns of the stakeholders and provides disclosure on major issues.

Quantification: All key performance indicators disclosed in this report are measurable, and the basis for calculation of the environmental data has also been disclosed.

Consistency: The methods and scope of statistics in this report remained unchanged and the data disclosed is comparable to that of the previous years.

INVESTOR RELATIONS REPORT

The year of 2020 was an extraordinary year with the far-reaching impacts brought by the sudden outbreak of the COVID-19 pandemic in terms of economic development, industry landscape and lifestyle. For the sports industry, despite the short-term volatility, people's lifestyle under the new normal amid the pandemic such as work from home arrangement and indoor fitness has stimulated the increasing demand on sports consumption. Given the increasing public awareness and emphasis on physical and mental health, there was an increase rather than decrease in industry opportunities, hence the sports market remained dynamic with promising prospect to forge ahead. On this basis, the Group continued to further strengthen the development strategy of "Single Brand, Multi-categories, Diversified Channels" with products, channels and retail capability, and supply chain management as main business focuses, and attracted the attention of consumers with continuous innovative and special activities such as fashion weeks and cross-sector crossover collaborations. In addition, the launch of exclusive products and the development of innovative and diversified channels have further enriched the brand image and influence. During the year, the Group saw further improvements in its overall profitability with steady improvements in both operational indicators and operation efficiency.

The steady improvement of brand competitiveness and the excellent results performance have won the brand with more consumers on the one hand, and attracted more attention from 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 announcement, 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 the 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 report and offer recommendation on such information to the management so as to be committed to providing forward-looking plans to improve operation and corporate governance of the Company.

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

Type of activities	**2020**	2019	2018
Roadshows (including reverse roadshows)	**2 times**	2 times	2 times
	(65 meetings in total)	(64 meetings in total)	(67 meetings in total)
Forum	**8 times**	8 times	8 times
	(61 meetings in total)	(64 meetings in total)	(79 meetings in total)
Meeting	**21 times**	110 times	115 times
Conference call/online conference	**312 times**	236 times	241 times
Store visit	**–**	18 times	19 times

Notes:

1. Affected by the COVID-19 pandemic, investor meetings were mainly conducted by way of online or telephone conference in 2020;

2. Affected by the COVID-19 pandemic, store visit activities were suspended in 2020.

In 2020, the Company was awarded the Most Honored Company in "All-Asia Executive Team" organized by Institutional Investor and ranked the first place in a number of awards such as Best Investor Relations Professional and Best ESG Report in Discretionary Consumption Sector, and ranked top three in several awards such as Best Investor Relations Program and Best Investor Relations Team. Another year of honors and awards are not only evidence of confidence in the Company from the capital market, but also represent positive recognition from the investment community for our long-term, consistent and stable investor relation work.

Looking forward to 2021, 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
Board lot: 500 shares
No. of issued shares as at 31 December 2020: 2,489,133,234
Market capitalisation as at 31 December 2020: approximately HK$132,670,801,372

Dividend for 2020

Interim dividend: Nil
Final dividend: RMB20.46 cents per share

Financial Calendar

Announcement of annual results: 18 March 2021
Annual General Meeting: 11 June 2021

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 58, 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 a member 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 Asian 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 30 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 and executive director of Viva China Holdings Limited, a company which is listed on the GEM of the Hong Kong Stock Exchange and a substantial shareholder of the Company. Mr. Li is the non-executive chairman of LionRock Capital GP 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 his genuine support to the active and retired Chinese athletes and coaches in establishing "The Chinese Athletes Educational Foundation" (中國運動員教育基金), which aims at providing subsidies for further education and trainings for athletes and to support 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 50, 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 on 2 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 17 years' experience in the development and management of the PRC market.

Mr. Li Qilin, aged 34, 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 China Holdings Limited, a company which is listed on the GEM of the Hong Kong Stock Exchange and 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 64, 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 Good Friend International Holdings Inc., Xingda International Holdings Limited and Winfull Group Holdings Limited, all of which are listed on the Main Board of the Hong Kong Stock Exchange. 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 65, is an independent non-executive Director, chairperson of the remuneration committee and a member of the audit committee of the Company. Ms. Wang joined the Group in January 2003, she has over 27 years of experience in management and corporate finance matters. Ms. Wang was a chairperson of Caelum Asset Management Company from 2011 to 2020. She served as an independent director of Xueda Education Group, a company listed on the New York Stock Exchange, from 1996 to 2016, and was the 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, *GBS, JP*, aged 63, 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 more than 34 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, Speedy Global 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. Dr. Chan is active in community affairs in Hong Kong. He was appointed as member of the Council for Sustainable Development from 1 March 2015. He is a member of the Court of 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 and Gold Bauhinia Star medal in 2014 by the Hong Kong Government. In December 2013, Dr. Chan was conferred Doctor of Business Administration, honoris causa, by the Open University of Hong Kong.

Mr. Su Jing Shyh, Samuel, aged 68, is an independent non-executive Director and chairman of the nomination committee of the Company. Mr. Su joined the Group in July 2012, he has retired from Yum! Brands, Inc. ("Yum!"), a company listed on the New York Stock Exchange, in 2016. He was the chairman and chief executive officer of the China Division of Yum! as well as the vice chairman and an executive director of board of directors of Yum!. Mr. Su earned his undergraduate degree at the National Taiwan University, a M.Sc. degree of Chemical Engineering at Pennsylvania State University and an MBA at the Wharton School. Before joining Yum!, Mr. Su worked with Procter & Gamble in Germany and Taiwan. Mr. Su started his career with Yum! in 1989 as KFC International's director of marketing for the North Pacific region. In 1993, he became vice president of North Asia for both KFC and Pizza Hut. Mr. Su was named president of Greater China for Tricon Global Restaurants International upon Pepsi's spin-off of the restaurant business in 1997. Yum!'s China Division today leads the development of the KFC, Pizza Hut Dine-in Restaurants, Pizza Hut Home Service, East Dawning and Little Sheep brands in mainland China. Mr. Su has served as an independent non-executive Director of BeiGene, Ltd. since May 2019, a company listed on the Main Board of the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

Mr. Tsang, Terence Wah-Fung, aged 59, chief financial officer of the Group, joined the Group in April 2013, and is responsible for finance, internal audit, company secretary and investor relationship. Mr. Tsang has over 29 years of experience in the apparel industry. His previous employment included that for Guess Inc, Ashworth Inc and Levi Strauss Company. Mr. Tsang had held various management roles including as chief financial officer, chief operation officer, Asia president and senior vice president for business unit throughout his career. He is a Certified Public Accountant. Mr. Tsang holds a Bachelor of Science in Accounting and a Master of Business Administration from State University of New York.

Mr. Yang Hai Wei, aged 48, vice president of the Group, joined the Group in January 2000, and is responsible for wholesale business, Groupon and fashion stores management. Mr. Yang has over 26 years of sales working experience. He worked at a well-known retail group and held various positions such as the Company's channel officer, retail operation officer and regional general manager. Mr. Yang holds a bachelor degree in management engineering from Beijing Wuzi University.

Mr. Hong Yu Ru, aged 55, vice president of the Group, joined the Group in March 1990, and is responsible for the Company's product design, planning, listing and marketing. 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 and businesses such as basketball, badminton and international business division.

Mr. Liao Bin, aged 46, vice president of the Group, joined the Group in May 2016, and is responsible for the Group's human resources, legal affairs and administration. Mr. Liao has over 18 years of experience in the sportswear and apparel industry. He worked at the Company from 2003 to 2012. In his career, Mr. Liao held senior human resources management positions in a number of companies. Mr. Liao holds a bachelor degree and a master degree from Renmin University of China.

Mr. Jin Zhai Xuan, aged 43, vice president of the Group, joined the Group in April 2020, and is responsible for the Group's direct retail operation. Mr. Jin has over 18 years of retail management experience in household and apparel industry. Mr. Jin held senior retail management position in a several well-known multinational and local manufacturers throughout his career. Mr. Jin holds a master degree from University of Science and Technology of China.

Mr. Zhang Xiang Du, aged 65, general manager of the brand project management center of the Group, joined the Group in November 1991, and is responsible for the public relationship, media management, market research and medal teams' sports marketing. Mr. Zhang has over 39 years of experience in the apparel industry and was the deputy manager of Beijing Dahua Shirt Factory (北京大華襯衫廠). Mr. Zhang served as the manager of Li Ning Shirt Company Limited (李寧襯衫公司), general manager of Li Ning Apparel Company Limited (李寧服裝公司), deputy general manager of Beijing Li Ning Company Limited, special assistant of chairman and acting chief marketing officer of the Group. Mr. Zhang holds a bachelor's degree in politics and administration from Beijing Open University and a bachelor's degree in economic management from Beijing Open University.

Mr. Feng Ye, aged 41, general manager of the e-commerce division 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 17 years of experience in the areas of Internet and e-commerce. He 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. He Can Yu, aged 51, general manager of apparel supply chain management of the Group, joined the Group in January 2002, and is responsible for businesses such as the research and development, production and procurement of apparel and accessories goods. Mr. He has over 27 years of experience in the area of supply chain for sports goods. He worked at internationally renowned sportswear manufacturers. Mr. He graduated from Central South Forestry University with a bachelor's degree in forestry.

Mr. Xu Jian Guang, aged 52, the general manager of the footwear research and innovation of the Group, joined the Group in March 1998, and is responsible for businesses such as the research and development of footwear goods. Mr. Xu has over 28 years of experience in footwear industry. He worked at internationally renowned sportswear manufacturers. Mr. Xu holds a bachelor's degree in engineering from Nanchang University and a master degree in business administration from Renmin University of China.

Mr. Hu Nan, aged 55, general manager of LI-NING YOUNG of the Group, joined the Group in April 2015, and is responsible for the retail operation, channel operation, product planning and marketing of LI-NING YOUNG of the Group. Mr. Hu has over 28 years of experience in the sportswear and apparel industry. He worked at the Company from 1993 to 2010. In his career, Mr. Hu held senior management positions in a number of companies. Mr. Hu holds a master degree from Central China Normal University.

Mr. Dong Xing Tai, aged 43, the general manager of the footwear supply chain management of the Group and the general manager of Guangxi supply division, joined the Group in March 2018, and is responsible for businesses such as development and procurement of footwear goods and development of Guangxi supply division. Mr. Dong has over 20 years of experience in the area of supply chain for sports goods. Mr. Dong graduated from University of Science and Technology Beijing with a bachelor's degree in marketing.


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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 2020.

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. Headquartered in Beijing, the Group has brand marketing, research and development, design, manufacturing, distribution and retail capabilities. It has established an extensive retail distribution network and supply chain management system in China. We are committed to becoming a world-class fashionable international professional sports brand enterprise originated from China and be recognized worldwide.

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

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's subsidiaries and its investments in associates and joint ventures as at 31 December 2020 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 2020 are set out in the consolidated income statement on pages 125 of this annual report.

DIVIDENDS AND DIVIDEND POLICY

During the year, the Company did not declare interim dividend for the six months ended 30 June 2020 (2019: nil).

The Board has recommended the payment of a final dividend of RMB20.46 cents per ordinary Share issued or to be issued upon conversion of CS for the year ended 31 December 2020 (2019: RMB15.47 cents). The proposed dividend payment is subject to approval by the Shareholders at the 2021 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 11 June 2021. Such dividend will not be subject to any withholding tax. Upon Shareholders' approval, the proposed final dividend will be paid:

(i) on 29 June 2021 to ordinary Shareholders whose names shall appear on the register of members of the Company on 21 June 2021;

(ii) on 29 June 2021 to holders of CS issued under the 2015 Open Offer which will remain outstanding on 21 June 2021; and

(iii) on 5 July 2021 (i.e. the third business day after 29 June 2021) to holders of CS issued under the 2013 Open Offer which will remain outstanding on 21 June 2021.

For the avoidance of doubt, any CS subject to a conversion notice completed, executed and deposited on or before final dividend record date (being 21 June 2021) shall be entitled to the distribution of such final dividend of the Company. For details of calculation of distribution of the final dividend entitled under 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.

CLOSURE OF REGISTER OF MEMBERS AND CS HOLDERS

For the purpose of determining Shareholders who are entitled to attend and vote at the 2021 AGM and Shareholders and CS Holders qualifying for the proposed final dividend to be approved at the 2021 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 2021 AGM:

Latest time to lodge transfer documents	4:30 p.m. on 7 June 2021 (Monday)
Period of closure of register of members	8 June 2021 (Tuesday) to 11 June 2021 (Friday) (both days inclusive)
Record date	11 June 2021 (Friday)
2021 AGM date	11 June 2021 (Friday)

In order to qualify for attending and voting at the 2021 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 not later than 4:30 p.m. on Monday, 7 June 2021.

(ii) For ascertaining entitlement to the proposed final dividend to be approved at the 2021 AGM:

Latest time to lodge transfer documents	4:30 p.m. on 17 June 2021 (Thursday)
Period of closure of register of members and register of CS Holders	18 June 2021 (Friday) to 21 June 2021 (Monday) (both days inclusive)
Final dividend record date	21 June 2021 (Monday)

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 not later than 4:30 p.m. on Thursday, 17 June 2021.

During the above closure period, 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 2020 are set out in note 17 to the consolidated financial statements.

RESERVES

As at 31 December 2020, reserves of the Company amounted to RMB5,062,340,000 (2019: RMB5,005,206,000). Details of movements in reserves of the Company during the year are set out in note 35 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 2020 were as follows:

	Year ended 31 December	
	2020	2019
	% of total revenue	% of total revenue
The largest customer	**3.0**	4.0
Five largest customers	**12.1**	14.0
	% of total purchases	% of total purchases
The largest supplier	**7.2**	8.1
Five largest suppliers	**29.9**	31.3

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 2020 was nil (2019: nil).

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB15,701,738 (2019: RMB7,897,501).

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

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

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

During the year ended 31 December 2020, the 2013 Convertible Securities in an aggregate principal amount of approximately HK$398,188,671.92 had been converted into 125,098,546 Shares, and the 2015 Convertible Securities in an aggregate principal amount of approximately HK$33,041,564.40 has been converted into 12,708,294 Shares. As at 31 December 2020, the outstanding 2013 Convertible Securities amounted to approximately HK$3,944,400.71 and the outstanding 2015 Convertible Securities amounted to HK$200.20 which are convertible into a total of 1,239,208 Shares and 77 Shares respectively.

Assuming all outstanding CS were converted into Shares as at 31 December 2020, set out below is the shareholding structure of the Company before and after such conversion:

Name of Substantial Shareholder *(Note 1)*	**No. of Shares before conversion of outstanding CS**	**% of holdings**	**No. of Shares convertible under the CS**	**No. of Shares after including shares convertible under the outstanding CS**	**% of holdings**
Li Ning	331,201,682 *(Note 2)*	13.31%	–	331,201,682	13.30%
Public	2,157,931,552	86.69%	1,239,285	2,159,170,837	86.70%
Total	2,489,133,234	100.00%	1,239,285	2,490,372,519	100.00%

Notes:

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

2. Mr. Li Ning is interested in 331,201,682 Shares, among which:

   – 139 Shares are held as personal interest; and

   – 331,201,543 Shares are held by Viva China Holdings Limited.

