LI-NING

LI NING COMPANY LIMITED

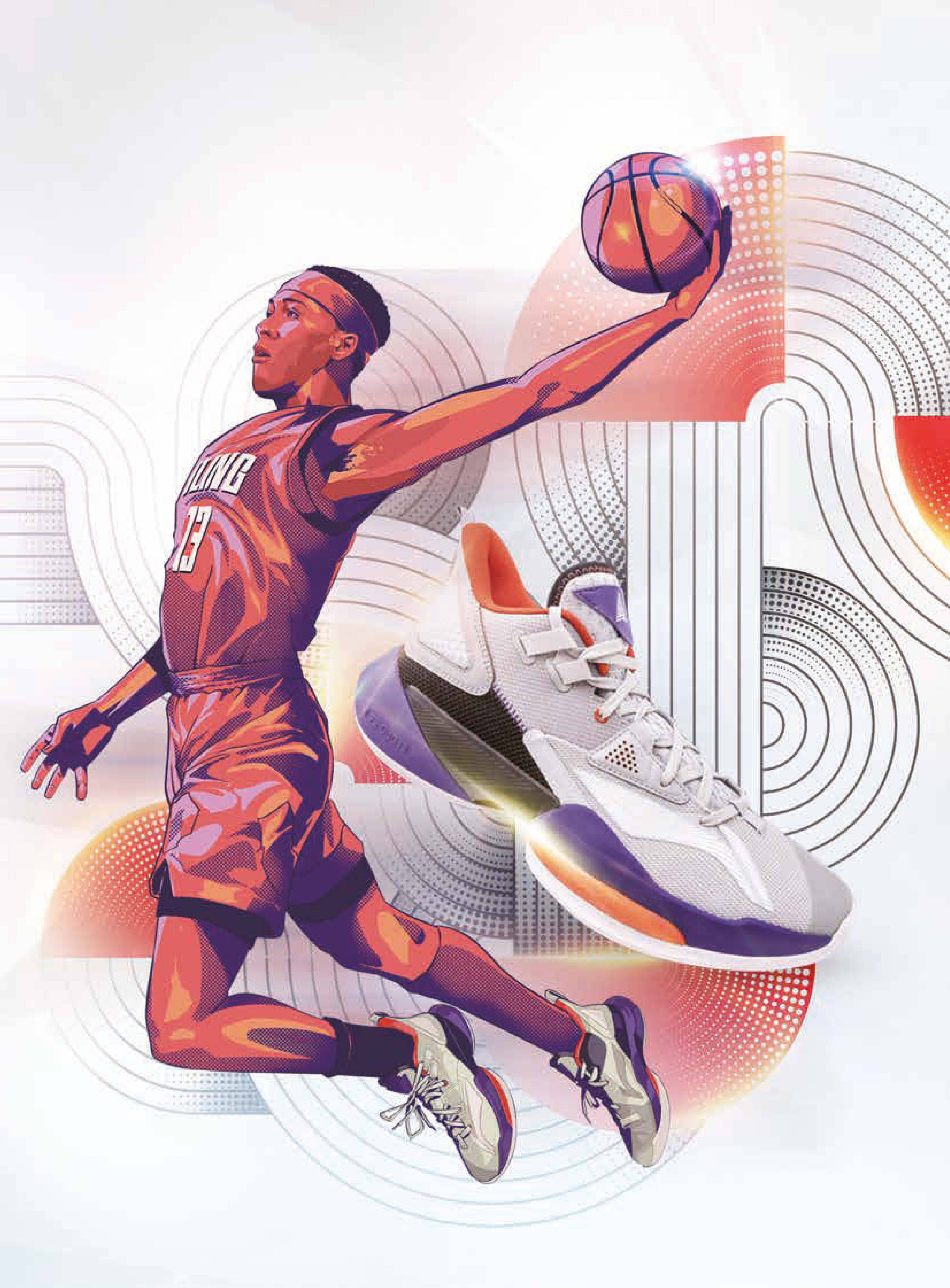
李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

2021

ANNUAL REPORT



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 an internationally-renowned enterprise of Chinese origin featuring world-class professional sports brand with fashion attributes.

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.

Values

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

Mission

Let Sports Light Your Passion

Vision

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Mr. KOO Fook Sun, Louis
Ms. WANG Ya Fei
Dr. CHAN Chung Bun, Bunny, *GBM, GBS, JP*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. LI Ning
Ms. WANG Ya Fei

COMPANY SECRETARY

Ms. TAI Kar Lei

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

OPERATIONAL HEADQUARTERS

No.8 Xing Guang 5th Street
Beijing Economic-Technological Development Area (Tongzhou)
Beijing, PRC 101111
Telephone: +8610 8080 0808
Fax: +8610 8080 0000

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

LEGAL ADVISORS

Hong Kong law
LC Lawyers LLP

Mainland China law
TAHOTA Law Firm

PRINCIPAL BANKERS

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

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

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2021	2020	2019	2018	2017
Operating results (in RMB thousands):					
Turnover	22,572,281	14,456,971	13,869,630	10,510,898	8,873,912
Operating profit	5,136,376	2,195,969	1,543,209	777,177	445,678
Profit before taxation	5,328,237	2,247,865	1,856,546	850,321	537,524
Profit attributable to equity holders	4,010,881	1,698,484	1,499,139	715,263	515,155
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6,436,060	3,292,272	2,707,649	1,252,222	889,271
Assets and liabilities (in RMB thousands):					
Total non-current assets	11,602,962	4,817,309	4,008,158	2,341,051	2,210,967
Total current assets	18,671,854	9,776,556	8,539,316	6,386,254	5,110,382
Total current liabilities	7,703,848	5,015,057	4,716,620	2,777,471	2,127,810
Net current assets	10,968,006	4,761,499	3,822,696	3,608,783	2,982,572
Total assets	30,274,816	14,593,865	12,547,474	8,727,305	7,321,349
Total assets less current liabilities	22,570,968	9,578,808	7,830,854	5,949,834	5,193,539
Capital and reserves attributable to equity holders	21,101,546	8,686,863	7,121,639	5,817,040	5,071,047
Key financial indicators:					
Gross profit margin	53.0%	49.1%	49.1%	48.1%	47.1%
Margin of profit attributable to equity holders	17.8%	11.7%	10.8%	6.8%	5.8%
EBITDA ratio	28.5%	22.8%	19.5%	11.9%	10.0%
Earnings per share					
– basic (RMB cents)	160.10	69.21	61.94	29.63	21.47
– diluted (RMB cents)	157.97	67.62	60.13	29.19	20.87
Dividend per share (RMB cents)	45.97	20.46	15.47	8.78	–
Return on equity attributable to equity holders	26.9%	21.5%	23.2%	13.1%	11.4%
Net tangible assets per share (RMB cents)	794.44	336.80	299.55	254.87	219.21
Debt-to-Equity ratio	43.5%	68.0%	76.2%	50.0%	44.3%

STANDING OUT

CHAIRMAN'S STATEMENT

Dear Shareholders,

During 2021, the recurring waves of COVID-19 persisted, imposing consistent impacts on the global macroeconomy, livelihood and operating modes of businesses. Nevertheless, capitalizing on the stringent and effective pandemic containment measures of the Chinese government and active cooperation of the public, China's economy has embarked on a steady recovery trend. Its gross economic output and social productivity continued to rise to a new level, and the national economy showed stronger resilience. With the impact of macroeconomic slowdown and the recurring pandemic on the domestic consumption market, despite the total retail sales of general consumables has increased substantially year-on-year in the first half of the year and slightly slowed down in the second half of the year, the annual consumption market has improved significantly from the severe pandemic period of 2020 overall. The pandemic has increased consumers' health awareness. Coupling with various national policy support and guidance for sports, we believe the room for growth of the sports product consumption market will remain huge. During the year, the Group continued to put great emphasis on enhancing LI-NING's experience value, further implemented the core strategy of "Single Brand, Multi-categories, Diversified Channels", optimized and upgraded our products and enhanced the operating efficiency of retail channels. At the same time, we improved the stability and responsiveness of the supply chain while consolidating the brand and product competitiveness in full swing.