   Mr. Li Qilin, the nephew of Mr. Li Ning and the son of Mr. Li Chun, is deemed to be interested in the 331,201,543 Shares held by Viva China Holdings Limited. Please refer to Notes 1(a) and 2 in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" of this Report 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 the 331,201,543 Shares held by Viva China Holdings Limited. Please refer to Notes 1(a) and 3 in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" of this Report 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 Company's 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) (re-elected as an executive Director on 12 June 2020)*
Mr. Li Qilin	

Independent non-executive Directors

Mr. Koo Fook Sun, Louis	
Ms. Wang Ya Fei	*(re-elected as an independent non-executive Director on 12 June 2020)*
Dr. Chan Chung Bun, Bunny, *GBS, JP*	*(re-elected as an independent non-executive Director on 12 June 2020)*
Mr. Su Jing Shyh, Samuel	

In accordance with article 87 of the Company's Articles of Association and the Corporate Governance Code ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules, Mr. Li Ning, Mr. Li Qilin and Mr. Su Jing Shyh, Samuel shall retire from the office by rotation and, being eligible, offer themselves for re-election as Directors at the 2021 AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2021 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 CONTRACTS

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, according to the Listing Rules, 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:

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of the entity's business	
Mr. Li Ning and Mr. Li Qilin	Viva China Holdings Limited	principally engaged in (i) sports competition and event production and management; (ii) operation of an e-sports club; (iii) sports talent management; (iv) provision of sports-related marketing and consultancy service; (v) operation of sports premises (including sports parks, sports centres, and ice-skating rinks); and (vi) development, design and sale of sports, health and leisure consumables and apparels which 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 of Directors of the Company is independent of the board of the above-mentioned entity and none of the above Directors can control the Board of the Company, 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.

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 plans, which are defined contribution retirement benefit plans, mandated by the Hong Kong Government and South Korea Government.

None of the Pension Schemes or abovementioned provident fund plans has provision for the forfeiture of contributions made to the provident fund. Contributions to these 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 2020 were RMB54,467,000 (2019: RMB83,617,000).

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2020, 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 of "Convertible Securities", "Share Option Schemes" 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 Schemes

At the annual general meeting of the Company held on 30 May 2014, the Shareholders approved (i) the adoption of 2014 Share Option Scheme and (ii) the termination of 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 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.

As at the date of this report, the options available for grant by the Company is 52,239,079 Shares, representing approximately 2.10% 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 (28) 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 10 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 (5) 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.

The options granted under the 2004 Share Option Scheme which remained outstanding immediately prior to its termination on 30 May 2014 shall continue to be valid and exercisable in accordance with their terms of grant and the rules of the 2004 Share Option Scheme. As at 31 December 2020, there were no outstanding options granted under the 2004 Share Option Scheme. Details of movements of the options granted under the 2004 Share Option Scheme for the year ended 31 December 2020 are set out below and in note 32 to the consolidated financial statements.

Grantees	Date of grant	Exercise price per Share HK$	Adjusted exercise price per Share upon the 2015 Open Offer HK$ (Note 1)	Number of Shares As at 01/01/2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31/12/2020	Vesting Period	Exercise Period
Employees of the Group											
In aggregate	17/01/2014	7.00	6.35	266,358	–	266,358 (Note 2(a))	–	–	–	18/01/2015 to 31/03/2019	18/01/2015 to 31/12/2020
In aggregate	04/04/2014	5.10	4.63	54,566	–	54,566 (Note 2(b))	–	–	–	05/04/2015 to 05/04/2019	05/04/2015 to 31/12/2020
Other participants											
In aggregate	17/01/2014	7.00	6.35	36,875	–	36,875 (Note 2(c))	–	–	–	18/01/2015 to 31/03/2019	18/01/2015 to 31/12/2020
				357,799	–	357,799	–	–	–		

Notes:

1. As a result of the 2015 Open Offer, the exercise prices were adjusted in accordance with the 2004 Share Option Scheme on 2 February 2015. Please refer to the announcement of the Company dated 30 January 2015 for details.

2. (a) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$18.28.

   (b) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$24.25.

   (c) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$31.84.

Details of movements of the options granted under the 2014 Share Option Scheme for the year ended 31 December 2020 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$*	As at 01/01/2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31/12/2020	Vesting Period	Exercise Period
Executive Director										
Kosaka Takeshi	19/09/2019	22.52	3,155,800	–	315,500 *(Note 1(a))*	–	–	2,840,300	01/09/2020 to 01/09/2024	01/09/2020 to 31/12/2027
Independent non-executive Directors										
Koo Fook Sun, Louis	17/05/2019	13.16	300,000	–	50,000 *(Note 1(b))*	–	–	250,000	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Wang Ya Fei	17/05/2019	13.16	300,000	–	–	–	–	300,000	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Chan Chung Bun, Bunny	17/05/2019	13.16	300,000	–	–	–	–	300,000	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Su Jing Shyh, Samuel	17/05/2019	13.16	300,000	–	–	–	–	300,000	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Employees of the Group										
In aggregate	01/04/2015	4.44	6,615,000	–	6,615,000 *(Note 1(c))*	–	–	–	01/04/2016 to 01/04/2018	01/04/2016 to 31/12/2020
In aggregate	08/06/2016	3.30	3,000,000	–	400,000 *(Note 1(d))*	–	–	2,600,000	08/06/2017 to 08/06/2019	08/06/2017 to 07/06/2026
In aggregate	20/12/2017	6.12	50,461,760	–	26,223,640 *(Note 1(e))*	707,120	–	23,531,000	01/09/2019 to 01/04/2021 *(Note 2)*	01/09/2019 to 31/12/2022
In aggregate	30/05/2018	9.09	390,400	–	197,000 *(Note 1(f))*	–	–	193,400	01/09/2019 to 01/04/2021 *(Note 2)*	01/09/2019 to 31/12/2023
In aggregate	13/09/2018	7.07	1,030,000	–	618,000 *(Note 1(g))*	–	–	412,000	01/09/2019 to 01/04/2021 *(Note 2)*	01/09/2019 to 31/12/2023
In aggregate	15/04/2019	13.36	407,400	–	–	–	–	407,400	01/04/2020 to 01/04/2021 *(Note 2)*	01/04/2020 to 31/12/2024
Other participants										
In aggregate	01/04/2015	4.44	800,000	–	800,000 *(Note 1(h))*	–	–	–	01/04/2016 to 01/04/2018	01/04/2016 to 31/12/2020
			67,060,360	–	35,219,140	707,120	–	31,134,100		

Notes:

1. (a) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$33.90.

   (b) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$47.77.

   (c) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$26.71.

   (d) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$27.98.

   (e) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$28.91.

   (f) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$28.43.

   (g) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$26.20.

   (h) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$30.06.

2. The Board has resolved on 11 December 2019 to amend and accelerate the vesting dates of these share options to be vested in 2020 and 2021.

Details of valuation of the share options granted during the year ended 31 December 2020 under the 2004 Share Option Scheme and 2014 Share Option Scheme are set out in note 32 to the consolidated financial statements. The fair values are inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

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 10 years from 14 July 2016 and is administered by the administrative 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 benefits of the selected participants. 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. No Restricted Shares will be granted under the 2016 Restricted Share Award Scheme if the number of Restricted Shares granted at any time during the scheme period has exceeded 5% of the Company's share capital in issue from time to time. 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. As at 31 December 2020, the number of issued Shares of the Company is 2,489,133,234 Shares and the maximum number of Shares which may be administered under the 2016 Restricted Share Award Scheme is 124,456,661 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.

Details of movements of the Restricted Shares granted under the 2016 Restricted Share Award Scheme for the year ended 31 December 2020 are set out below and in note 32 to the consolidated financial statements.

Date of grant	Fair value per Restricted Share HK$ (Note 1)	Number of Restricted Shares As at 01/01/2020	Granted during the year	Vested during the year	Lapsed during the year	As at 31/12/2020	Vesting period
06/09/2017	5.74	4,474,640	–	2,191,400	50,080	2,233,160	06/09/2019 – 01/04/2021 *(Note 2)*
23/11/2017	6.18	91,840	–	45,920	–	45,920	06/09/2019 – 01/04/2021 *(Note 2)*
20/12/2017	6.12	15,268,400	–	7,541,400	185,600	7,541,400	01/09/2019 – 01/04/2021 *(Note 2)*
29/05/2018	8.80	130,400	–	65,200	–	65,200	01/09/2019 – 01/04/2021 *(Note 2)*
04/07/2018	8.21	860,800	–	430,400	–	430,400	01/09/2019 – 01/04/2021 *(Note 2)*
12/09/2018	6.69	191,680	–	95,840	–	95,840	01/09/2019 – 01/04/2021 *(Note 2)*
02/04/2019	12.48	252,900	–	121,766	–	131,134	01/04/2020 – 01/09/2022 *(Note 2)*
14/05/2019	12.52	18,300	–	6,100	–	12,200	01/04/2020 – 15/06/2022 *(Note 2)*
16/09/2019	22.10	45,100	–	15,033	30,067	–	01/04/2020 – 01/09/2022 *(Note 2)*
19/09/2019	22.40	1,186,100	–	395,366	–	790,734	01/09/2020 – 01/09/2022
19/09/2019	22.40	247,100	–	247,100	–	–	01/09/2020
19/09/2019	22.40	1,235,500	–	123,550	–	1,111,950	01/09/2020 – 01/09/2024
29/11/2019	25.10	46,600	–	15,532	–	31,068	01/09/2020 – 01/09/2022
20/10/2020	40.70	–	1,000	–	–	1,000	20/10/2022 – 20/10/2030
02/12/2020	42.05	–	135,000	–	–	135,000	01/04/2021 – 01/04/2023
02/12/2020	42.05	–	109,800	–	–	109,800	01/09/2021 – 01/09/2023
		24,049,360	245,800	11,294,607	265,747	12,734,806	

Notes:

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

2. The Board has resolved on 11 December 2019 to amend and accelerate the vesting dates of these restricted award shares to be vested in 2020 and 2021.

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 Company's payment to the trustee of the amount (including purchase price and related expenses) for purchasing the restricted shares from the open market shall constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Company anticipates further payment will be made to the trustee for purchasing restricted shares, the Board has resolved to adopt the annual caps for the amount to be paid to the trustee and the number of restricted shares to be purchased for the period commencing from 1 January 2021 to 31 December 2021. The maximum amount of annual cap of the amount to be paid by the Company to the trustee during the period is HK$90,000,000 and the maximum number of annual cap of restricted shares to be purchased is 3,000,000 shares (whichever is smaller in terms of value). Please refer to the announcements of the Company dated 19 September 2019 and 23 December 2020 for details.

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

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be (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) 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 Director	Capacity	Number of Shares held	Number of underlying Shares	Total (Long Position)	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	331,201,682	3,938,774	335,140,456 *(Note 1)*	13.46%
Kosaka Takeshi	Personal interest	150	3,952,250 *(Note 2)*	3,952,400	0.16%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	331,847,143	430,400	332,277,543 *(Note 3)*	13.35%
Koo Fook Sun, Louis	Personal interest	–	250,000 *(Note 4)*	250,000	0.01%
Wang Ya Fei	Personal interest	491,888	300,000 *(Note 4)*	791,888	0.03%
Chan Chung Bun, Bunny	Personal interest	63,130	300,000 *(Note 4)*	363,130	0.01%
Su Jing Shyh, Samuel	Personal interest	–	300,000 *(Note 4)*	300,000	0.01%

* The percentage has been calculated based on 2,489,133,234 Shares in issue as at 31 December 2020.

Notes:

1. Mr. Li Ning is interested in 331,201,682 Shares, among which 139 Shares are held as personal interest, and he is deemed to be interested in 331,201,543 Shares held by Viva China Development Limited (formerly named as Viva China Holdings Ltd) ("Viva China BVI"). Moreover, Mr. Li Ning is interested in 3,938,774 underlying Shares. Details are as follows:

   (a) Viva China BVI, a wholly-owned subsidiary of Viva China Holdings Limited ("Viva China"), is interested in 331,201,543 Shares. As at 31 December 2020, Viva China is owned as to approximately 17.69% by Victory Mind Assets Limited ("Victory Mind"), approximately 22.46% by Lead Ahead Limited ("Lead Ahead") and approximately 21.06% by Dragon City Management (PTC) Limited ("Dragon City") respectively. Mr. Li Ning has personal interest of approximately 0.23% shareholding in Viva China. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun, a substantial shareholder of the Company, respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li 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 331,201,543 Shares held by Viva China. Mr. Li Ning is also an executive director, the chairman and chief executive officer of Viva China.

   (b) Mr. Li Ning is interested in 3,938,774 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 1,111,950 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

3. Mr. Li Qilin is interested in 331,847,143 Shares, among which 645,600 Shares are held as personal interest, and he is deemed to be interested in 331,201,543 Shares held by Viva China by virtue of the SFO. Moreover, Mr. Li Qilin is interested in 430,400 unvested Restricted Shares under the 2016 Restricted Share Award Scheme. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva China.

4. The underlying Shares are the share options granted by the Company to the respective Directors under the 2014 Share Option Scheme at an exercise price of HK$13.16 each.

Save as disclosed above, so far as was known to any Director, as at 31 December 2020, none of the Directors or chief executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares 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 2020, the register of substantial shareholders kept under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions which represent 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares	Total	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	331,201,682	3,938,774	335,140,456 (L) *(Note 1)*	13.46%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	331,847,143	430,400	332,277,543 (L) *(Note 2)*	13.35%
Li Chun	Interest of controlled corporations	331,201,543	–	331,201,543 (L) *(Note 3)*	13.31%
Viva China Holdings Limited	Interest of controlled corporation	331,201,543	–	331,201,543 (L) *(Note 1(a))*	13.31%
Citigroup Inc.	Investment manager	128,969,859	–	128,969,859 (L)	5.18%
	Investment manager	2,504,500	–	2,504,500 (S)	0.10%

(L) – Long position, (S) – Short position

* The percentage has been calculated based on 2,489,133,234 Shares in issue as at 31 December 2020.

Notes:

1. Mr. Li Ning is interested in 331,201,682 Shares, among which 139 Shares are held as personal interest, and he is deemed to be interested in 331,201,543 Shares held by Viva China BVI. Moreover, Mr. Li Ning is deemed to be interested in 3,938,774 underlying Shares. Details are as follows:

   (a) Viva China BVI, a wholly-owned subsidiary of Viva China, is interested in 331,201,543 Shares. As at 31 December 2020, Viva China is owned as to approximately 17.69% by Victory Mind, approximately 22.46% by Lead Ahead and approximately 21.06% by Dragon City respectively. Mr. Li Ning has personal interest of approximately 0.23% shareholding in Viva China. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun, a substantial shareholder of the Company, respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li 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 331,201,543 Shares held by Viva China. Mr. Li Ning is also an executive director, the chairman and chief executive officer of Viva China.

   (b) Mr. Li Ning is interested in 3,938,774 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.

2. Mr. Li Qilin is interested in 331,847,143 Shares, among which 645,600 Shares are held as personal interest, and he is deemed to be interested in 331,201,543 Shares held by Viva China by virtue of the SFO. Moreover, Mr. Li Qilin is interested in 430,400 unvested Restricted Shares under the 2016 Restricted Share Award Scheme. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva China.

3. As disclosed in Note 1(a) above, Mr. Li Chun is deemed to be interested in 331,201,543 Shares held by Viva China. He is the brother of Mr. Li Ning and the father of Mr. Li Qilin.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any person (other than a Director or chief executive of the Company or their respective associate(s)) of any interest and short position in the Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

CONNECTED TRANSACTION WITH VIVA CHINA

On 23 October 2015, (i)上海悦奥體育用品有限公司 (Shanghai Yue Ao Sporting Goods Co., Ltd.) ("Shanghai Yue Ao", a wholly-owned subsidiary of the Company) (as vendor), entered into the share transfer agreement with Viva China Investment Limited (非凡中國投資有限公司) ("Viva China Investment", a wholly-owned subsidiary of Viva China) (as purchaser), pursuant to which Shanghai Yue Ao agreed to sell and Viva China Investment agreed to purchase 11,200,000 shares ("Sale Shares") of 上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.) ("Double Happiness"), which represent 10% of the equity interest in Double Happiness; and (ii) Shanghai Yue Ao, the Company, Viva China Investment and Viva China entered into the option agreement (the "Option Agreement"), pursuant to which Shanghai Yue Ao was granted the call option ("Call Option") to purchase from Viva China Investment and Viva China Investment was granted the put option ("Put Option", together with the Call Option as the "Relevant Options") to sell to Shanghai Yue Ao, the Sales Shares and their derived interests. Please refer to the announcement of the Company dated 25 October 2015 and the circular of the Company dated 18 November 2015 respectively for details.

Pursuant to the terms and conditions of the Option Agreement, as neither Shanghai Yue Ao nor Viva China Investment has exercised the Relevant Options by written notice on or before the exercise date (being 22 December 2020), the Relevant Options lapsed automatically under the Option Agreement.

As at 23 December 2020, being the date on which the Company announced the lapse of the Relevant Options, Viva China indirectly holds approximately 13.31% of the issued share capital of the Company and is a substantial Shareholder and thus a connected person of the Company. Viva China Investment, being a wholly-owned subsidiary of Viva China, is therefore a connected person of the Company.

Rule 14A.24(2)(b) of the Listing Rules provides that a listed issuer's group's decision not to exercise an option constitutes a transaction under Chapter 14A of the Listing Rules. Therefore, the non-exercise of the Call Option by the Group constitutes a connected transaction of the Company. Pursuant to Rule 14A.79(4) of the Listing Rules, the non-exercise of the Call Option would be classified as if it has been exercised. The applicable percentage ratios calculated under Rules 14.07 and 14A.79(4) of the Listing Rules in respect of the non-exercise of the Call Option exceed 0.1% but are all less than 5%. As such, the lapse of Call Option is also subject to the reporting and announcement requirements but exempt from the independent shareholders' approval and circular requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 23 December 2020 for details.

CONTINUING CONNECTED TRANSACTIONS WITH VIVA CHINA

The Company and Viva China (Viva China and its subsidiaries, collectively the "Viva China Group") entered into a master agreement on 31 August 2010 ("Master Agreement") whereby the Viva China 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 China 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 China 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 China 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 China 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 China 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 China ceases to be a connected person of the Company (whichever is earlier). Pursuant to the 2019 Renewed Master Agreement, the annual caps for the Viva China Transactions payable by the Group to the Viva China Group for the financial year ended 31 December 2019 and for the financial years ending 31 December 2020 and 2021 are RMB320,500,000, RMB326,500,000 and RMB333,000,000 respectively. As the applicable percentage ratios for the annual caps under the 2019 Renewed Master Agreement for the three financial periods ended 31 December 2019, 2020 and 2021 were less than 5%, the Viva China 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 28 December 2018 in regard to the 2019 Renewed Master Agreement for details.

Moreover, the Company and Viva China entered into an agreement on 28 December 2018 ("Master Sales Agreement") for the following continuing connected transactions ("Sales Transactions") to be entered into between member(s) of the Group and member(s) of Viva China Group for the period from 1 January 2019 to 31 December 2021 or the day on which Viva China ceases to be a connected person of the Company (whichever is earlier):

(1) sales of branded products (including but not limited to sportswear and sports-related products) ("Branded Products") by any member of the Group to Viva China Group; and

(2) provision of consignment-sales services by any member of Viva China Group to the Group in respect of the Branded Products.

Pursuant to the Master Sales Agreement, the annual caps for the Sales Transactions payable by Viva China Group to the Group for the financial year ended 31 December 2019 and for the financial years ending 31 December 2020 and 2021 are RMB10,000,000, RMB22,000,000 and RMB40,000,000 respectively.

As the applicable percentage ratios for the annual caps under the Master Sales Agreement for the three financial periods ended 31 December 2019, 2020 and 2021 were less than 5%, the Viva China 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 28 December 2018 in regard to the Master Sales Agreement for details.

As at 31 December 2020, Viva China, who indirectly holds approximately 13.31% shares in the Company, is a substantial Shareholder and thus a connected person of the Company.

For the year ended 31 December 2020, there was an aggregate contracted amount of approximately RMB176,233,000 for the Viva China Transactions under the 2019 Renewed Master Agreement, and there was an aggregate contracted amount of approximately RMB6,741,000 for Sales Transactions under the Master Sales 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 Viva China Transactions and Sales Transactions, and confirmed that these transactions were entered into:

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

(2) in accordance with the Group's pricing policies for transactions involving the provision of services to the Group;

(3) on normal commercial terms; and

(4) 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 been in accordance with the pricing policies of the Group (for transactions involving the provision of services to the Group);

(3) have 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 28 December 2018.

RELATED-PARTY TRANSACTIONS

The Viva China Transactions and the Sales Transactions also constituted related-party transactions which, among others, are set out in note 34 to the consolidated financial statements.

Apart from the Viva China Transactions and the Sales Transactions, other related-party transactions set out in note 34 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions 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

Neither the Company or any of its subsidiaries purchased, sold or redeemed any of its Shares during the year ended 31 December 2020.

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 2020 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 2020, the Company has applied all the principles and complied with the code provisions of the Corporate Governance 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, important events affecting the Group that have occurred since the end of the financial year 2020, 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 34 and pages 35 to 52 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 35 to 52 and pages 53 to 87 of this annual report, respectively.

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

AUDITOR

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 2021 AGM.

By order of the Board
Li Ning
Executive Chairman and Joint CEO

Hong Kong, 18 March 2021

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") set out on pages 123 to 203, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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, which include a summary of significant accounting policies.

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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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.

INDEPENDENT AUDITOR'S REPORT

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 2020, the Group's balance of gross trade receivables was RMB939 million, against which an expected credit loss allowance of RMB280 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. • On a sample basis, conducted interviews with customers whom have significant trade receivable balances and/or newly added customers during the year and reconciled the information about their business and operations with available external information such as corporate credit reports and public news, in order to understand their intention and ability to pay receivables when fall due; and

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Assessed the adequacy of the disclosures related to expected credit loss allowance for trade receivables in the context of IFRSs in the consolidated financial statements. Based on the results of the procedures above, we found that management's judgments in assessing the expected credit loss allowance for trade receivables as at 31 December 2020 to be supportable by available evidence.
Inventory provision Refer to Note 4 and Note 12 to the consolidated financial statements As at 31 December 2020, the Group's balance of gross inventories was RMB1,459 million, against which a provision of RMB113 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 retail price per latest sales transaction. The impairment assessment 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 generation of inventory ageing schedule and the estimation of inventory provisions; • Tested the method, assumptions and data used to estimate inventory provision by (1) inquiring of management and other relevant employees, (2) comparing against historical sales pattern and prior year experience including key inventory ratios (e.g. inventory turnover days) based on which management's estimate of future sales projection was made, (3) testing the accuracy of provision calculation by reviewing inventory ageing schedule, testing inventory movements to confirm that they were assigned to the correct ageing category by the system, and performing mathematics recalculation, and (4) comparing the selling price used in the determination of net realisable value to actual selling price subsequent to year end; and • Observed physical condition of inventories during stock take 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 2020 to be supportable by available evidence.

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 IFRSs 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 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.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with 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 Brian Ming Yan Choi.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2021

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2020** **RMB'000**	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**1,065,058**	1,038,588
Right-of-use assets	*6*	**1,065,979**	981,422
Investment properties	*7*	**115,200**	119,278
Land use rights	*8*	**166,377**	72,233
Intangible assets	*9*	**190,746**	193,261
Deferred income tax assets	*22*	**590,635**	431,715
Other assets	*13*	**138,518**	83
Investments accounted for using the equity method	*11*	**1,101,116**	1,056,866
Other receivables	*15*	**128,714**	114,712
Bank deposits with the maturity over one year	*16*	**254,966**	–
Total non-current assets		**4,817,309**	4,008,158
Current assets			
Inventories	*12*	**1,345,539**	1,407,257
Other assets – current portion	*13*	**518,902**	443,406
Trade receivables	*14*	**658,796**	686,606
Other receivables – current portion	*15*	**65,196**	39,476
Restricted bank deposits	*16*	**1,084**	1,126
Cash and cash equivalents	*16*	**7,187,039**	5,961,445
Total current assets		**9,776,556**	8,539,316
Total assets		**14,593,865**	12,547,474
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	*17*	**228,285**	214,300
Share premium	*17*	**4,037,767**	3,547,682
Shares held for Restricted Share Award Scheme	*17*	**(148,995)**	(276,664)
Other reserves	*18*	**874,574**	1,153,645
Retained earnings	*18*	**3,695,232**	2,482,676
		8,686,863	7,121,639
Non-controlling interests in equity		**2,554**	2,554
Total equity		**8,689,417**	7,124,193

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
License fees payable	*21*	**23,395**	24,581
Derivative financial instruments		**10,181**	25,806
Lease liabilities	*6*	**688,642**	557,451
Deferred income tax liabilities	*22*	**102,738**	45,002
Deferred income	*23*	**64,435**	53,821
Total non-current liabilities		**889,391**	706,661
Current liabilities			
Trade payables	*19*	**1,227,129**	1,348,206
Contract liabilities	*5*	**286,134**	293,926
Lease liabilities – current portion	*6*	**360,895**	336,870
Other payables and accruals	*20*	**2,500,991**	2,173,658
License fees payable – current portion	*21*	**39,494**	31,349
Current income tax liabilities		**591,860**	530,635
Derivative financial instruments – current portion		**8,554**	1,976
Total current liabilities		**5,015,057**	4,716,620
Total liabilities		**5,904,448**	5,423,281
Total equity and liabilities		**14,593,865**	12,547,474

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

The financial statements on pages 123 to 203 were approved by the Board of Directors on 18 March 2021 and were signed on its behalf.

Li Ning
Joint Chief Executive Officer & Chairman

Kosaka Takeshi
Joint Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2020 RMB'000**	2019 RMB'000
Revenue	5	**14,456,971**	13,869,630
Cost of sales	24	**(7,362,627)**	(7,064,168)
Gross profit		**7,094,344**	6,805,462
Distribution expenses	24	**(4,424,718)**	(4,445,070)
Administrative expenses	24	**(805,058)**	(968,264)
(Provision for)/reversal of expected credit loss allowance for financial assets – net		**(30,466)**	12,258
Other income and other gains – net	25	**361,867**	138,823
Operating profit		**2,195,969**	1,543,209
Finance income	27	**34,658**	28,873
Finance expenses	27	**(66,249)**	(59,005)
Finance expenses – net	27	**(31,591)**	(30,132)
Share of profit of investments accounted for using the equity method	11	**83,487**	343,469
Profit before income tax		**2,247,865**	1,856,546
Income tax expense	28	**(549,381)**	(357,403)
Profit for the year		**1,698,484**	1,499,143
Profit is attributable to:			
Equity holders of the Company		**1,698,484**	1,499,139
Non-controlling interests		**–**	4
		1,698,484	1,499,143
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	**69.21**	61.94
Diluted earnings per share	29	**67.62**	60.13

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2020 RMB'000**	2019 RMB'000
Profit for the year		**1,698,484**	1,499,143
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Currency translation differences	*18*	**(25,273)**	2,641
Total comprehensive income for the year		**1,673,211**	1,501,784
Attributable to:			
Equity holders of the Company		**1,673,211**	1,501,780
Non-controlling interests		**–**	4
Total comprehensive income for the year		**1,673,211**	1,501,784

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)*	Shares held for Restricted Share Award Scheme 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 2019	204,435	3,249,389	(168,809)	1,314,569	1,217,456	5,817,040	2,550	5,819,590
Total comprehensive income for the year	–	–	–	2,641	1,499,139	1,501,780	4	1,501,784
Transactions with owner:								
Net proceeds from share issuance pursuant to share option schemes *(Note 32)*	1,082	54,816	–	–	–	55,898	–	55,898
Value of services provided under share option schemes and Restricted Share Award Scheme *(Note 32)*	–	–	–	125,083	–	125,083	–	125,083
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium *(Note 32)*	–	3,299	–	(3,299)	–	–	–	–
Shares vested under Restricted Share Award Scheme *(Note 32)*	–	–	55,612	(55,612)	–	–	–	–
Shares purchased for Restricted Share Award Scheme *(Note 32)*	–	–	(163,467)	–	–	(163,467)	–	(163,467)
Appropriations to statutory reserves	–	–	–	19,224	(19,224)	–	–	–
Shares converted from convertible securities *(Note 17, 18)*	8,783	240,178	–	(248,961)	–	–	–	–
Dividends paid *(Note 30)*	–	–	–	–	(214,695)	(214,695)	–	(214,695)
As at 31 December 2019	214,300	3,547,682	(276,664)	1,153,645	2,482,676	7,121,639	2,554	7,124,193

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)*	Shares held for Restricted Share Award Scheme 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 2020	214,300	3,547,682	(276,664)	1,153,645	2,482,676	7,121,639	2,554	7,124,193
Total comprehensive income for the year	–	–	–	(25,273)	1,698,484	1,673,211	–	1,673,211
Transactions with owners:								
Net proceeds from share issuance pursuant to share option schemes *(Note 32)*	3,199	186,247	–	–	–	189,446	–	189,446
Value of services provided under share option schemes and Restricted Share Award Scheme *(Note 32)*	–	–	–	80,388	–	80,388	–	80,388
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium *(Note 32)*	–	8,909	–	(8,909)	–	–	–	–
Shares vested under Restricted Share Award Scheme *(Note 32)*	–	–	127,669	(127,669)	–	–	–	–
Appropriations to statutory reserves	–	–	–	108,107	(108,107)	–	–	–
Shares converted from convertible securities *(Note 17, 18)*	10,786	294,929	–	(305,715)	–	–	–	–
Dividends paid *(Note 30)*	–	–	–	–	(377,821)	(377,821)	–	(377,821)
As at 31 December 2020	228,285	4,037,767	(148,995)	874,574	3,695,232	8,686,863	2,554	8,689,417