According to the National Bureau of Statistics, China's GDP in 2021 registered a year-on-year growth of 8.1% and the effective growth rate of residents' per capita disposable income in China reached 8.2%, basically in line with the economic growth. Driven by the continuously improving household living standard, consumption structure was further optimized. In addition, driven by the public pursuit of a healthier lifestyle prompted by the pandemic, the sports industry has been developing robustly. In 2021, the Tokyo Olympic Games was successfully held. Chinese athletes achieved good results in the international sports event, further promoting the public participation in sports games at the same time. As the national policies facilitate quality development in the sports industry in a proactive manner, the State Council has promulgated the circular of National Fitness Plan (2021-2025) during the year in a bid to further enhance citizens' passion of seeking physical fitness, increased the number of participants of various sports events and encouraged sports exercises among the general public. Furthermore, it was proposed in the 14th five-year plan that we should accelerate the promotion of building a strong sports nation, and facilitate the innovative development and quality supply of sports product based on the diversified sports needs of citizens so as to guide the new demand for sports consumption.

During the year, the Group continued to focus on LI-NING's experience value, to satisfy the individual needs of consumers through our comprehensive marketing strategies, and further enhance consumers' experiences by providing diversified services and promoting the means of interchange and interactions with various parties. LI-NING brand's innate sports DNA enabled us to put great emphasis on the professional and functional features of products. While continuing to putting more resources into research and development (R&D) and upgrading the sports functions of products, we leveraged the market trends and made bold innovations by incorporating elements of humanity such as fashion trends, culture, arts and history into our designs to introduce new vitality into our professional sports products, thereby promoting the dialogues with young consumers, enhancing brand communication and conveying our brand value more effectively.

CONTINUE TO OPTIMIZE THE OPERATION MODEL LEADING TO ONGOING IMPROVEMENT IN PROFITABILITY

In 2021, revenue of the Group grew by 56%, the net profit margin rose from 11.7% of last year to 17.8%. Cash flow from operating activities increased by over 136% to RMB6,525 million. Working capital improved stably with the Cash Conversion Cycle (CCC) remained flat at a healthy level of 20 days.

With consumers' diversified sport consumption demand, we improved and strengthened LI-NING's experience value comprehensively by continuing to optimize and upgrade our products, channel and retail operation efficiency as well as supply chain capability. We further enhanced the product's professional and functional features by scaling up the efforts on R&D in order to continuously upgrade product functions. We kept abreast of the cultural creativity and popular fashion trends, stayed in tune with the times and incorporated fashionable elements and diversified styles into our professional sports products to persuade consumers out of having a stereotypical impression on sports products. Meanwhile, we continued to optimize our channel control and push forward the reform of retail operation models, actively explored strategies for new retail channels to fully unleash channel efficiency, developed the supply chain management system centering on business needs and enhanced the responsiveness and elasticity of the supply chain.

Mr. LI Ning

Executive Chairman and Joint Chief Executive Officer

ADHERE TO THE STRATEGY OF "SINGLE BRAND, MULTI-CATEGORIES, DIVERSIFIED CHANNELS" TO REALIZE LI-NING'S EXPERIENCE VALUE COMPREHENSIVELY

During the year, we continued to focus on the implementation of the strategy of "Single Brand, Multi-categories, Diversified Channels" and further explored the professional and functional features of our products. We also scaled up the efforts on technological R&D of different categories of products to improve user experience. At the same time, we incorporated elements of popular culture into our professional sports products and developed products that integrate excellent functions and unique styles. We strengthened core product and brand competitiveness in full swing by expanding consumer groups through diversified marketing strategies.

By exploring in-depth the brand history and value, we launched the brand-new, independent and high-class fashionable sporty styled sub-brand "LI-NING 1990". Embodying the precious culture and conceptual heritage from the brand development history, the series retains the classic visual design adopted since establishment of the brand to demonstrate the style concept of "Classic – Eternity", which also marks a renewed brand philosophy. While adhering to the strategic plan of "Single Brand, Multi-categories, Diversified Channels", we envisaged providing consumers with up-to-date and distinctive professional sports products. "LI-NING 1990" was expected to further increase popularity of our brand, thus creating a new growth point for our business.

Besides, we carried out cross-sector collaboration with multiple themes and dimensions. During the first half of the year, we held the Li Ning 2021 Fall/Winter Fashion Trend press conference in Zhengzhou, Henan, to demonstrate the unlimited possibilities of Li Ning brand through immersive experience and space and showcase the kindled sparks arising from integration of sports and popular trend in a bid to reshape the fashion trends and culture of sports. In addition, we organized another fashion show themed in Nyingchi Lulang Gongcuo Scenic Area (林芝魯朗貢措景區) by the Himalayan range in the second half of the year. With the natural landscape background of mountains and extensive stretch of snow mountain range and the theme manifested by the artistic design of apparel and accessories, it further illustrated the brand spirit of "Anything is Possible".

PUSH FORWARD RETAIL REFORM AND OPTIMIZE SUPPLY CHAIN SYSTEM TO FURTHER UNLEASH CHANNEL EFFICIENCY

In 2021, we continued to push forward the transformation of retail operation models with a focus on improving product management and retail sales capability to further unleash channel efficiency at a faster speed in connection with the upgraded and optimized channels. We further promoted the business model for single store in an orderly manner to boost retail-end performance centering on key retail data. In addition, we have enhanced the organization and cultural development of retail talent team by creating an assortment and operation management system that embodies the sporty and trendy image of LI-NING brand.

In respect of sales channel, we expanded the stores with high quality and profitability and accelerated the addition of quality stores, while opening landmark flagship stores in core cities to strengthen the channel layout planning at core business districts. Meanwhile, we accelerated the closure of loss-making and low-efficiency stores to optimize structure of channels and improve channel efficiency. Besides, in connection with the operating strategy of big stores with high efficiency, we continued to upgrade the store image by enriching the visual effects within stores to improve consumers' experience as well as 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 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 fostering a more precise, flexible and efficient supply chain management system. Through review on our supply chain resources with an emphasis on customized and differentiated product demands, we closely cooperated with our suppliers in a bid to enhance the competitive advantages of Li Ning brand. Meanwhile, we strived to consolidate our own supply chain system within the Company and further enhance our supply chain management and technological R&D capability. In respect of cost management, the Company continued to strictly implement cost planning and practiced stringent cost control and management on various stages such as design, development and production as well as put emphasis on optimization of cost structure.

OUTLOOK

With the accelerated urbanization and the policy trend of resuming sports activities in school campus in China, we strongly believe that China's consumption market of sports products will enter a period of favorable growth in the next two to three decades. Meanwhile, Li Ning Company is still in the development stage that may witness accelerated pursuit of quality growth, efficient expansion and stronger brand competitiveness in the professional field. Looking forward, the Group will strive to improve the following core business focuses, remain devoted to create LI-NING's experience value and enhance retail operation capability with a view to laying a solid foundation for profit growth and sustainable development in the future, at the same time achieving real sports value:

– consistently adhere to the strategic direction of "Single Brand, Multi-categories, Diversified Channels" and strive for sustainable development of businesses with a focus on continuous operation efficiency improvement, so as to enhance product and brand competitiveness, steadily improve profitability and further expand business scale;

– continue to improve product functions and technological innovation, and put greater efforts in exploring fashion trends and market development analysis to further enhance user experience by understanding the core needs of consumers, at the same time striving to improve our diversified marketing approaches and push forward the development strategies of digitalized marketing in an effort to expand our brand influence;

– Accelerate the development of high-quality stores and optimize our diversified channel layout. We will reinforce the online and offline integrated operation model and improve online and offline operation and sales efficiency through comprehensive application of big data analysis and information technology with a focus on the actual demand of consumers. We will also edge up our efforts in the development of supply chain management system in a bid to enhance the capability in terms of management of our own supply chain, product research and development as well as application of technologies;

– In respect of new business, enhancing single store profitability and store efficiency will remain as our major development goals. We will make 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.