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 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	3,352,676	3,646,974
Income tax paid		(589,340)	(143,505)
Net cash generated from operating activities		2,763,336	3,503,469
Cash flows from investing activities			
– payments for investments in joint ventures and an associate		(19,580)	(30,250)
– purchases of property, plant and equipment		(593,976)	(635,974)
– payment for investments		(138,518)	–
– purchases of intangible assets		(52,945)	(49,831)
– purchases of land use rights		(98,713)	–
– proceeds on disposal of property, plant and equipment	31	7,639	3,603
– purchases of wealth management products	3.3	(10,429,000)	(6,742,000)
– redemption of the principal amounts of wealth management products	3.3	10,429,000	6,742,000
– payments for bank deposits measured at fair value through other comprehensive income	3.3	(200,000)	–
– redemption of the principal amounts of bank deposits measured at fair value through other comprehensive income	3.3	200,000	–
– payments for bank deposits with the maturity over one year		(254,966)	–
– interest received from wealth management products	25	108,905	78,236
– interest received from bank deposits	27	33,750	24,655
– dividends from an associate		51,016	45,352
– loan repayments from a joint venture		–	6,719
– loans granted to a joint venture		(25,167)	–
– net cash used in other investing activities		(9,000)	(15,853)
Net cash used in investing activities		(991,555)	(573,343)
Cash flows from financing activities			
– proceeds from issuance of ordinary shares	17	189,446	55,898
– shares purchased for Restricted Share Award Scheme		–	(163,467)
– payment of lease liabilities		(325,116)	(326,360)
– dividends paid		(377,821)	(214,695)
Net cash used in financing activities		(513,491)	(648,624)
Net increase in cash and cash equivalents		1,258,290	2,281,502
Cash and cash equivalents at beginning of year		5,961,445	3,671,542
Exchange gains on cash and cash equivalents		(32,696)	8,401
Cash and cash equivalents at end of year		7,187,039	5,961,445

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 18 March 2021.

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

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

2.1 Basis of preparation

(a) *Compliance with IFRS and HKCO*

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) – measured at fair value.

(c) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 7, IFRS 9 and IAS 39	*Interest Rate Benchmark Reform*
Revised Conceptual Framework for Financial Reporting	

The Group also elected to adopt the following amendments early:

Amendment to IFRS 16	*COVID-19-Related Rent Concessions*

The amendments stated 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, except for the amendment to IFRS 16 on COVID-19-Related Rent Concessions as set out in Note 2.2 below.

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.1 Basis of preparation *(Continued)*

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published but are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

The Group has early adopted the amendment to IFRS 16 on COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications.

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all rent concessions that meet the above conditions in respect of lease arrangements for which lease liabilities are recognised. Rent concessions totalling RMB35,615,000 have been recognised in profit or loss as negative variable lease payments with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 January 2020.

2.3 Principles of consolidation and equity accounting

(a) 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 2.4).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Principles of consolidation and equity accounting *(Continued)*

(b) 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 (d) below), after initially being recognised at cost.

(c) 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 (d) below), after initially being recognised at cost in the consolidated balance sheet.

(d) 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 2.12.

(e) 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 owners 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 owners of the Group.

2.3 Principles of consolidation and equity accounting *(Continued)*

(e) Changes in ownership interests (Continued)

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 IFRSs.

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.

2.4 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.

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.4 Business combinations *(Continued)*

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.

2.5 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.

2.6 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 the management of the Company ("Management") that makes strategic decisions.

2.7 Foreign currency translation

(a) 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 the Group's presentation currency.

(b) 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 below.

(c) 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

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.7 Foreign currency translation *(Continued)*

(c) Group companies (Continued)

- 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.

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.

2.8 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
Buildings	30 years	5%	3.17%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset 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 2.12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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 2.12).

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 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Land use rights

Land use rights, which are accounted for in accordance with the accounting policies for right-of-use assets (Note 2.27), 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.

2.11 Intangible assets

(a) 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 net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. 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).

(b) 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.

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.

(c) 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.

(d) Trademarks, customer relationships and non-compete agreements

Separately acquired trademarks, customer relationships and non-compete agreements are 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.12 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.

2.13 Financial assets

(a) 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.

(b) 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.13 Financial assets *(Continued)*

(c) 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 revenue 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 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.13 Financial assets *(Continued)*

(d) 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.

2.14 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. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 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 applicable variable selling expenses.

2.16 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 is considered to be the same as their fair value.

Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 3.1(b).

2.17 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.

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES* (CONTINUED)

2.18 Share capital/Convertible securities

(a) 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 equity share capital (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.

(b) Convertible securities

Convertible securities with no contractual obligation to be settled in cash are classified as equity upon initial recognition.

2.19 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.

2.20 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 distribution costs 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.

2.21 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 or finance costs.

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.

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.22 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.

2.23 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income 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.

(a) 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 income. 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.

(b) 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. 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 amounts 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Employee benefits

The Group operates various post-employment schemes, including defined contribution pension plans and post-employment medical plans.

(a) 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.

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. These plans comprise share option schemes and share award schemes. 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) as well as any non-vesting conditions (for example, the requirement for employees to save). 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 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-marketing 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.

(c) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 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.

2.26 Revenue recognition

(a) Sale of goods – wholesale

For wholesale business, 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.

(b) Sale of goods – retail

For retail business, 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.

(c) Sale of goods – internet

Revenue from the sale of goods on the internet is recognised when the control of the products has transferred to the customer, which is the point of acceptance. Transactions are settled by credit or payment card or through on-line payment platforms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.26 Revenue recognition *(Continued)*

(d) Sale of goods – refunds

Customers have a right to return products within certain days, the Group is obliged to refund the purchases price. Therefore, 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.

(e) Sale of goods – customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire at the end of the next year after the initial sale.

A contract liability is recognised until the points are redeemed or expire.

2.27 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 payment 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Leases *(Continued)*

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.

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.

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.

The Group has adopted the amendment to IFRS 16 on COVID-19-Related Rent Concessions in preparing the consolidated financial statements for the current reporting period, further details are provided in Note 2.2.

2.28 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.

2.29 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.

2.30 Interest income

Interest income from financial assets at FVPL is included in other income and other gains, see Note 25 below.

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, bank deposits and financial assets at FVOCI), 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).

2.31 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners 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.

(b) 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.

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 Hong Kong dollars (HK$), United States dollars (US$), EURO (EUR) or 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 2020 and 2019.

As at 31 December 2020, 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 2020				
	RMB	HK$	US$	EUR	GBP
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank deposits	**434,032**	**49,776**	**74,498**	**2,647**	**–**
Trade and other receivables	**–**	**–**	**3,084**	**1,324**	**1,470**
Trade and other payables	**–**	**(7,925)**	**(17,891)**	**–**	**–**
License fees payables	**–**	**–**	**(2,479)**	**–**	**–**

	31 December 2019			
	RMB	HK$	US$	EUR
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank deposits	81,098	9,004	298,391	702
Trade and other receivables	–	–	19,861	3,381
Trade and other payables	(924)	(2,534)	(49,168)	–
License fees payables	–	–	(6,485)	–

For the year ended 31 December 2020, if RMB had weakened/strengthened by 5% (2019: 5%) with all other variables held constant, post-tax profit would have been RMB22,559,000 (2019: RMB14,682,000) higher/lower.

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risks (Continued)

(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 as the Group has no material assets/liabilities bearing significant interest. The Group currently does not hedge its exposure to interest rate risk.

(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 considered to be low. For wholesale customers, 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 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.

The table below shows the balances with the three major banks as at the end of the reporting period.

	2020 **RMB'000**	2019 RMB'000
Banks*		
Bank A	**2,758,779**	3,032,369
Bank B	**564,753**	700,246
Bank C	**207,901**	755,224
	3,531,433	4,487,839

* All of these banks are prominent nationwide bank in the PRC (including the Hong Kong Special Administrative Region), or branch of international commercial bank in the PRC (including the Hong Kong Special Administrative Region) with sound credit ratings.

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(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 are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

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 2020 and 31 December 2019 was determined as follows for trade receivables:

31 December 2020	**0 – 90 days RMB'000**	**91 – 365 days RMB'000**	**Over 365 days RMB'000**	**Total RMB'000**
Lifetime expected credit loss rate	**7%**	**58%**	**100%**	
Gross carrying amount	**674,858**	**73,114**	**191,261**	**939,233**
Loss allowance	**(46,508)**	**(42,668)**	**(191,261)**	**(280,437)**

31 December 2019	0 – 90 days RMB'000	91 – 365 days RMB'000	Over 365 days RMB'000	Total RMB'000
Lifetime expected credit loss rate	5%	48%	100%	
Gross carrying amount	682,429	78,853	183,517	944,799
Loss allowance	(36,845)	(37,831)	(183,517)	(258,193)

Other receivables

Other receivables at amortised cost mainly include rental deposits, staff advances and other payments for employees and loans to a joint venture. 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.

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iii) Net impairment losses on financial assets

	2020 RMB'000	2019 RMB'000
Provision for/(reversal of) expected credit loss allowance for trade receivables	**31,856**	(17,529)
(Reversal of)/provision for expected credit loss allowance for other receivables	**(1,390)**	5,271
Provision for/(reversal of) expected credit loss allowance for financial assets	**30,466**	(12,258)

(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 and Company'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 2020				
License fees payable	**39,779**	**5,000**	**27,000**	**–**
Trade payables	**1,227,129**	**–**	**–**	**–**
Other payables	**1,334,808**	**–**	**–**	**–**
Lease liabilities	**411,074**	**287,285**	**363,706**	**120,214**
	3,012,790	**292,285**	**390,706**	**120,214**
As at 31 December 2019				
License fees payable	31,634	5,000	22,000	10,000
Trade payables	1,348,206	–	–	–
Other payables	1,174,707	–	–	–
Lease liabilities	379,270	304,699	276,223	19,534
	2,933,817	309,699	298,223	29,534

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 2020 and 2019, 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 liabilities measured and recognised at fair value for the year ended 31 December 2020 and 2019 on a recurring basis:

At 31 December 2020	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities				
Derivative financial instruments	**–**	**–**	**18,735**	**18,735**

At 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Derivative financial instruments	–	–	27,782	27,782

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.3 Fair value estimation *(Continued)*

(a) Fair value hierarchy (Continued)

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.

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 unlisted equity securities.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value is determined using the binomial model;
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis and price of recent investment method.

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.3 Fair value estimation *(Continued)*

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2020:

	Wealth management products RMB'000	Bank deposits measured at FVOCI RMB'000	Derivative financial instruments RMB'000	Total RMB'000
As at 1 January 2019	**–**	**–**	(14,274)	(14,274)
Additions	6,742,000	–	–	6,742,000
Settlements/transfer	(6,820,236)	–	–	(6,820,236)
Changes in fair value	78,236	–	(13,508)	64,728
As at 31 December 2019	**–**	**–**	(27,782)	(27,782)
Additions	10,429,000	200,000	–	10,629,000
Settlements/transfer	(10,537,905)	(201,700)	7,801	(10,731,804)
Changes in fair value	108,905	1,700	1,246	111,851
As at 31 December 2020	**–**	**–**	(18,735)	(18,735)
Changes in unrealised gains or losses for the period included in the consolidated income statement for assets held at the end of the reporting period				
2020	–	–	1,246	1,246
2019	–	–	(13,508)	(13,508)

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

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

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

For the derivative financial instruments, the fair value was determined by an independent qualified valuer engaged by the Group using the binomial model which involve certain key assumptions that are unobservable and are within level 3 of the fair value hierarchy, including volatility rate (46.75%), risk-free rate (0.09%) and dividend yield (0.00%). Based on the Management's assessment, a reasonable change in the above key assumptions will not have any material impact on the fair value of the derivative financial instruments as at 31 December 2020.

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 of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management reassesses the estimations at each end of the reporting period.

(c) Estimated impairment of goodwill, intangible assets and property, plant and equipment

The Group tests whether goodwill, intangible assets and property, plant and equipment have suffered any impairment, in accordance with the accounting policy stated in Note 2.11 and Note 2.12 respectively. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions (See Note 9). If future events do not correspond to such assumptions, the value in use amount will need to be revised, and this may have an impact on the Group's results of operation or balance sheet.

(d) 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 period and undistributed profits to the extent they are expected to be distributed in future.

5. SEGMENT INFORMATION AND REVENUE

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

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

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue in the following major product lines and geographical regions:

	2020 RMB'000	2019 RMB'000
Footwear	6,338,157	6,085,402
Apparel	7,365,173	7,109,763
Equipment and accessories	753,641	674,465
Total	**14,456,971**	13,869,630

Geographical information of revenue

	2020 RMB'000	2019 RMB'000
The PRC (including the Hong Kong Special Administrative Region and the Macau Special Administrative Region)	14,237,428	13,600,230
Other regions	219,543	269,400
Total	**14,456,971**	13,869,630

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

The Group has a large number of customers. For the year ended 31 December 2020 and 2019, 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

	2020 RMB'000	2019 RMB'000
Contract liabilities – advances from customers	256,119	263,030
Contract liabilities – customer loyalty programme	30,015	30,896
Total	**286,134**	293,926

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.

Revenue recognised in relation to contract liabilities

All of the Group's contract liabilities were recognised as revenue within 12 months upon recognition of the respective contract liabilities.