LI-NING is a brand originated from China with athletes' DNA. We aim to establish the LI-NING brand as a world-class professional sports brand with fashion attributes and become the favourite sports brand among Chinese consumers. It was with this vision that we determined the brand strategy of "Single Brand, Multi-categories, Diversified Channels", which also served as our guidance for the building of unique competitiveness of the LI-NING brand, making us one of the top players in the market.

In the future, we will press ahead with the transition to retail business model at full steam and devote more resources to build up our retail capability and upgrade the digitalized system, so as to enhance our retail operation capability and promote healthy business growth on a continuous basis. In the meantime, sustained efforts will be made to strengthen our learning of sports knowledge with emphasis on technological research and development as well as pop culture analysis, striving to actively explore new rooms for development and inject more vitality and creativity to the brand. As the founder and operator of the Company, I always place much emphasis on the long-term 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, all the while preserving the heritage of LI-NING brand with athletes' DNA and bringing the spirit of "Anything is Possible" into real practice.

Li Ning
Executive Chairman and Joint Chief Executive Officer

Hong Kong, 17 March 2022

SPORTMANSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

NATIONWIDE DISTRIBUTION OF FRANCHISED AND RETAIL POS

(As at 31 December 2021)

	Franchised	Directly-operated retail	Total
Northern region (Note 2)	3,264	526	3,790
Southern region (Note 3)	2,641	706	3,347
Total	**5,905**	**1,232**	**7,137**

Notes:

1. In 2021, in order to enhance operating efficiency, the Group restructured and adjusted its sales system and related organization structure to combine the original Southern region and South China region into the Southern region. Comparative figures have also been restated for the purpose of consistent disclosure.
2. 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.
3. The Southern region includes provinces, municipalities, autonomous regions and a special administrative region covering Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan, Guizhou, Tibet, Guangdong, Guangxi, Fujian, Hainan and Macau.

FINANCIAL OVERVIEW

The key operating and financial performance indicators of the Group for the year ended 31 December 2021 are set out below:

	Year ended 31 December		Change
	2021	2020	**(%)**
Income statement items			
(All amounts in RMB thousands unless otherwise stated)			
Revenue *(Note 1)*	**22,572,281**	14,456,971	56.1
Gross profit	**11,969,098**	7,094,344	68.7
Operating profit	**5,136,376**	2,195,969	133.9
Earnings before interest, tax, depreciation and amortisation (EBITDA) *(Note 2)*	**6,436,060**	3,292,272	95.5
Profit attributable to equity holders *(Note 3)*	**4,010,881**	1,698,484	136.1
Basic earnings per share (RMB cents) *(Note 4)*	**160.10**	69.21	131.3
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	**53.0**	49.1	3.9
Operating profit margin *(%)*	**22.8**	15.2	7.6
Effective tax rate *(%)*	**24.7**	24.4	0.3
Margin of profit attributable to equity holders *(%)*	**17.8**	11.7	6.1
Return on equity attributable to equity holders *(%)*	**26.9**	21.5	5.4
Expenses to revenue ratios			
Staff costs *(%)*	**8.0**	9.1	(1.1)
Advertising and marketing expenses *(%)*	**7.9**	8.9	(1.0)
Research and product development expenses *(%)*	**1.8**	2.2	(0.4)

	31 December 2021	31 December 2020
Balance sheet items		
(All amounts in RMB thousands unless otherwise stated)		
Total assets *(Note 5)*	**30,274,816**	14,593,865
Capital and reserves attributable to equity holders *(Note 6)*	**21,101,546**	8,686,863
Key financial ratios		
Asset efficiency		
Average inventory turnover (days) *(Note 7)*	**54**	68
Average trade receivables turnover (days) *(Note 8)*	**13**	17
Average trade payables turnover (days) *(Note 9)*	**47**	65
Asset ratios		
Debt-to-equity ratio *(%) (Note 10)*	**43.5**	68.0
Net asset value per share *(RMB cents)*	**807.85**	351.24

Notes:

1. Including revenue for the period from 1 January to 30 September 2021: RMB15,727,109,000.

2. The calculation of earnings before interest, tax, depreciation and amortisation (EBITDA) is based on profit for the year, excluding the sum of income tax expense, finance income/(expenses) – net, depreciation on property, plant and equipment, depreciation on investment properties under operating leases, depreciation on investment properties not under operating leases, amortisation of land use rights and intangible assets and depreciation on right-of-use assets.

3. Including profit attributable to equity holders for the period from 1 January to 30 September 2021: RMB2,984,169,000.

4. 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.

5. Total assets as at 30 September 2021: RMB20,470,912,000.

6. Capital and reserves attributable to equity holders as at 30 September 2021: RMB11,383,794,000.

7. 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.

8. 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.

9. 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.

10. 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 similar calculation methods as those provided by other issuers.*

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

Revenue

The Group's revenue for the year ended 31 December 2021 amounted to RMB22,572,281,000, representing a significant increase of 56.1% as compared to that of 2020. With the effective pandemic prevention and control measures launched by the Chinese government, pandemic containment was normalized across the nation. At the same time, healthy lifestyle and sports remained public hot topics in regards of the Tokyo Olympic Games and the then upcoming Beijing Winter Olympics, coupled with the increasing recognition and support for domestic sports brands among Chinese consumers, Li Ning was presented with a good opportunity to enhance its brand influence. Capturing such opportunity, the Group continued to enhance its professional brand image through diversified marketing campaigns and product upgrade driven by technological innovation. Meanwhile, remaining focused on the needs of the end-consumers, it recorded solid revenue from all channels: (1) for direct operation channel, the Group proactively launched big stores with high efficiency including flagship stores, while continuing to optimize the visual image of stores and consumers' sports experience. Further with the macroeconomy of pandemic recovery and high popularity of domestic goods, sell-through from directly-operated stores increased drastically by 53.5% year-on-year; (2) given that the e-commerce channel is responding closely and swiftly to consumers' preferences and needs, the Group continued to focus on the big data analysis system and expanded business opportunities and the consumer groups by capitalizing on the emerging livestreaming platforms, which contributed to the revenue growth of 58.4%; and (3) the significantly-increased sell-through triggered the prompt response of franchised distributors, resulting in the increase in orders and execution rate of futures orders and a boosted sales revenue of 56.7% during the year, while the brand influence and market coverage were further enhanced.

Revenue breakdown by product category

	Year ended 31 December				
	2021		2020		**Revenue Change**
	RMB'000	**% of total revenue**	RMB'000	% of total revenue	**(%)**
Footwear	**9,505,994**	**42.1**	6,338,157	43.8	50.0
Apparel	**11,823,798**	**52.4**	7,365,173	51.0	60.5
Equipment and accessories	**1,242,489**	**5.5**	753,641	5.2	64.9
Total	**22,572,281**	**100.0**	14,456,971	100.0	56.1

Revenue breakdown (in %) by sales channel

	Year ended 31 December		
	2021	2020	
	% of revenue	% of revenue	**Change (%)**
PRC market			
Sales to franchised distributors	**48.1**	47.9	0.2
Sales from direct operation	**22.2**	22.6	(0.4)
Sales from e-commerce channel	**28.4**	28.0	0.4
International markets	**1.3**	1.5	(0.2)
Total	**100.0**	100.0	

Revenue breakdown by geographical location

	Note	Year ended 31 December 2021 RMB'000	2021 % of revenue	2020 RMB'000	2020 % of revenue	Revenue Change (%)
PRC market						
Northern region	2	10,939,495	48.5	7,589,864	52.5	44.1
Southern region	3	11,336,583	50.2	6,647,564	46.0	70.5
International markets		296,203	1.3	219,543	1.5	34.9
Total		22,572,281	100.0	14,456,971	100.0	56.1

Notes:

1. In 2021, in order to enhance operating efficiency, the Group restructured and adjusted its sales system and related organization structure to combine the original Southern region and South China region into the Southern region. Comparative figures have also been restated for the purpose of consistent disclosure.

2. 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.

3. The Southern region includes provinces, municipalities , autonomous regions and a special administrative region covering Yunnan, Guizhou, Sichuan, Jiangxi, Chongqing, Tibet, Shanghai, Zhejiang, Jiangsu, Hunan, Hubei, Anhui, Guangdong, Guangxi, Fujian, Hainan and Macau.

Cost of Sales and Gross Profit

For the year ended 31 December 2021, the overall cost of sales of the Group amounted to RMB10,603,183,000 (2020: RMB7,362,627,000), and the overall gross profit margin was 53.0% (2020: 49.1%). During the year, new product discount rates improved in both online and offline channels, and sell-through ratio of new products continued to increase. The aforesaid factors drove the increase in gross profit margin of the Group, which increased by 3.9 percentage points for the year as compared to the corresponding period last year.

Distribution Expenses

For the year ended 31 December 2021, the Group's overall distribution expenses amounted to RMB6,138,077,000 (2020: RMB4,424,718,000), representing a year-on-year increase of 38.7%; the distribution expenses accounted for 27.2% (2020: 30.6%) of the Group's total revenue with a year-on-year decrease of 3.4 percentage points.

During the year, along with the increase in revenue, rental, license fees, wages and bonuses of direct sales staff, investment in advertising and marketing, commission for the e-commerce channel and logistics expenses that related to revenue recorded increases to varying degrees. Nonetheless, their overall growth rate was lower than that of revenue. Thus, the percentage of distribution expenses to revenue declined despite the increase in the overall distribution expenses as compared to last year.

Administrative Expenses

For the year ended 31 December 2021, the Group's overall administrative expenses amounted to RMB1,110,675,000 (2020: RMB805,058,000), accounting for 4.9% (2020: 5.6%) of the Group's total revenue with a year-on-year increase of 38.0%. Administrative expenses mainly comprised staff costs, management consulting fees, office rental, depreciation and amortisation charges, technological development fees, taxes and other miscellaneous daily expenses.

The increase in administrative expenses is mainly attributable to: (1) the increase in wage and bonus expenses as bonuses were partially linked to the overall operating results of the Group; (2) the growth in net income which led to the increase in various additional tax related to value-added tax; and (3) the increase in investment in research and development. Meanwhile, as the overall growth rate of administrative expenses was lower than that of revenue, the percentage of administrative expenses to revenue declined.

Share of Profit of Investments Accounted for Using the Equity Method

For the year ended 31 December 2021, the Group's share of profit of investments accounted for using the equity method amounted to RMB159,222,000 (2020: RMB83,487,000).

Significant Investment

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 (collectively, the "Target Group") respectively (collectively, the Transferred Creditor's Rights"). The above acquisition of the Target Shares and the Transferred Creditor's Rights was completed 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 mainly owns certain investment properties located in the Greater Bay Area of the PRC with one of the office buildings as its principal asset.

The investment cost of such office building was RMB1,635,300,000. The Group adopted the cost method for subsequent measurement of investment properties. As of 31 December 2021, the carrying value of such office building was RMB1,588,276,000 after depreciation, representing a percentage of approximately 5.2% of the Group's total assets.

Following the acquisition of the Target Shares, the Group will continue to perform the original leases of such office building, and will gradually develop the office areas of the Group's southern headquarters with research and development as its main function based on the lease expiry profile and the Group's development plan.

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

For the year ended 31 December 2021, the Group's EBITDA amounted to RMB6,436,060,000 (2020: RMB3,292,272,000), representing a year-on-year increase of 95.5%. Benefiting from the growth in revenue and the adoption of proactive measures of controlling costs and expenses, the Group has achieved relatively satisfactory results performance.

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

	2021 RMB'000	2020 RMB'000
Reconciliation of profit for the year to EBITDA:		
Profit for the year	**4,010,888**	1,698,484
Income tax expense	**1,317,349**	549,381
Finance income	**(145,097)**	(34,658)
Finance expenses (including amortisation of discount on lease liabilities)	**112,458**	66,249
Depreciation on property, plant and equipment	**589,373**	533,902
Amortisation of land use rights and intangible assets	**40,868**	42,119
Depreciation on right-of-use assets	**461,172**	432,717
Depreciation on investment properties not under operating leases	**2,024**	4,078
Depreciation on investment properties under operating leases	**47,025**	–
EBITDA	**6,436,060**	3,292,272

Finance Income/(Expenses) – Net

For the year ended 31 December 2021, the Group's net finance income amounted to RMB32,639,000 (2020: net finance expenses of RMB31,591,000). The change in net finance income/(expenses) was mainly due to the increase in the average disposable capital of the Group for the year as compared to last year, as well as the adjustment of the Group's currency investment portfolio where more funds were deposited in the form of fixed term deposits for more stable returns, which led to the year-on-year growth of interest income. In addition, the exchange rate fluctuations during the year incurred greater exchange losses and interest expenses recognised on lease liabilities increased as well, which partially offset the increase in interest income.

Income Tax Expense

For the year ended 31 December 2021, the income tax expense of the Group amounted to RMB1,317,349,000 (2020: RMB549,381,000) and the effective tax rate was 24.7% (2020: 24.4%). 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 and gross profit margin increased significantly 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 2021 improved significantly. During the year, the Group's profit attributable to equity holders amounted to RMB4,010,881,000 (2020: RMB1,698,484,000), representing a year-on-year increase of 136.1%. The margin of profit attributable to equity holders was 17.8% (2020: 11.7%). The return on equity attributable to equity holders was 26.9% (2020: 21.5%).

Provision for Inventories

The Group's policy in respect of provision for inventories for 2021 was the same as that in 2020. 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 2021, the accumulated provision for inventories was RMB93,679,000 (31 December 2020: RMB113,133,000). During the year, due to the significant increase in sell-through, the Group increased its inventory balance while continued to optimize the inventory structure in order to meet the demand of channel orders and underpin the growth trend of sell-through of stores. Therefore, despite the increase in the original value of inventories as compared to the beginning of the year, the inventory ageing structure improved significantly and the provision for inventories declined.

Expected Credit Loss Allowance

The Group's policy in respect of provision of doubtful debts for 2021 was the same as that in 2020. 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 2021, the accumulated expected credit loss allowance was RMB216,190,000 (31 December 2020: RMB287,344,000), among which the accumulated expected credit loss allowance for trade receivables was RMB208,281,000 (31 December 2020: RMB280,437,000) and the accumulated expected credit loss allowance for other receivables was RMB7,909,000 (31 December 2020: RMB6,907,000). The trade receivables and other receivables written off during the year as uncollectible and the effect of change in exchange rate amounted to RMB55,472,000 (2020: RMB10,437,000). Despite the increase in the original value of trade receivables along with the business growth during the year, the ageing structure improved significantly, and therefore the expected credit loss allowance decreased as compared to the beginning of the year. The Group will continue to strengthen its cooperation with franchised distributors and focus on the continuous optimization of the ageing structure.