6 (A) PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Mould	Machinery	Office equipment and motor vehicles	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019							
Cost	527,176	944,102	256,388	110,440	192,295	128	2,030,529
Accumulated depreciation	(181,443)	(594,769)	(207,053)	(70,939)	(146,240)	–	(1,200,444)
Net book amount	345,733	349,333	49,335	39,501	46,055	128	830,085
Year ended 31 December 2019							
Opening net book amount	345,733	349,333	49,335	39,501	46,055	128	830,085
Additions	–	556,725	49,290	15,427	23,396	14,145	658,983
Transfers	–	6,628	–	7,331	48	(14,007)	–
Disposals	(267)	(26,369)	(10)	(1,315)	(2,638)	–	(30,599)
Depreciation charge	(18,601)	(336,639)	(38,774)	(11,122)	(14,745)	–	(419,881)
Closing net book amount	326,865	549,678	59,841	49,822	52,116	266	1,038,588
As at 31 December 2019							
Cost	524,505	1,361,062	305,573	125,659	195,987	266	2,513,052
Accumulated depreciation	(197,640)	(811,384)	(245,732)	(75,837)	(143,871)	–	(1,474,464)
Net book amount	326,865	549,678	59,841	49,822	52,116	266	1,038,588
Year ended 31 December 2020							
Opening net book amount	**326,865**	**549,678**	**59,841**	**49,822**	**52,116**	**266**	**1,038,588**
Additions	**–**	**474,338**	**56,203**	**5,802**	**13,054**	**43,178**	**592,575**
Transfers	**–**	**–**	**–**	**266**	**–**	**(266)**	
Disposals	**–**	**(25,586)**	**(4,183)**	**(686)**	**(1,748)**	**–**	**(32,203)**
Depreciation charge	**(15,229)**	**(433,034)**	**(58,136)**	**(11,509)**	**(15,994)**	**–**	**(533,902)**
Closing net book amount	**311,636**	**565,396**	**53,725**	**43,695**	**47,428**	**43,178**	**1,065,058**
As at 31 December 2020							
Cost	**524,505**	**1,492,131**	**294,800**	**128,753**	**189,452**	**43,178**	**2,672,819**
Accumulated depreciation	**(212,869)**	**(926,735)**	**(241,075)**	**(85,058)**	**(142,024)**	**–**	**(1,607,761)**
Net book amount	**311,636**	**565,396**	**53,725**	**43,695**	**47,428**	**43,178**	**1,065,058**

Depreciation expenses of RMB72,318,000 (2019: RMB52,169,000) has been charged to cost of sales, RMB453,042,000 (2019: RMB356,778,000) to distribution expenses and RMB8,542,000 (2019: RMB10,934,000) to administrative expenses.

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:

	2020 RMB'000	2019 RMB'000
Right-of-use assets		
Properties	**1,065,979**	981,422

	2020 RMB'000	2019 RMB'000
Lease liabilities		
Current	**360,895**	336,870
Non-current	**688,642**	557,451
	1,049,537	894,321

Additions to the right-of-use assets during the 2020 financial year were RMB600,246,000 (2019: RMB653,696,000).

(ii) Amounts recognised in the consolidated income statement

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

	Note	2020 RMB'000	2019 RMB'000
Depreciation on right-of-use assets	24	**432,717**	360,424
Amortisation of discount – lease liabilities (included in finance expenses)	27	**53,972**	45,400
Expense relating to short-term leases (included in distribution expenses and administrative expenses)	24	**157,668**	243,053
Expense relating to variable lease payments not included in lease liabilities (included in distribution expenses)	24	**324,709**	385,072

The total cash outflow for leases in 2020 was RMB908,529,000 (2019: RMB931,910,000).

(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.

7. INVESTMENT PROPERTIES

	Buildings RMB'000
As at 1 January 2019	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 December 2019	
Opening net book amount	–
Additions	119,278
Closing net book amount	119,278
As at 31 December 2019	
Cost	119,278
Accumulated depreciation	–
Net book amount	119,278
Year ended 31 December 2020	
Opening net book amount	**119,278**
Depreciation charge	**(4,078)**
Closing net book amount	**115,200**
As at 31 December 2020	
Cost	**119,278**
Accumulated depreciation	**(4,078)**
Net book amount	**115,200**

During the year ended 31 December 2020, there was no transfer between investment properties and property, plant and equipment.

7. *INVESTMENT PROPERTIES (CONTINUED)*

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, at RMB115,200,000. 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.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

At 31 December 2020	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Recurring fair value measurement for				
Investment properties	–	–	**115,200**	**115,200**

At 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement for				
Investment properties	–	–	119,278	119,278

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 the investment properties are measured initially at cost less accumulated depreciation and provision for any impairment in value, there is no movement of fair value measurements categorised within Level 3 of the fair value hierarchy.

As at 31 December 2020, the fair value of investment properties is estimated using a direct comparison approach. Under the direct comparison approach, fair value is estimated by using the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the investment properties, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the unit market price. The fair value measurement is based on the above property's highest and best use, which does not differ from the actual use.

The key input is the unit market price. A significant increase/decrease in the market price will result in a significant increase/decrease in the fair value of the investment properties.

8. *LAND USE RIGHTS*

	RMB'000
As at 1 January 2019	
Cost	95,558
Accumulated amortisation	(21,466)
Net book amount	74,092
Year ended 31 December 2019	
Opening net book amount	74,092
Amortisation charge	(1,859)
Closing net book amount	72,233
As at 31 December 2019	
Cost	95,558
Accumulated amortisation	(23,325)
Net book amount	72,233
Year ended 31 December 2020	
Opening net book amount	**72,233**
Additions	**98,713**
Amortisation charge	**(4,569)**
Closing net book amount	**166,377**
As at 31 December 2020	
Cost	**194,271**
Accumulated amortisation	**(27,894)**
Net book amount	**166,377**

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 RMB4,569,000 (2019: RMB1,859,000) 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 2019						
Cost	139,474	25,682	244,456	339,657	61,279	810,548
Accumulated amortisation and impairment	–	(14,610)	(194,955)	(307,139)	(59,923)	(576,627)
Net book amount	139,474	11,072	49,501	32,518	1,356	233,921
Year ended 31 December 2019						
Opening net book amount	139,474	11,072	49,501	32,518	1,356	233,921
Additions	–	1,354	33,189	–	–	34,543
Impairment charge	(36,394)	–	–	–	–	(36,394)
Amortisation charge	–	(1,408)	(21,416)	(14,627)	(1,356)	(38,807)
Disposal	–	–	(2)	–	–	(2)
Closing net book amount	103,080	11,018	61,272	17,891	–	193,261
As at 31 December 2019						
Cost	139,474	27,036	277,644	339,657	61,279	845,090
Accumulated amortisation and impairment	(36,394)	(16,018)	(216,372)	(321,766)	(61,279)	(651,829)
Net book amount	103,080	11,018	61,272	17,891	–	193,261
Year ended 31 December 2020						
Opening net book amount	**103,080**	**11,018**	**61,272**	**17,891**	**–**	**193,261**
Additions	**–**	**823**	**25,454**	**24,000**	**–**	**50,277**
Impairment charge	**–**	**–**	**–**	**(14,910)**	**–**	**(14,910)**
Amortisation charge	**–**	**(1,427)**	**(21,141)**	**(14,982)**	**–**	**(37,550)**
Disposal	**–**	**–**	**(332)**	**–**	**–**	**(332)**
Closing net book amount	**103,080**	**10,414**	**65,253**	**11,999**	**–**	**190,746**
As at 31 December 2020						
Cost	**139,474**	**27,859**	**302,766**	**363,657**	**61,279**	**895,035**
Accumulated amortisation and impairment	**(36,394)**	**(17,445)**	**(237,513)**	**(351,658)**	**(61,279)**	**(704,289)**
Net book amount	**103,080**	**10,414**	**65,253**	**11,999**	**–**	**190,746**

Amortisation of RMB14,982,000 (2019: RMB14,627,000) has been charged to distribution expenses and RMB22,568,000 (2019: RMB24,180,000) to administrative expenses.

9. *INTANGIBLE ASSETS (CONTINUED)*

Impairment tests for goodwill

As at 31 December 2020, the carrying value of goodwill amounted to RMB103,080,000, including goodwill of RMB72,387,000 arising from the acquisition of the Kason brand in 2009 and goodwill of RMB30,693,000 arising from the acquisition of the business of certain distributors of the Li Ning brand in 2014.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Impairment review on goodwill of the Group has been conducted by Management as at 31 December 2020 according to IAS 36 "Impairment of assets". For the purpose of impairment testing, the recoverable amounts for the CGUs have been determined based on values-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Management. The weighted average revenue growth rate used beyond the fifth year for certain CGUs of the Li Ning brand and the CGUs in relation to the Kason brand are 3% and 0% per annum respectively. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGUs operate. The pre-tax discount rates used for certain CGUs of the Li Ning brand range from 12.3% to 12.6% and the pre-tax discount rate used for the CGUs in relation to the Kason brand is 18.0%, which reflect specific risks relating to the respective CGUs.

As to the goodwill allocated to certain CGUs of the Li Ning Brand and the CGUs in relation to the Kason brand, Management's assessment of the values-in-use of exceeds their respective carrying values as at 31 December 2020, therefore no impairment provision was recorded by Management.

10. SUBSIDIARIES

The following is a list of the Group's subsidiaries as at 31 December 2020:

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	Principal activities
Directly held:				
RealSports Pte Ltd.	The British Virgin Islands, 8 October 2002 Limited liability company	US$1,000	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%	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%	Provision of administrative services
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%	Sale of sports goods
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%	Provision of information technology service
上海少昊體育用品有限公司 (Shanghai Shao Hao Sports Goods Co., Ltd.)	The PRC, 18 December 2001 Limited liability company	RMB3,000,000	100%	Product design, research and development
上海悅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%	Sale of sports goods
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%	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%	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%	Research and development

10. SUBSIDIARIES *(CONTINUED)*

The following is a list of the Group's subsidiaries as at 31 December 2020 (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	Principal activities
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%	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%	Sale of sports goods
李寧(北京)體育用品商業有限公司 (Li Ning (Beijing) Sports Goods Commercial Co., Ltd.)	The PRC, 19 December 2007 Limited liability company	HK$10,000,000	100%	Sale of sports goods
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%	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%	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%	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%	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%	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%	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%	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%	Sale of sports goods

10. SUBSIDIARIES *(CONTINUED)*

The following is a list of the Group's subsidiaries as at 31 December 2020 (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	Principal activities
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%	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%	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%	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%	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%	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%	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%	Sale of sports goods
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%	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%	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%	Sale of sports goods
厦門悅奧商貿有限公司 (Xiamen Yue Ao Trading Co., Ltd.)	The PRC, 26 October 2009 Limited liability company	RMB1,000,000	100%	Sale of sports goods

10. SUBSIDIARIES *(CONTINUED)*

The following is a list of the Group's subsidiaries as at 31 December 2020 (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	Principal activities
大連悦奥体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%	Sale of sports goods
杭州悦奥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%	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%	Sale of sports goods
李寧體育(天津)有限公司 (Lining Sports (Tianjin) Co., Ltd.)	The PRC, 19 January 2009 Limited liability company	RMB330,000,000	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%	Sale of sports goods
樂途體育用品有限公司 (Lotto Sports Goods Co., Ltd.)	The PRC, 19 January 2009 Limited liability company	RMB400,000,000	100%	Manufacture and 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%	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%	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%	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%	Manufacture and 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	95%	Manufacture and sale of sports goods

10. SUBSIDIARIES (CONTINUED)

The following is a list of the Group's subsidiaries as at 31 December 2020 (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	Principal activities
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%	Sale of sports goods
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%	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%	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%	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%	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%	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%	Sale of sports goods
李寧體育科技(深圳)有限公司 (LI NING Sports Technolocy (Shenzhen) Co., Ltd.)	The PRC, 27 September 2019 Limited liability company	RMB20,000,000	100%	Research and development
李寧體育(廣西)有限公司 (LI NING Sports (Guangxi) Co., Ltd.)	The PRC, 28 October 2019 Limited liability company	USD$36,000,000	100%	Sale of sports goods

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	2020 RMB'000	2019 RMB'000
Associates	965,295	939,697
Joint ventures	135,821	117,169
As at 31 December	1,101,116	1,056,866

The profit recognised in the consolidated income statement are as follows:

	2020 RMB'000	2019 RMB'000
Associates	73,085	324,893
Joint ventures	10,402	18,576
For the year ended 31 December	83,487	343,469

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Investment in associates

The following is a list of the associates as at 31 December 2020:

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	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%	Manufacture and sale of sports goods	Equity
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%	Manufacture and sale of sports goods	Equity
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%	Sale of sports goods	Equity
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%	Sale of sports goods	Equity
北京悦網金服信息科技有限公司 (Beijing Yue Wang Jin Fu Information Technology Co., Ltd.) ("Yue Wang Jin Fu")	The PRC, 16 November 2015 Limited liability company	RMB5,000,000	40%	Investment	Equity
Danskin China, Ltd. ("Danskin")	Hong Kong, 28 June 2016 Limited liability company	HK$1,000	10%	Sale of sports goods	Equity

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 Yue Wang Jin Fu, Tianjin Kuan Mao Mi and Tianjin Yue Hao Tuo have been reduced to nil since 31 December 2016, 2012 and 2012, respectively. There was no additional obligation to share the loss of Yue Wang Jin Fu, Tianjin Kuan Mao Mi and Tianjin Yue Hao Tuo for the years ended 31 December 2020 and 2019.

The Group received RMB51,016,000 dividend from Double Happiness for the year ended 31 December 2020 (2019: RMB45,352,000).

11. *INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)*

Summarised financial information for associates

Set out below are the summarised financial information for Double Happiness which is individually material to the Group.

Summarised balance sheet

	2020 **RMB'000**	2019 RMB'000
Current		
Assets	**1,225,315**	1,161,444
Liabilities	**513,143**	493,218
Non-current		
Assets	**906,169**	915,040
Liabilities	**126,396**	128,942

Summarised statement of comprehensive income

	2020 **RMB'000**	2019 RMB'000
Revenue	**705,288**	664,360
Profit before income tax	**190,035**	909,437
Income tax expense	**(45,210)**	(226,226)
Profit for the year	**144,825**	683,211
Other comprehensive income	**–**	–
Total comprehensive income	**144,825**	683,211

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Reconciliation of summarised financial information

On 31 December 2016, the Group completed the disposal of 10% equity interest in Double Happiness, which is accounted for as an associate of the Group since then. The cost of the Group's investment in Double Happiness is RMB587,335,000, which represents the fair value of the remaining 47.5% equity interest held by the Group on 31 December 2016 (the date of disposal).

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates.

Summarised financial information

	2020 **RMB'000**	2019 RMB'000
Opening net assets as at 1 January	**1,473,847**	888,520
Profit for the year	**144,825**	683,211
Non-controlling interests	**(2,647)**	(2,406)
Dividends paid	**(107,402)**	(95,478)
Net assets of Double Happiness as at 31 December	**1,508,623**	1,473,847
Interest in an associate (47.5%)	**716,596**	700,077
Goodwill	**216,882**	216,882
Carrying value	**933,478**	916,959

Individually immaterial associates

In addition to the interests in Double Happiness disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2020 **RMB'000**	2019 RMB'000
As at 1 January	**22,738**	21,228
Addition	**11,330**	–
Share of profit	**5,550**	1,510
Impairment	**(7,801)**	–
As at 31 December	**31,817**	22,738

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Investment in joint ventures

	2020 RMB'000	2019 RMB'000
As at 1 January	**117,169**	68,343
Addition	**8,250**	30,250
Share of profit	**10,402**	18,576
As at 31 December	**135,821**	117,169

Management is of the view that none of the Group's joint ventures is individually material to the Group as at 31 December 2020 and 2019.