Liquidity and Financial Resource

The Group's net cash generated from operating activities for the year ended 31 December 2021 amounted to RMB6,525,335,000 (2020: RMB2,763,336,000). As at 31 December 2021, 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 RMB14,744,899,000, representing a net increase of RMB7,557,860,000 as compared with the position as at 31 December 2020. Adding back the capital recorded as fixed-term deposits held at banks, cash balance amounted to RMB18,481,086,000, representing a net increase of RMB11,039,081,000 as compared to 31 December 2020. The increase was due to the following items:

Item	Year ended 31 December 2021 RMB'000
Operating activities:	
Net cash generated from operating activities	6,525,335
Investing activities:	
Net cash used in investing activities (including payment for short-term and long-term bank deposits)	(6,538,700)
Financing activities:	
Net proceeds from top-up placing and subscription of shares	8,571,787
Net cash used in other financing activities	(975,637)
Add: Exchange losses on cash and cash equivalents	(24,925)
Net increase in cash and cash equivalents	**7,557,860**
Add: Net increase in long-term and short-term bank deposits	3,481,221
Net increase in cash balance	**11,039,081**

The Group's cash flow from operating activities increased significantly year-on-year, which was attributable to the remarkable growth in revenue from all channels and the substantial improvement in settlements from franchised distributors. During the year, the Group completed the acquisition of the Target Shares and Transferred Creditor's Rights and settled the prepayment for its acquisition of a new building of Shanghai headquarters, which led to the drastic year-on-year increase in cash used in investing activities.

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

As at 31 December 2021, none of the net proceeds were used. The unutilised net proceeds from the top-up placing of shares are intended to be used as follows:

Intended use of net proceeds	Percentage of total net proceeds (approximately)	Unutilised net proceeds as of 31 December 2021 (approximately RMB'000)	Expected timeframe for utilising the unutilised net proceeds*
Investment in newly launched product categories as well as future business investments when opportunity arises, including international business expansion	40%	3,428,715	Before 31 December 2026
Investment in reengineered infrastructure and further improvement of the supply chain system	30%	2,571,536	Before 31 December 2026
Development of the brand and IT system	20%	1,714,357	Before 31 December 2024
General working capital	10%	857,179	Before 31 December 2024
Total	100%	8,571,787	Before 31 December 2026

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

As at 31 December 2021, the Group's banking facilities amounted to RMB2,770,000,000, 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 pays dividends in Hong Kong Dollars, certain license fees, sponsorship fees and consultation fees in United States Dollars or Euros, and certain investments in Hong Kong Dollars, United States Dollars or Pound Sterling.

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

Pledge of Assets

As at 31 December 2021 and 31 December 2020, the Group had no pledged assets.

Contingent Liabilities

As at 31 December 2021, the Group had no significant contingent liabilities.

BUSINESS REVIEW

In 2021, the globally volatile COVID-19 pandemic, despite its impact on the economy and people's livelihood, has motivated enterprises to actively seek transformation of operation modes. The Chinese government continued to strictly implement its pandemic prevention and control policies and the pandemic has been under better control compared to overseas countries, which has in turn facilitated the gradual recovery of the Chinese economy. During the year, the social and economic aggregates as well as productivity of China sustained an upward trend in general. The consumption sector was temporarily affected by the slowdown of the macroeconomy and the volatile pandemic in the second half of the year, however, the public awareness of health has increased and the consumption demand for sporting goods remained robust under the support and promotion of the relevant national policies. Against this backdrop, we continued to focus on LI-NING's experience value and optimized our marketing strategy based on the individual needs of consumers, thereby demonstrating stronger brand resilience while satisfying consumers' experience. Meanwhile, we actively enhanced product competitiveness by further promoting our brand image and consolidating the professional reputation of our brand, at the same time relentlessly exploring new fashion trends to keep abreast of market development. With the continuous strict implementation of its effective internal and external control measures during the year, the Group has efficiently managed its cost effectiveness and seized every potential opportunity for business development. Looking back to the performance in last year, the Group recorded a substantial revenue growth and further enhanced profitability with a robust growth momentum of the principal financial and operational indicators.

During the year, we continued to focus on implementing the strategy of "Single Brand, Multi-categories, Diversified Channels" to provide full support for and exemplify LI-NING's experience value. Meanwhile, we further pushed forward product optimization and upgrade and stressed on enhancing the retail operation capability, boosting channel efficiency and strengthening the supply chain management system. In terms of products, we placed emphasis on the development of the professional sports segment and put extra efforts in the research and development of sports technology to highlight the professional sports attributes of our products in an attempt to improve product performance continuously. On the other hand, we closely monitored the area of cultural creativity as well as popular and fashion trends. Fashionable elements and diversified trendy styles were incorporated into our professional sports products to provide consumers with a more comprehensive consumption experience and diversify our brand values by keeping up with the latest trends. For channel development, we continued to optimize the channel structure and developed diversified sales channels in an effort to enhance the sales efficiency of stores. We also accelerated the planning for new retail businesses and consolidated the advantages of the online and offline platforms to offer a more interactive and customized service experience for consumers with our best endeavors. In terms of supply chain, we perfected our supply chain management system with business development needs as our top priority and continuously developed our own supply chain system with cost-effectiveness and high reliability. In the meantime, we also focused on enhancing the elasticity and pushed forward the transformation of the supply chain system from a passive production mode to a proactive production mode with more flexibility.

Latest operational update for the fourth quarter of 2021

For the fourth quarter ended 31 December 2021, 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-twenties growth on a year-on-year basis. In terms of channels, retail (direct operation) channel registered a mid-twenties growth and wholesale (franchised distributors) channel registered a high-teens growth, while the e-commerce virtual stores business registered a high-twenties growth on a year-on-year basis.

For the fourth quarter ended 31 December 2021, the retail sell-through of LI-NING POS (excluding LI-NING YOUNG) for the overall platform increased by low-thirties on a year-on-year basis. In terms of channels, offline channel (including retail and wholesale) registered a high-twenties growth, with both retail and wholesale channels increased by high-twenties, while the e-commerce virtual stores business registered a low-forties growth.

As at 31 December 2021, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 5,935, representing a net increase of 132 POS since the end of previous quarter and a net increase of 23 POS since the beginning of this year. Among the net increase of 23 POS, direct retail accounts for a net increase of 16 POS, and wholesale accounts for a net increase of 7 POS. As at 31 December 2021, the total number of LI-NING YOUNG POS in China amounted to 1,202, representing a net increase of 65 POS since the end of previous quarter and a net increase of 181 POS since the beginning of this year.

Promoting the "Single Brand, Multi-categories, Diversified Channels" strategy to enhance LI-NING's experience value

On-going development of the professional product system to build a technology-driven image for the brand

During the year, we stayed focused on our five core categories, namely basketball, running, training, badminton and sports casual. Emphasizing new sports technology, we were committed to the research and development of professional products to enhance the sports features of the brand. We also built a new image of professional and fashionable sports products by delving into elements of both the Chinese culture and popular culture.

In terms of professional products, we continued to speed up the development of functional products and paid special attention to technology and material upgrades. We promoted the diverse applications of our products to reach consumers from all walks of life and further appealed to them to enhance their recognition of LI-NING as a professional brand, thereby unleashing its professional value.

– Running category continued to expand its offering of professional running shoes based on the multilevel demands of runners. With a focus on improving sports performance, the Boom series launched the "Feidian 2.0 Elite" (飛電2.0 Elite) to open up the carbon plate running shoes market. Meanwhile, the Rouge Rabbit series upgraded its product mix and introduced the "Rouge Rabbit 5 Pro" (赤兔5 Pro). To expand the market size of the running shoes segment, the new product applied the "LI-NING BOOM" (李寧䨻) technology in the midsole to enhance professional performance and reach the mass market. Utilizing the "LI-NING BOOM" (李寧䨻) technology, "Super Light 18th" (超輕18) adopted a special midsole design which catered not only to the needs of daily joggers for professional functions, but also the demands of fashionable consumers and commuters in general. As a result, it performed well and became a star product for the year.