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	Principal activities
Li-Ning Aigle Ventures Company Limited ("Li-Ning Aigle Ventures") (a)	Hong Kong, 3 July 2005 Limited liability company	HK$48,600,000	50%	Investment holding
Li-Ning (Beijing) Sports Culture Co. Ltd ("Li-Ning Sports Culture") (b)	The PRC, 8 August 2018 Limited liability company	RMB1,000,000	50%	Organise cultural and art exchange event
Laibin Cheng Xin Materials Co. Ltd ("Laibin Cheng Xin") (c)	The PRC, 12 April 2019 Limited liability company	RMB40,000,000	55%	Manufacture and sale of sports goods
Guangxi Ning Tai Garment Co. Ltd ("Guangxi Ning Tai") (c)	The PRC, 8 November 2019 Limited liability company	RMB30,000,000	55%	Manufacture and sale of sports goods

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 subsidiary are principally engaged in the manufacture, marketing and distribution of AIGLE brand apparel and footwear products in the PRC.

(b) The Group has a 50% equity interest in Li-Ning Sports Culture which is a company jointly controlled by the Group and Viva Lingyue Sports Development (Beijing) Ltd., a subsidiary of Viva China Holdings Limited ("Viva China", a substantial shareholder of the Company). Li-Ning Sports Culture is principally engaged in organising cultural and art exchange events in PRC.

(c) 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.

12. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	8,078	7,087
Work in progress	9,345	5,930
Finished goods	1,441,249	1,526,927
	1,458,672	1,539,944
Less: provision for write-down of inventories to net realisable value	(113,133)	(132,687)
	1,345,539	1,407,257

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB7,131,928,000 for the year ended 31 December 2020 (2019: RMB6,842,827,000). Inventory provision and the amount of reversal have been included in cost of sales in the consolidated income statement for the years ended 31 December 2020 and 2019.

13. OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Other assets in relation to refunds (Note 20)	354,633	299,083
Payment for investments	138,518	-
Prepayment for advertising expenses	62,250	24,429
Prepaid rentals and other deposits	36,441	37,516
Advances to suppliers	20,694	17,011
Others	44,884	65,450
	657,420	443,489
Less: non-current portion	(138,518)	(83)
Current portion	518,902	443,406

14. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Accounts receivable	939,233	944,799
Less: expected credit loss allowance for trade receivables	(280,437)	(258,193)
	658,796	686,606

Customers are normally granted credit terms within 90 days. Ageing analysis of trade receivables based on invoice date are as follows:

	2020 RMB'000	2019 RMB'000
0 - 30 days	437,604	431,286
31 - 60 days	193,041	211,047
61 - 90 days	44,213	40,096
91 - 180 days	35,026	41,497
Over 180 days	229,349	220,873
	939,233	944,799

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

	2020 RMB'000	2019 RMB'000
As at 1 January	258,193	284,393
Provision for /(reversal of) expected credit loss allowance for trade receivables	31,856	(17,529)
Trade receivables written off during the year as uncollectible and exchange rate impact	(9,612)	(8,671)
As at 31 December	280,437	258,193

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 is considered to be the same as 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 increased by RMB22,244,000 to RMB280,437,000 for trade receivables during the current reporting period (2019: decreased by RMB26,200,000 to RMB258,193,000). 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

	2020 RMB'000	2019 RMB'000
Rental deposits	**152,180**	138,290
Staff advances and other payments for employees	**612**	566
Loans to a joint venture (a)	**25,167**	–
Others	**22,858**	24,454
Less: expected credit loss allowance for other receivables	**(6,907)**	(9,122)
	193,910	154,188
Less: non-current portion	**(128,714)**	(114,712)
Current portion	**65,196**	39,476

The movement in the loss allowance for other receivables during the year is as follows:

	2020 RMB'000	2019 RMB'000
As at 1 January	**9,122**	4,051
(Reversal of)/provision for expected credit loss allowance for other receivables	**(1,390)**	5,271
Other receivables written off during the year as uncollectible and exchange rate impact	**(825)**	(200)
As at 31 December	**6,907**	9,122

Other receivables are measured at armortised 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.

(a) As at 31 December 2020, the loans of RMB25,000,000 to Laibin Cheng Xin were unsecured, bear 8% interest rate per annum, and have the maturity date within one year.

16. CASH AND BANK BALANCES

As at 31 December 2020, the Group had the following cash and bank balances mainly held at banks in the PRC (including the Hong Kong Special Administrative Region):

(a) Cash and cash equivalents

	2020 RMB'000	2019 RMB'000
Cash at banks and on hand	**7,187,039**	5,961,445

(b) Restricted bank deposits

	2020 RMB'000	2019 RMB'000
Restricted bank deposits	**1,084**	1,126

(c) Bank deposits with the maturity over one year

	2020 RMB'000	2019 RMB'000
Bank deposits with the maturity over one year	**254,966**	–

(d) Currency denomination

An analysis of cash, cash equivalents and restricted bank deposits by denomination currency is as follows:

	2020 RMB'000	2019 RMB'000
Denominated in RMB	**7,307,321**	5,645,196
Denominated in HK$	**56,665**	20,568
Denominated in US$	**74,498**	290,789
Denominated in EUR	**2,647**	3,085
Denominated in KRW	**1,958**	2,933
	7,443,089	5,962,571

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 at banks, restricted 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 and Hong Kong.

Restricted bank deposits are restricted for certain banking facilities. 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 and long-term bank deposits mentioned above.

17. ORDINARY SHARES AND SHARES HELD FOR RESTRICTED SHARE AWARD SCHEME

Issued and fully paid

	Number of share of HK$0.10 each (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Subtotal RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
As at 1 January 2019	2,162,481	204,435	3,249,389	3,453,824	(168,809)	3,285,015
Net proceeds from share issuance pursuant to share option schemes (Note (a))	12,124	1,082	54,816	55,898	–	55,898
Shares converted from convertible securities (Note 18(d))	112,224	8,783	240,178	248,961	–	248,961
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	3,299	3,299	–	3,299
Shares vested under Restricted Share Award Scheme	9,951	–	–	–	55,612	55,612
Shares purchased under Restricted Share Award Scheme	(7,500)	–	–	–	(163,467)	(163,467)
As at 31 December 2019	2,289,280	214,300	3,547,682	3,761,982	(276,664)	3,485,318
As at 1 January 2020	**2,289,280**	**214,300**	**3,547,682**	**3,761,982**	**(276,664)**	**3,485,318**
Net proceeds from share issuance pursuant to share option schemes (Note (a))	**35,577**	**3,199**	**186,247**	**189,446**	**–**	**189,446**
Shares converted from convertible securities (Note 18(d))	**137,807**	**10,786**	**294,929**	**305,715**	**–**	**305,715**
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	**–**	**–**	**8,909**	**8,909**	**–**	**8,909**
Shares vested under Restricted Share Award Scheme	**11,295**	**–**	**–**	**–**	**127,669**	**127,669**
As at 31 December 2020	**2,473,959**	**228,285**	**4,037,767**	**4,266,052**	**(148,995)**	**4,117,057**

(a) During the year ended 31 December 2020, the Company issued 35,577,000 shares (2019: 12,124,000 shares) to certain directors and employees of the Group at weighted average issue price of HK$5.93 (2019: HK$5.16) per share pursuant to the Company's 2004 and 2014 Share Option Scheme (see Note 32).

18. RESERVES

	Capital reserves RMB'000	Statutory reserve funds RMB'000	Share-based compensation reserves RMB'000	Convertible securities (Note) RMB'000	Currency translation difference RMB'000	Subtotal RMB'000	Retained Earnings RMB'000	Total RMB'000
As at 1 January 2019	141,470	466,264	147,303	557,426	2,106	1,314,569	1,217,456	2,532,025
Profit for the year	–	–	–	–	–	–	1,499,139	1,499,139
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	125,083	–	–	125,083	–	125,083
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	(3,299)	–	–	(3,299)	–	(3,299)
Appropriations to statutory reserves	–	19,224	–	–	–	19,224	(19,224)	–
Shares vested under Restricted Share Award Scheme	–	–	(55,612)	–	–	(55,612)	–	(55,612)
Share options lapsed	1,485	–	(1,485)	–	–	–	–	–
Shares converted from convertible securities *(Note)*	–	–	–	(248,961)	–	(248,961)	–	(248,961)
Translation difference of foreign currency financial statements	–	–	–	–	2,641	2,641	–	2,641
Dividends paid	–	–	–	–	–	–	(214,695)	(214,695)
As at 31 December 2019	142,955	485,488	211,990	308,465	4,747	1,153,645	2,482,676	3,636,321
As at 1 January 2020	**142,955**	**485,488**	**211,990**	**308,465**	**4,747**	**1,153,645**	**2,482,676**	**3,636,321**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,698,484**	**1,698,484**
Value of services provided under share option schemes and Restricted Share Award Scheme	**–**	**–**	**80,388**	**–**	**–**	**80,388**	**–**	**80,388**
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	**–**	**–**	**(8,909)**	**–**	**–**	**(8,909)**	**–**	**(8,909)**
Appropriations to statutory reserves	**–**	**108,107**	**–**	**–**	**–**	**108,107**	**(108,107)**	**–**
Shares vested under Restricted Share Award Scheme	**–**	**–**	**(127,669)**	**–**	**–**	**(127,669)**	**–**	**(127,669)**
Share options lapsed	**1,562**	**–**	**(1,562)**	**–**	**–**	**–**	**–**	**–**
Shares converted from convertible securities *(Note)*	**–**	**–**	**–**	**(305,715)**	**–**	**(305,715)**	**–**	**(305,715)**
Translation difference of foreign currency financial statements	**–**	**–**	**–**	**–**	**(25,273)**	**(25,273)**	**–**	**(25,273)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(377,821)**	**(377,821)**
As at 31 December 2020	**144,517**	**593,595**	**154,238**	**2,750**	**(20,526)**	**874,574**	**3,695,232**	**4,569,806**

18. RESERVES (CONTINUED)

Note:

The amounts represent the effects of convertible securities issued by the Company, which include:

(a) In April 2013, the Company issued convertible securities (the "2013 CS") in the aggregate principal amount of approximately HK$1,847,838,000 (equivalent to approximately RMB1,480,488,000). The 2013 CS are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK$3.5 per ordinary share of the Company (subject to standard anti-dilution adjustments). Upon issuance, the 2013 CS can be converted into 527,953,814 ordinary shares of the Company.

(b) In January 2015, the Company issued offer securities (qualifying shareholders can select either of subscribing ordinary shares or convertible securities collectively; referred to as "Offer Securities") in the aggregate principal amount of approximately HK$1,553,530,000 (equivalent to approximately RMB1,229,930,000), under which 450,630,034 ordinary shares and 146,881,496 convertible securities (the "2015 CS") were issued. The 2015 CS are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK$2.6 per ordinary share of the Company (subject to standard anti-dilution adjustments). Upon issuance, the 2015 CS can be converted into 146,881,496 ordinary shares of the Company.

(c) The 2013 CS and 2015 CS (collectively referred to as "CS") cannot be redeemed unless the Company exercises the pre-emption right (but shall not be obliged) to redeem (or procure the purchase of) all or part of the principal amount of the CS.

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

(d) During the year ended 31 December 2020, CS with carrying value of HK$390,615,000 (equivalent to approximately RMB305,715,000) were converted into 137,807,000 ordinary shares of the Company (Note 17).

(e) Up to 31 December 2020, CS with an aggregate carrying value of HK$2,167,753,000 (equivalent to approximately RMB1,732,170,000) had been converted into ordinary shares of the Company. As at 31 December 2020, CS with carrying value of HK$3,513,000 (equivalent to approximately RMB2,750,000) were outstanding (Note 17), which could be converted into 1,239,000 ordinary shares of the Company upon conversion.

19. TRADE PAYABLES

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:

	2020 **RMB'000**	2019 RMB'000
0 – 30 days	**967,798**	1,125,045
31 – 60 days	**241,063**	191,812
61 – 90 days	**9,253**	23,777
91 – 180 days	**3,048**	1,717
181 – 365 days	**1,374**	1,725
Over 365 days	**4,593**	4,130
	1,227,129	1,348,206

20. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Refunds liabilities (a)	**719,543**	593,284
Accrued sales and marketing expenses	**542,839**	379,253
Sales rebates	**356,043**	355,042
Wages and welfare payables	**305,350**	326,022
Payable for property, plant and equipment	**252,234**	190,204
Other tax payables	**141,290**	79,645
Others	**183,692**	250,208
	2,500,991	2,173,658

(a) When a customer has a right to return product within a given period, the Group recognises a refund liability for the amount of consideration received for which it does not expect to be entitled (31 December 2020: RMB719,543,000; 31 December 2019: RMB593,284,000). 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 2020: RMB354,633,000; 31 December 2019: RMB299,083,000; see Note 13). The costs to recover the products are not material because the customers usually return the product in a saleable condition.

21. LICENSE FEES PAYABLE

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

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

	RMB'000
As at 1 January 2019	56,284
Additions	70,973
Payment of license fees	(74,764)
Amortisation of discount *(Note 27)*	3,197
Adjustment for exchange difference	240
As at 31 December 2019	55,930
As at 1 January 2020	**55,930**
Additions	**63,169**
Payment of license fees	**(58,721)**
Amortisation of discount *(Note 27)*	**2,817**
Adjustment for exchange difference	**(306)**
As at 31 December 2020	**62,889**

21. LICENSE FEES PAYABLE (CONTINUED)

	2020 RMB'000	2019 RMB'000
Analysis of license fees payable:		
Non-current		
– the second to fifth year	23,395	18,699
– more than five years	–	5,882
Current	39,494	31,349
	62,889	55,930

The license fees payable are mainly denominated in RMB, US$ and EUR.