– We continued to achieve breakthroughs in our basketball products categories and optimized our offering mix through on-going product upgrades. In view of the diverse needs of consumers, we combined technology, sports stars and story-packed themes in the court to develop more brilliant products for consumers out of the court. Apart from retaining the heritage design, the "Yushuai 15" (馭帥15) series adopted the "LI-NING BOOM" (李寧䨻) technology and earned consumers' recognition for its functions and on-site performance. Leveraging the intensive collaboration with Fred VanVleet, the "Speed 8 Premium" (閃擊8 Premium) series mixed in the retro elements of his team and launched a special color option exclusive to the NBA star, which increased the value of the star-used edition basketball shoes for collectors and created a culture exclusive to LI-NING's basketball shoes. Besides, we rolled out the "CJ1" series with C.J. McCollum's signature on it. The new product applied the "LI-NING BOOM" (李寧䨻) technology on the entire foot and embedded carbon plate for the insole to give excellent rebound. Looking forward, we will offer more color options for the story themes of C.J. McCollum.

- Based on consumers' needs and market trends, the badminton category classified its racket products and developed three new major series, namely the "Thunderstorm" (雷霆) series for attack-oriented players, the "Shadow" (鋒影) series for speed-oriented players and the "Halberd" (戰戟) for control-oriented players. Through the use of high-tech light and anti-shock materials, players can have a better grip when striking, which reduces the risks of sports injury. As the "Thunderstorm" (雷霆) and "Thundercloud" (雲霆) series gained momentum in the badminton shoes market, we proposed a better layout of functional areas on the soles and a more reasonable sole pattern design for better abrasion resistance and grip. To avoid sliding, we used low extension microfiber for the uppers. In terms of apparel products, we released the jersey for the national team and international sports stars at the Olympics Games during the year. Employing the most advanced quick-dry technology "AT DRY" and the SEAMLESS technique, we offered supreme professional products with professional and fashionable features for competition to world-class sports teams and stars.

- The training category strived to develop leading professional and stylish fitness products for Chinese consumers. We upgraded the "No Boundaries" (無界) training shoes series by adding new products equipped with the "LI-NING BOOM" (李寧䨻) technology and the modular kinetic energy technology, which enhanced their professional features for indoor multipurpose fitness training. From the perspective of consumer experience, we continuously upgraded the materials with the "AT DRY" technology and enhanced the featured functions and technologies of products, so as to offer a better sport and product experience. Meanwhile, based on the latest development of women's sports, we focused on the core items used in popular female sports. Under the women fitness series, we launched the "Rourou Pants" (揉柔褲) that was specially designed for yoga practice. The product adopted the new *INNOSOFT*™ fabric technology and eliminated all contact pressure with fabrics that were brushed on both sides. Furthermore, it was highly stretchy so that consumers could not even feel its presence.

In respect of sports fashion, we sought to seize opportunities ahead and attract consumers' attention by tapping the market potential in the sports lifestyle segment. During the year, our product mix expanded steadily and catered to the needs of fashion consumers precisely in the mass market, thereby developing the core competitiveness of our sports lifestyle products.

- The WADE series apparel continued to adhere to take "Sports, Technology, Fashion" as its core DNA and highlighted its position as a basketball product brand. It further applied high-tech fabrics and high-end fashion elements while retaining its high-class fashionable sporty style. During the year, the Wade series partnered with the French artist DFT to launch the limited edition "WE ARE ONE", so as to share our brand philosophy and high-end style through unique artistic designed look. Characterized by 3D cutting and the classic W-shaped structure line, the "Wade 003" series launched the Hero edition basketball pants for a more comfortable sports experience, thereby consolidating our professional brand image. We also rolled out a range of "Way of Wade 9" (韋德之道9) basketball shoes in different colors, which all gained attention in the market. By combining fashion elements and basketball culture, we continuously offered superior domestic basketball shoes to consumers.

- The "BADFIVE" street basketball series optimized its portfolio through on-going product enhancement and creativity. The limited city series reached a new height as it released limited editions for two new cities, Chongqing and Nanjing, namely the "Unstoppable Power of Chongqing" (霧都大勢) and the "Nanjing City" (江左風流) editions, which both became a sensation in the market since their debut. At the same time, we rolled out the "Changsha City 2.0" (惟楚有材2.0) series for Changsha. Tapping into the culture of the local Miao people in Hunan, we incorporated cultural elements into product development to impress our consumers. Apart from that, our new "Chang An Young n Rich" (長安少年) series had a crossover with popular rappers for a specially produced song, so as to bring excitement to consumers and reach the core audience by creative means.

– As for sports fashion series, we continued to maintain in-depth communication with young consumer groups by such ways as original IP story and product crossover, so as to comprehensively enhance the appeal of the LI-NING brand among young consumers and seize the opportunities in the emerging markets. During the year, in collaboration with CHINATOWN MARKET, a renowned lifestyle brand, we incorporated the creativity and expressiveness of popular US-styled trends into our urban outdoor outfits, adding a more distinctive attitude and character to our urban outdoor styles. Moreover, we continued to crossover with DISNEY and LINE FRIENDS and launch high-quality products, among which the crossover series of Lotso from Toy Story was presented by way of all-female story-pack, which further boosted the sales performance of our female products.

– As the fashion trendsetter of LI-Ning brand, the China LI-NING series continued to demonstrate the diversified possibilities of the integration of the Chinese culture and fashion trends and maintained interactions with young and fashionable consumers. On the basis of "Shadow" (絕影), our running shoes for the professional field, "Shadow CRC" (絕影CRC) was launched with a distinctive fashion attitude. The product design embodies the perfect blend of industrial style and the nature with stacked geometric shapes such as square, circle and triangle through various techniques on different materials, exhibiting the industrial aesthetics and functional features in an orderly manner. On the other hand, through the fashionable upgrade and analysis of the first generation of "Super Light" (超輕) running shoes, "Overload" (超載) made use of the popular element of vintage running shoes and adopted high-quality materials in every detail, thereby enhancing the trendiness of the product while preserving the style and shape of the original model.

Promote diversified marketing resources layout in full swing with a focus on characteristics of professional and fashion categories

With a focus on the characteristics of the professional functions and sports casual category, we continued to strengthen our comprehensive marketing resources layout. Continuous exposure of our professional products through sports stars and professional events as well as promotional efforts in tandem with hot gossips have further scaled up our consumer groups. Besides, we further diversified the marketing with entertainment modes for the sports causal category with strong emphasis placed on the favourite fashionable segments among young consumers. We carried out comprehensive cooperation with variety shows, media and artists and focused on resources from various large-scale platforms for multi-dimensional exposure of our products.

– In terms of professional basketball, we continued to tie up the marketing of CBA Finals with the champion jersey and expanded our consumer group through the innovative promotional model of product lucky draw. Meanwhile, we cooperated with broadcasting sponsors of CBA and hence successfully achieved our goal of converting customer flow into business volumes. As international leading basketball resources continuously being added to the pipeline, we have established the apparel product line of professional basketball under the star player series, through which we constantly launched storyline-based, sensational and professional star player shoes and apparel package with fashionable lifestyle elements to complement the sales of shoes products, resulting in overwhelming response among basketball fans and various consumer groups. At the same time, we consolidated our marketing resources and realized network-wide marketing and multi-categories sales at stores of the star player series through the multi-categories channel, thereby creating synergy among resources, channels and business operation.

– In regards to the basketball culture, riding on the trend of popular culture and street basketball, the "BADFIVE" series precisely captured and analyzed the street basketball culture, and continued to integrate the special culture of various Chinese cities with the basketball culture. We have established a number of thematic IP such as "Too Young To Stay" (少不入川) and "Unstoppable Power of Chongqing" (霧都大勢) and created the BADFIVE street basketball culture with the joint efforts of the "3+1" Street Basketball Event, all of which has successfully demonstrated the charm of the basketball culture to a wider population of young and fashionable consumers. In addition, we launched "Rookie" (新秀Rookie), our brand new casual footwear featuring basketball culture, to extend the basketball culture beyond the basketball court, enriching the application scenarios of the consumers. Looking forward, the "Rookie" (新秀) series will launch in parallel with the theme of the current season in an effort to develop casual footwear featuring basketball culture of Li Ning brand on an ongoing basis.