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

	2020 RMB'000	2019 RMB'000
Less than 1 year	39,779	31,634
Between 1 and 5 years	32,000	27,000
Over 5 years	–	10,000
	71,779	68,634

22. DEFERRED INCOME TAX

Movements in deferred income tax assets/(liabilities) are analysed as follows:

	Provisions RMB'000	Unrealised profit on intra-group sales RMB'000	Dividend and interest withholding tax RMB'000	Accumulated tax losses RMB'000	Accruals RMB'000	Lease RMB'000	Share Options RMB'000	Refunds liabilities RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets										
As at 1 January 2019	948	47,694	–	19,305	121,095	–	–	–	50,005	239,047
Credited/(charged) to income statement	59,217	56,196	–	13,547	57,823	12,339	–	–	(6,454)	192,668
As at 31 December 2019	60,165	103,890	–	32,852	178,918	12,339	–	–	43,551	431,715
As at 1 January 2020	60,165	103,890	–	32,852	178,918	12,339	–	–	43,551	431,715
Credited/(charged) to income statement	686	38,707	–	(21,265)	35,800	6,755	17,566	91,227	(10,556)	158,920
As at 31 December 2020	**60,851**	**142,597**	**–**	**11,587**	**214,718**	**19,094**	**17,566**	**91,227**	**32,995**	**590,635**
Deferred income tax liabilities										
As at 1 January 2019	–	–	(31,644)	–	–	–	–	–	(3,086)	(34,730)
Credited/(charged) to income statement	–	–	(10,898)	–	–	–	–	–	626	(10,272)
As at 31 December 2019	–	–	(42,542)	–	–	–	–	–	(2,460)	(45,002)
As at 1 January 2020	–	–	(42,542)	–	–	–	–	–	(2,460)	(45,002)
Credited/(charged) to income statement	–	–	(58,000)	–	–	–	–	–	264	(57,736)
As at 31 December 2020	**–**	**–**	**(100,542)**	**–**	**–**	**–**	**–**	**–**	**(2,196)**	**(102,738)**

22. DEFERRED INCOME TAX *(CONTINUED)*

The amounts expected to be recovered for deferred income tax assets/(liabilities) are as follows:

	2020 RMB'000	2019 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	**508,627**	374,585
– to be recovered after more than 12 months	**82,008**	57,130
	590,635	431,715
Deferred income tax liabilities		
– to be recovered within 12 months	**(264)**	(264)
– to be recovered after more than 12 months	**(102,474)**	(44,738)
	(102,738)	(45,002)

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 RMB37,836,000 (2019: RMB16,178,000) in respect of tax losses amounting to RMB151,343,000 (2019: RMB64,713,000) that can be carried forward against future taxable income and will expire between 2021 and 2025 as Management believes it is more likely than not that such tax losses would not be utilised before they expire.

Deferred income tax liabilities of RMB95,100,000 (2019: RMB125,461,000) have not been recognised for the withholding tax that would be payable on the distributable retained profits of the Company's subsidiaries in the PRC earned after 1 January 2008. Such amounts totaling RMB1,901,991,000 (2019: RMB2,509,224,000) are not currently intended to be distributed to the subsidiaries incorporated outside the PRC.

23. DEFERRED INCOME

	Government grants RMB'000
As at 1 January 2019	53,675
Addition	2,972
Credited to income statement	(2,826)
As at 31 December 2019	53,821
As at 1 January 2020	**53,821**
Addition	**14,920**
Credited to income statement	**(4,306)**
As at 31 December 2020	**64,435**

24. EXPENSES BY NATURE

	2020 RMB'000	2019 RMB'000
Cost of inventories recognised as expenses and included in cost of sales	**7,131,928**	6,842,827
Depreciation on property, plant and equipment (a)	**533,902**	419,881
Amortisation of land use rights and intangible assets	**42,119**	40,666
Depreciation on right-of-use assets	**432,717**	360,424
Depreciation on investment properties	**4,078**	–
Impairment of goodwill	**–**	36,394
Impairment of intangible assets	**14,910**	–
Advertising and marketing expenses	**1,279,541**	1,327,013
Commission and trade fair related expenses	**351,864**	268,430
Staff costs, including directors' emoluments *(Note 26)*	**1,311,123**	1,518,565
Short-term lease rentals and variable lease payments not included in lease liabilities and rental related expenses	**482,377**	628,125
Research and product development expenses (a)	**322,904**	362,494
Transportation and logistics expenses	**564,009**	497,343
Auditor's remuneration		
– Audit services	**5,660**	5,550
– Non-audit services	**2,224**	1,878
Management consulting expenses	**97,411**	107,443

(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

	2020 RMB'000	2019 RMB'000
Government grants	**229,684**	63,893
License fee income	**22,032**	10,202
Interest income from wealth management products measured at fair value through profit or loss	**108,905**	78,236
Fair value gains/(losses) on derivative financial instruments at fair value through profit or loss	**1,246**	(13,508)
	361,867	138,823

26. STAFF COSTS

	2020 RMB'000	2019 RMB'000
Wages and salaries	679,570	714,172
Contributions to retirement benefit plan (b)	54,467	83,617
Share options and restricted shares granted to directors and employees	80,388	125,083
Housing benefits	34,717	36,268
Other costs and benefits	461,981	559,425
	1,311,123	1,518,565

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included two (2019: one) directors for the years ended 31 December 2020, and their emoluments are reflected in the analysis shown in Note 36. The aggregate amounts of emoluments paid and payable to the remaining three (2019: four) individuals whose emoluments were the highest in the Group for the years are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and allowances	34,848	32,567
Other benefits	11,904	37,012
Contributions to retirement benefit scheme	244	380
	46,996	69,959

The emoluments fell within the following bands:

	Number of individuals 2020	2019
Emoluments bands		
HK$12,500,001 to HK$13,000,000	–	1
HK$13,000,001 to HK$13,500,000	1	–
HK$15,000,001 to HK$15,500,000	–	1
HK$16,500,001 to HK$17,000,000	1	–
HK$21,000,001 to HK$21,500,000	–	1
HK$23,000,001 to HK$23,500,000	1	–
HK$29,500,001 to HK$30,000,000	–	1
	3	4

(b) Pensions – defined contribution plans

The employees of the Group 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 22% of the employees' basic salary dependent upon the applicable local regulations.

27. FINANCE INCOME AND EXPENSES

	2020 RMB'000	2019 RMB'000
Interest income on bank balances and deposits	34,621	24,655
Net foreign currency exchange gain	37	4,218
Finance income	34,658	28,873
Amortisation of discount – license fees payable *(Note 21)*	(2,817)	(3,197)
Amortisation of discount – lease liabilities	(53,972)	(45,400)
Others	(9,460)	(10,408)
Finance expenses	(66,249)	(59,005)
Finance expenses– net	(31,591)	(30,132)

28. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current income tax		
– Corporate income tax (b)	618,815	539,088
– Withholding income tax on dividends and interest income from subsidiaries in the PRC (c)	31,750	711
	650,565	539,799
Deferred income tax	(101,184)	(182,396)
Income tax expense	549,381	357,403

(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 2020, provision for the corporate income tax of Mainland China is calculated based on the statutory tax rate of 25% (2019: 25%) on the assessable income of each of the Group companies. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for (2019: 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 2020 and 2019, which are subject to withholding tax at the rate of 5% and 7%, respectively.

28. INCOME TAX EXPENSE (CONTINUED)

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:

	2020 RMB'000	2019 RMB'000
Profit before income tax	**2,247,865**	1,856,546
Tax calculated at a tax rate of 25% (2019: 25%)	**561,966**	464,137
Effects of different overseas tax rates	**(3,454)**	(483)
Temporary differences and tax losses for which no deferred income tax asset is recognised	**27,325**	3,656
Utilisation of previously unrecognised temporary differences and tax losses	**(168,350)**	(37,330)
Expenses not deductible for tax purposes	**64,939**	4,588
Share of results of associates and joint ventures reported net of tax	**(20,872)**	(85,985)
Income not subject to tax	**(1,923)**	(2,788)
Withholding tax on dividends	**89,750**	11,608
Tax charge	**549,381**	357,403

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 Restricted Share Award Scheme 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 convertible securities. In January 2015, the Company had completed the issuance of Offer Securities. The below market subscription price of these two events had effectively resulted in 286,000 ordinary shares (31 December 2019: 38,372,000 ordinary shares) to be issued upon conversion for nil consideration (i.e. the bonus element), and such impact has been taken into account in calculating the weighted average number of shares for the year ended 31 December 2020 for the purpose of basic earnings per share. The shares issued for nil consideration arising from the issuance of Offer Securities have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2019

	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	**1,698,484**	1,499,139
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	**2,454,086**	2,420,222
Basic earnings per share (RMB cents)	**69.21**	61.94

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.

	2020	2019
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (RMB'000)	**1,698,484**	1,499,139
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	**2,454,086**	2,420,222
Adjustment for the restricted shares (in thousands)	**20,632**	27,505
Adjustment for the share option schemes (in thousands)	**37,029**	45,279
Deemed weighted average number of shares for diluted earnings per share (in thousands)	**2,511,747**	2,493,006
Diluted earnings per share (RMB cents)	**67.62**	60.13

As at 31 December 2020, there were no share options that could potentially have a dilutive impact in the future but were anti-dilutive during the year ended 31 December 2020. As at 31 December 2019, there were 4,356,000 share options that could potentially have a dilutive impact in the future but were anti-dilutive during the year ended 31 December 2019.

30. *DIVIDENDS*

	2020 RMB'000	2019 RMB'000
Proposed final dividend of RMB20.46 cents (2019: RMB15.47 cents) per ordinary share	**509,545**	379,682

The total dividends paid during the year ended 31 December 2020 amounted to RMB377,821,000 or RMB15.47 cents per share (2019: RMB214,695,000 or RMB8.78 cents per share) which represented the final dividends for the year ended 31 December 2019.

On 18 March 2021, the Board proposed a final dividend of RMB20.46 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2020. The proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of distributable reserves in the year ending 31 December 2021.

31. STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to cash used in operations are as follows:

	2020 RMB'000	2019 RMB'000
Profit before income tax	2,247,865	1,856,546
Adjustments for:		
Depreciation on property, plant and equipment	533,902	419,881
Depreciation on right-of-use assets	432,717	360,424
Depreciation on investment properties	4,078	–
Amortisation of land use rights and intangible assets	42,119	40,666
Impairment of goodwill	–	36,394
Impairment of intagible assets	14,910	–
Loss on disposal of property, plant and equipment	24,564	26,996
Gain on disposal of right-of-use assets	(4,901)	–
Loss on disposal of intangible assets	332	2
Provision/(reversal of provision) for expected credit loss allowance of trade receivables and other receivables	30,466	(12,258)
(Reversal of provision)/provison for write-down of inventories to net realisable value	(19,554)	8,048
Share options and restricted shares granted to directors and employees	80,388	125,083
Finance expenses – net	23,831	19,723
Interest income from financial assets at FVPL and FVOCI	(110,605)	(78,236)
Amortisation of deferred income	(4,306)	(2,826)
Share of profit of investments accounted for using the equity method	(83,487)	(343,469)
Fair value adjustment to derivatives	(1,246)	13,508
Operating profit before working capital changes	3,211,073	2,470,482
Decrease/(increase) in inventories	81,272	(175,564)
(Increase)/decrease in trade receivables	(4,046)	259,818
Decrease/(increase) in other receivables	9,520	(136,144)
(Increase)/decrease in other assets	(77,509)	197,538
(Decrease)/increase in trade payables	(121,077)	214,892
Increase in other payables and accruals	261,193	620,931
(Decrease)/increase in contract liabilities	(7,792)	195,947
Decrease/(increase) in restricted bank deposits	42	(926)
Cash generated from operations	3,352,676	3,646,974

31. *STATEMENT OF CASH FLOWS (CONTINUED)*

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2020 **RMB'000**	2019 RMB'000
Net book amount	**32,203**	30,599
Loss on disposal of property, plant and equipment	**(24,564)**	(26,996)
Proceeds from disposal of property, plant and equipment	**7,639**	3,603

32. *SHARE-BASED COMPENSATION*

(a) 2004 Share Option Scheme

Pursuant to a shareholders' resolution passed on 5 June 2004, the Company adopted a share option scheme (the "2004 Share Option Scheme"). The 2004 Share Option Scheme will remain in force for a period of 10 years commencing from 5 June 2004.

The purpose of the 2004 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 any individuals being employees, officers, agents, consultants or representatives of any member of the Group who, based on the board of directors' discretion, have made valuable contributions to the business of the Group based on their performance and/or years of service, or are regarded as valuable human resources of the Group based on their work experience, knowledge of the industry and other factors.

HK$1 is payable by the participant who accepts the grant of an option. The subscription price for the shares under the option to be granted will be determined by the Company's board of directors and will be the highest of: (a) the closing price of the shares of the Company as stated in The Hong Kong Stock Exchange Limited's daily quotations sheets on the date of the grant of the option; (b) the average closing price of the shares of the Company as stated in The Hong Kong Stock Exchange Limited's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (c) the nominal value of the shares of the Company.

The maximum number of shares that may be granted under the 2004 Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. The total number of shares of the Company issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted in any 12-month period to each participant must not exceed 1% of the number of shares of the Company in issue. Lapsed or cancelled options may be re-granted in accordance with the terms of the 2004 Share Option Scheme.

An option may be exercised in accordance with the terms of the 2004 Share Option Scheme at any time during a period to be notified by the Company's board of directors, which must not be more than 10 years from the date of the grant.

Any share of the Company allotted and issued on the exercise of options will rank pari passu with the other shares of the Company in issue on the date of allotment.

The 2004 Share Option Scheme was terminated on 30 May 2014. The options which have been granted and remained outstanding as of that date shall continue to follow the provisions of the 2004 Share Option Scheme.

32. SHARE-BASED COMPENSATION (CONTINUED)

(a) 2004 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:

	2020		2019	
	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	6.088	358	6.031	3,753
Exercised	6.088	(358)	6.020	(3,343)
Lapsed	–	–	6.350	(52)
As at 31 December	–	–	6.088	358
Exercisable as at 31 December	–	–	6.088	358

Share options outstanding under this scheme as at the end of the years have the following expiry dates and exercise prices:

	2020		2019	
Expiry date	Exercise price (per share) HK$	Share options (Thousands)	Exercise price (per share) HK$	Share options (Thousands)
31 December 2020	6.350	–	6.350	303
31 December 2020	4.630	–	4.630	55
Total		–		358
Weighted average remaining contractual life of options outstanding at end of period		–		1.00

The fair value of the 2004 Share Option Scheme is charged to the consolidated income statement over the vesting period of the option. The amount charged to the consolidated income statement during the year ended 31 December 2020 was nil (2019: RMB18,000).

32. SHARE-BASED COMPENSATION (CONTINUED)

(b) 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 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. There is no material difference between the terms of the 2004 Share Option Scheme and the 2014 Share Option Scheme.

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

	2020		2019	
	Weighted average exercise price (per share) HK$	**Outstanding options (Thousands)**	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	**6.782**	**67,060**	5.682	71,978
Granted	**–**	**–**	19.378	4,763
Exercised	**5.924**	**(35,219)**	4.838	(8,781)
Lapsed	**6.120**	**(707)**	4.440	(900)
As at 31 December	**7.766**	**31,134**	6.782	67,060
Exercisable as at 31 December	**5.578**	**6,059**	5.049	19,127

Share options outstanding under this scheme as at 31 December 2020 and 31 December 2019 have the following expiry dates and exercise prices:

	2020		2019	
Expiry date	**Exercise price (per share) HK$**	**Share options (Thousands)**	Exercise price (per share) HK$	Share options (Thousands)
31 December 2020	**4.440**	**–**	4.440	7,415
7 June 2026	**3.300**	**2,600**	3.300	3,000
31 December 2022	**6.120**	**23,531**	6.120	50,462
31 December 2023	**9.090**	**193**	9.090	390
31 December 2023	**7.070**	**412**	7.070	1,030
31 December 2024	**13.360**	**407**	13.360	407
16 May 2029	**13.160**	**1,150**	13.160	1,200
31 December 2027	**22.520**	**2,841**	22.520	3,156
Total		**31,134**		67,060
Weighted average remaining contractual life of options outstanding at end of period		**3.02**		3.32

32. SHARE-BASED COMPENSATION (CONTINUED)

(b) 2014 Share Option Scheme (Continued)

The fair value of the options granted under the 2014 Share Option Scheme during the years ended 31 December 2020 and 2019 determined by using Black-Scholes valuation model were as follows:

	2020 RMB'000	2019 RMB'000
The 2014 Share Option Scheme	–	32,426

Significant inputs into the model were as follows:

	2020	2019
The 2014 Share Option Scheme		
Weighted average share price (HK$)	NA	19.244
Weighted average exercise price (HK$)	NA	19.378
Expected volatility	NA	49.4%
Expected option life (years)	NA	5.69
Weighted average annual risk free interest rate	NA	1.3%
Expected dividend yield	NA	1.7%

The expected volatility at date of grant is estimated based on the daily trading prices of the Company's shares since its date of listing (28 June 2004).

The fair value of the 2014 Share Option Scheme is charged to the consolidated income statement over the vesting period of the option. During the year ended 31 December 2019, the board of directors decided to reduce the vesting periods for certain share options granted under the 2014 Share Option Scheme, which had no impact on the fair value of the unvested share options. The Group adopted the retrospective treatment in respect of the above reduction of vesting periods. Under the retrospective treatment, the cumulative expenses in relation to the share options were trued up in accordance with the reduced vesting periods as at 31 December 2019 to reflect the best estimate of share options expected to vest as at 31 December 2019. During the year ended 31 December 2020, there is no change in the vesting period of any granted share options.

The amount charged to the consolidated income statement during the year ended 31 December 2020 was RMB30,512,000 (2019: RMB54,975,000).

32. SHARE-BASED COMPENSATION (CONTINUED)

(c) 2006 Restricted Share Award Scheme

The Company adopted Restricted Share Award Scheme (the "2006 Restricted Share Award Scheme") on 14 July 2006 with a duration of 10 years commencing from the adoption date. The objective of 2006 Restricted Share Award Scheme is to encourage and retain selected participants which include directors, employees, officers, agents and consultants of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals.

The Group has set up the Li Ning Company Limited Restricted Share Award Scheme Trust ("Restricted Share Trust") to administer and hold the Company's shares before they are vested and transferred to selected participants. As the financial and operational policies of the Restricted Share Trust are governed by the Group, and Group benefits from the Restricted Share Trust's activities, the Restricted Share Trust is consolidated in the Group's financial statements as a special purpose entity.

Upon granting of shares to selected participants ("Restricted Shares"), the Restricted Share Trust purchases the Company's shares awarded from the open market with funds provided by the Company by way of contributions. Restricted Shares vest gradually after selected participants complete a period of service in the Group of 12 to 36 months from the date of grant. The vested shares are transferred to selected participants at nil consideration. Dividends on Restricted Shares are used to purchase additional shares and allocate to selected participants on a pro rata basis.

The maximum number of Restricted Shares 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 granted in aggregate shall not exceed 10,278,000 shares, being 1% of the Company's issued share capital as at the adoption date of 14 July 2006.

The fair value of 2006 Restricted Share Award Scheme was based on the market value of the Company's shares at the grant date.

Movements in the number of 2006 Restricted Share Award Scheme granted and related fair value are as follows:

	2020		2019	
	Weighted average fair value (per share) HK$	**Number of Restricted Shares granted (Thousands)**	Weighted average fair value (per share) HK$	Number of Restricted Shares granted (Thousands)
As at 1 January	–	–	3.200	4,644
Vested	–	–	3.200	(4,622)
Lapsed	–	–	3.200	(22)
As at 31 December	–	–	–	–

The fair value of the 2006 Restricted Shares Award Scheme charged to the consolidated income statement was nil during the year ended 31 December 2020 (2019: RMB1,075,000).

32. SHARE-BASED COMPENSATION (CONTINUED)

(d) 2016 Restricted Share Award Scheme

Following the expiration of 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. There is no material difference between the terms of the 2006 Restricted Share Award Scheme and the 2016 Restricted Share Award Scheme.

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:

	2020		2019	
	Weighted average fair value (per share) HK$	**Number of Restricted Shares granted (Thousands)**	Weighted average fair value (per share) HK$	Number of Restricted Shares granted (Thousands)
As at 1 January	**8.088**	**24,050**	6.140	26,827
Granted	**42.045**	**246**	21.389	3,087
Vested	**7.370**	**(11,295)**	6.126	(5,329)
Lapsed	**7.856**	**(266)**	6.676	(535)
As at 31 December	**9.386**	**12,735**	8.088	24,050

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. During the year ended 31 December 2019, the board of directors decided to reduce the vesting periods for certain awarded shares under the 2016 Restricted Share Award Scheme, which had no impact on the fair value of the unvested shares. The Group adopted the retrospective treatment in respect of the above reduction of vesting periods. Under the retrospective treatment, the cumulative expenses in relation to the awarded shares were trued up in accordance with the reduced vesting periods as at 31 December 2019 and 2020, to reflect the best estimate of shares expected to vest as at 31 December 2019 and 2020. During the year ended 31 December 2020, there is no change in the vesting period of any awarded shares.

The amount charged to the consolidated income statement was RMB49,876,000 during the year ended 31 December 2020 (2019: RMB69,015,000).

33. COMMITMENTS

(a) Capital commitments in relation to investment in a limited partnership

During the year ended 31 December 2019, the Group entered into a subscription agreement pursuant to which the Group agreed to subscribe certain interest in a limited partnership (the "Limited Partnership") with a total capital commitment of US$61,000,000. As at 31 December 2020, the Group's total capital commitment to the limited partnership remained US$61,000,000. Further, pursuant to the deed of amendment entered into by the Group and the general partner of the Limited Partnership (the "General Partner") on 1 February 2021, the Group and the General Partner agreed to reduce the subscription of the Group to the Limited Partnership from the original committed amount of US$61,000,000 to US$47,908,810.

(b) Other capital commitments

On 31 December 2020, the Group entered into an equity and creditor's rights transfer agreement (the "Transfer Agreement") with two independent third parties (collectively, the "Transferors"), pursuant to which the Group has conditionally agreed to acquire (1) the entire share capital of Matsunichi Communications (Hong Kong) Limited (the "Target Company", a company incorporated under the laws of Hong Kong with limited liability) (the "Target Shares") and (2) the rights of the Transferors in the loans extended to the Target Company and its subsidiary respectively (collectively, the "Transferred Creditor's Rights"). The total consideration for the acquisition of the Target Shares and the Transferred Creditor's Rights is initially RMB1,238,523,000 (which is subject to adjustment as agreed in the Transfer Agreement). Further information of the above transaction is included in Note 37.

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:

	2020 RMB'000	2019 RMB'000
Subsidiary of Viva China	6,741	5,568
Others	5	–

(b) Purchases of goods from:

	2020 RMB'000	2019 RMB'000
Hubei Dong Neng (an associate of the Group)	224,389	311,064
Subsidiary of Li-Ning Aigle Ventures	–	1,820
Guangxi Ning Tai (a joint venture of the Group)	65,017	–
Laibin Cheng Xin (a joint venture of the Group)	15,510	797
Subsidiary of Viva China	3,552	–
	308,468	313,681

34. *RELATED-PARTY TRANSACTIONS (CONTINUED)*

(c) Sales of services to:

	2020 RMB'000	2019 RMB'000
Subsidiary of Viva China	**1,353**	1,320
Subsidiary of Li-Ning Aigle Ventures	**687**	687
Li-Ning Sports Culture (a joint venture of the Group)	**–**	176
	2,040	2,183

(d) Purchases of services from:

	2020 RMB'000	2019 RMB'000
Subsidiaries of Viva China*	**176,233**	281,885
Shanghai Double Happiness Co., Ltd.	**7,357**	6,809
	183,590	288,694

* The purchases of services from subsidiaries of Viva China include payments that Viva China collect on behalf of other service providers.

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

	2020 RMB'000	2019 RMB'000
Transfer of trademark to:		
Subsidiary of Viva China	**–**	1,280
Loans to:		
Laibin Cheng Xin (a joint venture of the Group)	**25,000**	–
Interests income from:		
Laibin Cheng Xin (a joint venture of the Group)	**167**	–

34. *RELATED-PARTY TRANSACTIONS (CONTINUED)*

(f) Key management compensation

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	80,906	49,389
Contribution to retirement benefit scheme	1,779	813
Employee share schemes for value of services provided	55,174	71,415
	137,859	121,617

(g) Year-end balances

	2020 RMB'000	2019 RMB'000
Prepayments to related parties:		
Subsidiaries of Viva China	20,589	–
Guangxi Ning Tai (a joint venture of the Group)	5,292	–
	25,881	–
Trade receivables from related parties:		
Subsidiaries of Viva China	2,188	659
Li-Ning Sports Culture (a joint venture of the Group)	–	89
	2,188	748
Other receivables from related parties:		
Laibin Cheng Xin (a joint venture of the Group)	25,167	–
Payables to related parties:		
Hubei Dong Neng (an associate of the Group)	49,794	66,251
Laibin Cheng Xin (a joint venture of the Group)	5,091	900
Subsidiaries of Viva China	2,676	872
	57,561	68,023

The trade receivables from related parties arise mainly from sale transactions and are due three months after the date of sales. The receivables are unsecured in nature and bear no interest.

The other receivables from related parties referred to the loans that have the maturity date within one year. The receivables bear 8% interest rate per annum.

The payables to related parties arise mainly from purchase transactions and on average are 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 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,972**	2,841
Investment in subsidiaries		**3,356,378**	3,859,064
Total non-current assets		**3,358,350**	3,861,905
Current assets			
Other receivables and prepayments		**68**	–
Dividends receivable		**1,856,646**	1,378,065
Fixed deposits held at banks		**884**	926
Cash and cash equivalents		**91,543**	3,134
Total current assets		**1,949,141**	1,382,125
Total assets		**5,307,491**	5,244,030
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		**228,285**	214,300
Share premium		**4,037,767**	3,547,682
Other reserves	(a)	**240,375**	602,280
Retained earnings	(a)	**784,198**	855,244
Total equity		**5,290,625**	5,219,506
LIABILITIES			
Current liabilities			
Other payables and accruals		**16,866**	24,524
Total current liabilities		**16,866**	24,524
Total liabilities		**16,866**	24,524
Total equity and liabilities		**5,307,491**	5,244,030

The balance sheet of the Company was approved by the Board of Directors on 18 March 2021 and was signed on its behalf

Li Ning
Joint Chief Executive Officer & Chairman

Kosaka Takeshi
Joint Chief Executive Officer

35. *BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)*

(a) Reserve movement of the Company

	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 2019	425,726	80,340	147,303	557,426	1,210,795
Total comprehensive income for the year	644,213	–	–	–	644,213
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	125,083	–	125,083
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	(3,299)	–	(3,299)
Shares vested under Restricted Share Award Scheme	–	–	(55,612)	–	(55,612)
Share options lapsed	–	1,485	(1,485)	–	–
Shares converted from convertible securities	–	–	–	(248,961)	(248,961)
Dividends paid	(214,695)	–	–	–	(214,695)
As at 31 December 2019	855,244	81,825	211,990	308,465	1,457,524
As at 1 January 2020	**855,244**	**81,825**	**211,990**	**308,465**	**1,457,524**
Total comprehensive income for the year	**306,775**	**–**	**–**	**–**	**306,775**
Value of services provided under share option schemes and Restricted Share Award Scheme	**–**	**–**	**80,388**	**–**	**80,388**
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	**–**	**–**	**(8,909)**	**–**	**(8,909)**
Shares vested under Restricted Share Award Scheme	**–**	**–**	**(127,669)**	**–**	**(127,669)**
Share options lapsed	**–**	**1,562**	**(1,562)**	**–**	**–**
Shares converted from convertible securities	**–**	**–**	**–**	**(305,715)**	**(305,715)**
Dividends paid	**(377,821)**	**–**	**–**	**–**	**(377,821)**
As at 31 December 2020	**784,198**	**83,387**	**154,238**	**2,750**	**1,024,573**

36. BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director for the year ended 31 December 2020 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	–	10,000	18,471	19,742	1,412	49,625
Mr. Kosaka Takeshi (ii)	–	9,126	3,333	22,017	122	34,598
Ms. Wang Ya Fei	270	–	–	569	–	839
Mr. Koo Fook Sun, Louis	270	–	–	569	–	839
Mr. Chan Chung Bun, Bunny	250	–	–	569	–	819
Mr. Su Jing Shyh, Samuel	270	–	–	569	–	839
Mr. Li Qilin	1,700	–	–	1,606	–	3,306

The remuneration of each director for the year ended 31 December 2019 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	–	8,311	2,551	22,472	402	33,736
Mr. Kosaka Takeshi (ii)	–	2,250	–	7,196	31	9,477
Ms. Wang Ya Fei	270	–	–	531	–	801
Mr. Koo Fook Sun, Louis	270	–	–	531	–	801
Mr. Chan Chung Bun, Bunny	250	–	–	531	–	781
Mr. Su Jing Shyh, Samuel	270	–	–	531	–	801
Mr. Li Qilin	1,200	–	–	4,061	–	5,261

(i) Other benefits include insurance premium and fair value of share options charged to the consolidated income statement during the year.

(ii) Mr. Kosaka Takeshi was appointed as an executive director and the joint chief executive officer of the Company with effect from 2 September 2019.

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 (2019: 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 (2019: nil). No consideration was provided to or receivable by third parties for making available directors' services (2019: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: none).

36. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2019: none).

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which another group undertaking was a party that subsisted at the end of the year or at any time during the year (2019: none).

37. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the Transfer Agreement (see Note 33(b)), the Group has completed the acquisitions of the Target Shares and the Transferred Creditor's Rights (collectively, the "Acquisition") on 28 January 2021. The Target Company is an investment holding company and its principal asset is the entire equity interest in its subsidiary, which owns certain properties located in the Great Bay Area of the PRC.

Up to the approval date of the consolidated financial statements, the Group is in the process of determining the accounting treatment for the Acquisition in accordance with IFRS 3.

GLOSSARY

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

"2004 Share Option Scheme"	the share option scheme adopted by the Company on 5 June 2004, amended on 15 May 2009 and 11 October 2012 and terminated on 30 May 2014
"2013 Open Offer"	the open offer of convertible securities issued by the Company as set out in the listing document of the Company dated 27 March 2013
"2014 Share Option Scheme"	the share option scheme adopted by the Company on 30 May 2014
"2015 Open Offer"	the open offer of offer securities issued by the Company as set out in the listing document of the Company dated 9 January 2015
"2016 Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on 14 July 2016
"2021 AGM"	the annual general meeting of the Company to be held on Friday, 11 June 2021
"Articles of Association"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company" or "Li Ning Company"	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"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 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China
"Restricted Shares"	shares granted under the 2016 Restricted Share Award Scheme which are subject to restrictions and limitations
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	holder(s) of Shares
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

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