– For our running products, we have formulated marketing strategies that were more in line with our long-cycle products and organized the "Yueying 100-Day" (越影100天) Half-Marathon Training Camp, during which we have implemented a 100-day professional training system, formed a coaching team and provided equipment to support the transformation of beginners from scratch to success. Nearly 70% of the runners wearing "Yueying" (越影) running shoes have eventually passed the training and challenges and completed the half-marathon successfully. We created opportunities to provide product experience, at the same time producing substantial promotion materials and content to enhance the professional features of our brand and prove the functional features of the running shoes, hence further strengthening the position of "Yueying" (越影) running shoes among beginners.

– As to our badminton products, capitalizing on various competitions, such as the Olympic Games, the Chinese National Games and World Tournament, we increased exposure through material production, online marketing events, promotion on collaborative platforms and through channels in lower-tier cities with the focus on our key products, namely "Thunderstorm" (雷霆), "Shadow" (鋒影) and "Ambush" (突襲). In terms of sports resources, we collaborated with the national badminton teams of Singapore and Australia, at the same time signing up with domestic and international top-notch players, such as Chen Long (諶龍), Zhang Nan (張楠) and Loh Kean Yew (駱建佑), with a view to improving the development of LI-NING's badminton players team.

– In respect of sports fashion, we continued to further explore platforms where target consumer groups gather, such as Xiaohongshu (小紅書) and Dewu (得物), and increased the variety and playability of product matching by way of "unboxing and recommending matching ideas". With the creative marketing approach targeting female consumers, we created exclusive IP series of LI-NING brand for female consumers so as to drive the business of our women's products. We launched the series of "LI-NING X Toy Story" with a crossover storyline featured Lotso. Meanwhile, we realized multi-scenario exposure by promoting on online platform matrix where female consumers gather with contents themed autumn and winter fashion, adorable fashion styles and pop-up store visit with Lotso. Furthermore, we carried out marketing campaigns among different groups of consumers for our crossover series with Steven Harrington, organized offline campaigns integrating pop culture and lifestyle in collaboration with The Shouter, a trendy home furnishing buyer shop, and cooperated with sneaker media and fashion opinion leaders for individual product recommendations, thereby driving up the sales of products of the entire series.

– For marketing campaigns with entertainment, our brand announced the signing up with Xiao Zhan (肖戰), a young actor and singer, to be the global spokesperson for LI-NING's fashionable sports products during the year to jointly explore and create more possibilities in sports fashion sector. Leveraging years of extensive experiences in professional sports sector and in-depth insights into the lifestyle of the current young generation, the influence of LI-NING brand in sports fashion sector became increasingly prominent. In addition, the presentation of sports fashion and unique analysis of Chinese cultural elements have become a distinctive label of LI-LING. In the future, by joining hands with high-quality spokespersons, our brand will ignite the passion for sports fashion among consumers from more perspectives and in a more diversified manner.

Expedite improvement of quality of market coverage through continuous optimization of channel efficiency

In 2021, the Company remained focused on optimizing the structure and efficiency of channels and facilitated the communication and cooperation with high-quality retailers, which optimized the efficiency of retail channel and enhance the quality of market coverage. During the year, the Company continued to optimize the development and expansion of channels with a focus on big stores in shopping malls and launched big stores with high efficiency including flagship stores on a continuous basis. Meanwhile, the Company further optimized the store structure by accelerating the closure of loss-making, low efficiency and small stores.

During the year, the Company continued to enhance the visual image of its stores, and expedited the development of the 8th generation image store, at the same time phasing out old image stores such as the 6th generation ones. As of 31 December 2021, the percentage of 8th generation image stores has increased to over 40%. In the future, the Company will continue to accelerate the innovation and development of store image. Meanwhile, it will devote more efforts in member and omni-channel development, so as to boost business growth through online and offline synergy.

As at 31 December 2021, 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 7,137, representing a net increase of 204 POS as compared to 31 December 2020. The number of distributors was 65 (including sales channels of China LI-NING stores), which is the same as that of 31 December 2020. The number of POS breakdown as at 31 December 2021 is as follows:

LI-NING Brand	31 December 2021	31 December 2020	Change
Franchised	4,770	4,763	0.1%
Directly-operated retail	1,165	1,149	1.4%
LI-NING YOUNG	1,202	1,021	17.7%
Total	**7,137**	6,933	2.9%

Number of LI-NING Brand POS by geographical location

	31 December 2021			31 December 2020			
Regions	LI-NING Core Brand	LI-NING YOUNG	Total	LI-NING Core Brand	LI-NING YOUNG	Total	Change
Northern Region *(Note 2)*	3,034	756	3,790	2,989	678	3,667	3.4%
Southern Region *(Note 3)*	2,901	446	3,347	2,923	343	3,266	2.5%
Total	**5,935**	**1,202**	**7,137**	5,912	1,021	6,933	2.9%

Notes:

1. In 2021, in order to enhance operating efficiency, the Group restructured and adjusted its sales system and related organization structure to combine the original Southern region and South China region into the Southern region. Comparative figures have also been restated for the purpose of consistent disclosure.

2. 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.

3. The Southern region includes provinces, municipalities, autonomous regions and a special administrative region covering Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan, Guizhou, Tibet, Guangdong, Guangxi, Fujian, Hainan and Macau.

Improve product management mechanism and optimize inventory structure to boost the driving force for professional sports products

In 2021, due to the dual influence of the temporary favorable external environment and uncertainty of the pandemic, the demand of customers fluctuated significantly, hence the Company enhanced the requirement on the preciseness of product management on a continuous basis.

– The product management department continued to optimize product planning and push forward pre-sale plans, while raising the standard of product management and further refining management of promotion, product and sales planning. At the same time, it adopted an inventory management model that would enhance the depth of core products and prevent out-of-stock or short-in-size, in order to supply best quality products to various stores and substantially improve product operation efficiency.

– The Company established an inventory management mechanism by setting a monthly goal based on the type of stores, with a view to selling out core products in various stores and attaining efficient inventory turnover in respect of the major products. Meanwhile, the percentage of inventory of obsolete products was further lowered by accelerating the destocking of the inventories, which in turn further optimized the inventory ageing structure. Looking forward, on the premise that a manageable level of total inventory and a reasonable inventory ageing structure is assured, the Company will further enhance the efficiency of inventory operation in order to "do business in a sensible manner with the most effective inventory management".

– With a focus on functional products, the Company further developed and improved the footwear product matrix with "LI-NING BOOM" (李寧䨻) technology as the core. This product matrix has drawn widespread attention and established presence in the market, which increased the percentage of footwear sales and acted as a strong driving force for the professional products of the LI-NING brand.

Develop single-store operation model to promote the implementation of retail operation standards

In 2021, the Company focused on the exploration of highly-efficient and profitable single-store operation model and further developed the store business in a bid to facilitate the realization of standardized, professional and simplified operation of retail stores.

– The Company continued to explore operation model for big stores. The Company has put into practice the overall operation model for big stores based on the three directions of "establishing platform for headquarters", "enhancing operation efficiency of stores" and "developing standardized retail operation system". It expedited the establishment of flagship stores to validate the capability of the headquarters' functions of supporting the stores as well as the applicability of stores' operation system and business model. Furthermore, the Company strengthened the headquarters' functions and the business capability of retail stores with practical experience, hence laying a foundation for its nationwide large-scale replication.

– The Company promoted the establishment of sports marketing business system to facilitate further development of retail stores in local markets. By appointing professional sports consultants for basketball, running and fitness at its major stores in core cities in the PRC, the Company has targeted various cities and carried out large-scale events to bring sports experience, with a view to enhancing the recognition of LI-NING brand's image of professional sports among consumers. Looking forward, the Company will continue to improve the sports experience of the customers through in-depth interaction with consumers at stores by leveraging sports resources.

– The Company comprehensively upgraded LI-NING's retail operation manual to promote the development of standardized retail operation system. In the future, the Company will realize the implementation of retail operation standards at stores in accordance with the retail operation manual empowered by retail capability with the support of management tools, at the same time guiding the stores in realizing highly-efficient and precise store operation management.

- Based on the retail operation system platform, the Company continued to improve the execution of tasks and fostered a fully transparent business closed-loop of retail management, which comprised processes of "giving and receiving business instructions, implementation at stores and confirmation of results". Meanwhile, the remote store inspection function has been adopted in certain core areas and stores, thereby enabling the headquarters to make more prompt responses to the changing situations at stores.

- The Company has established a retail talent system for sustainable development and specified the job descriptions and standards of business capability for retail personnel of all levels based on the capability model of retail talents. The Company has also developed the empowerment model and tools to cultivate core retails talents and enhanced the training culture in this respect, while continued to upgrade the abilities of retail talents in organic development. In the future, the Company will gradually prepare ways for talents of store functions to grow and develop with headquarters' functions so as to broaden the career paths of employees.

Accelerate the transformation of the logistic network and promote the digitalized operation model

In 2021, the Company continued to improve the logistics service system by promoting the transformation of the logistic network towards the regional central warehouse model. Meanwhile, the Company attempted to enhance the efficiency of its logistic service system through informatization and digitalization of logistic management, so as to provide strong logistic support for its retail management.

- The Company continued to further optimize the logistics network to enhance our service capability and quality in key sales regions, as a result of which the timeliness of delivery from warehouses to stores has seen improvement and the average time required for product delivery to stores has been shortened. Looking forward, the Company will persistently promote the transformation towards the regional central warehouse model and further shorten the time required for product delivery to stores, allowing consumers to experience the products of LI NING Company more conveniently and rapidly.

- In order to ensure the timely launch of products as planned, the Company has increased the proportion of direct delivery of products at stores, thereby reducing the transportation time of products from factories to stores and thus optimizing the speed of product delivery. With the gradual establishment of regional central warehouses, the proportion of direct delivery of products at stores will further increase in the future.

- The Company has embarked upon the development of a logistic management platform with a view to realizing comprehensive order tracking. Intensified efforts have also been made in the development of logistic digitalization as well as rapid and simultaneous sharing of logistic information so as to ensure transparency throughout the logistic information chain. In particular, some of the core logistic functional modules have already been put into operation.

- The Company launched the warehouse automation project to enhance the operation capability in respect of logistic retail-oriented sorting. It will also accelerate the transformation towards the retail-oriented logistic model to provide more efficient logistic services for stores. Looking forward, the Company will realize automatic sorting and promote the mechanized and automated operation model of warehouses to significantly improve the efficiency of warehouse operation.

Continuous execution of Omni-channel strategy to optimize operation modes of e-commerce

In 2021, the e-commerce of Li Ning Company recorded excellent results in all aspects. Following the e-commerce's core strategies, the team has been conducting consumer behavior insight and education to maintain highly efficient operation, ensure stable sustainable growth and create core competitiveness of the brand at the same time. For online channels, traditional e-commerce platforms delivered consistent outstanding performance, while the livestreaming sector and the WeChat business landscape have also registered significant growth.

During the year, being committed to exploring new breakthroughs in creativity, the e-commerce of Li Ning Company continued to roll out a series of marketing campaigns by way of, among others, e-commerce festival, product launch and fashion week. Meanwhile, complementing the key marketing strategy of the Group, the e-commerce launched its marketing activities and devoted more efforts to promote functional products on livestreaming platforms such as Douyin (抖音), boosting the consumer penetration and education in regards to the products relating to "LI-NING BOOM" (李寧䨻). The e-commerce business sector has gradually developed the closed-loop online operation mode of "precise access to consumer community, content education, increase in traffic at stores, consumers' comment and feedback".

Apart from the above, the e-commerce platform has been developing the COUNTERFLOW BY LI-NING series, which is an independent sports casual product line with cultural elements at its core. Inspired by traditional Chinese culture, the "COUNTERFLOW" series is an interpretation of Chinese cultural heritage through persistence with original design. This crossover between ancient Chinese culture and trendy sports products aims to share the supreme aesthetics of Chinese civilization with the broader consumer community.

In respect of Omni-channel and member development, directly-operated retail stores have substantially been connected to the Omni-channel business system. Meanwhile, in respect of inter-connected members, the connection between online and offline distribution scenarios of members has also been basically accomplished. During the year, the membership system attracted millions of in-store visits resulting in additional revenue growth. In respect of consumer behavior insight among the members, the membership department continued to optimize the consumer analysis system and improved the consumer experience analysis system into a more powerful one in the area of consumer experience of products and services.

Looking forward, the e-commerce division will continue to gain behavior insights from the target consumer groups, thereby creating its core competitiveness in aspects such as consumer education and creativity. Meanwhile, we will continue to monitor the online business landscape, consumer experience standards, distribution of goods, price management and strategic synergy. We will put in more resources into the focused areas comprising general e-commerce strategy and business landscape governance. We will pursue optimization of the e-commerce business landscape as the strategic focus of its structural management in a bid to promote healthy and sustainable growth of the e-commerce business.

Continuing to consolidate resources from supply chain to promote safe supply and enhance rapid responses

In 2021, based on the "value supply chain" management model which remained the centre of the supply chain system, the Company carried out the supply-chain related operations oriented with its products. Promoting the strategy of "reducing wastage and improving efficiency" with business partners to achieve higher productivity and product competitiveness, the Company adopted end-consumer satisfaction as the final indicator of the supply chain value. Meanwhile, striving to consolidate resources from the supply chain, the Company further accelerated the transition from "passive production" to "proactive production" in a bid to strengthen agile supply and rapid response ability, improve dynamic management, strengthen planning, production capacity management, resource regulation and control and risk management continuously and develop a precise, flexible, efficient and safe supply chain management system.

- The Company continued to focus on the promotion and adoption of R&D technology to pursue technology-driven business growth. With a focus on the characteristics of different product categories, it engaged in R&D projects in multiple aspects and incorporated its own technology into the products to enhance the functional features of products, at the same time planning its own technology platform with a view to strengthening communication with consumers on the functional features of products. During the year, in order to enhance the professional features, functional features, novelty and uniqueness of products, we actively promoted further cooperation with the leading suppliers in terms of R&D, capitalized on their resources advantages to push forward the R&D of functional materials, provided different classes of professional sports products for the market, and continuously enhanced the proportion of professional products with the support of technology. Furthermore, continuing to promote the development of R&D and innovation capabilities, we optimized the management and assessment mechanism for R&D projects, created a culture of encouraging innovation among team members, and introduced high-calibre talents in R&D and innovation. These efforts firmly paved the way for the output of innovative products. Meanwhile, we actively planned and built R&D bases to develop the core R&D and testing capabilities of our brand.

- The Company collectively coordinated and managed supply chain resources to encourage quality resource sharing among various departments, product categories and brands, which laid a foundation for bulk purchasing and centralised management. Striving to restructure supply resources, it developed a dynamic system to retain high-quality suppliers and eliminate underperforming ones. It also continued to increase cooperation with good suppliers to ensure the flexibility, efficiency and preciseness of supply chain resources. Meanwhile, it put greater efforts to enhance the efficiency and standardization of the process from development to output, thereby significantly increasing the digitalization level and overall efficiency of the supply chain. With a rational distribution of major suppliers in various regions, the Company leveraged its advantages of integrated resources to enhance production and fully secured a safe supply and resource allocation. Besides, in view of seeking focused supply for certain specified product categories, the Company developed a unique management system for high-end products with an emphasis on precise planning and craftsmanship standards, while formulating highly demanding product standards and quality control systems. In addition, it put more efforts in improving and developing the internal capability to increase the quality control capability of various product lines.

- The Company continued to push forward the transition of the supply chain from "passive production" to "proactive production". To drive the business growth, the Company formulated the order planning of quick replenishment of products, which orchestrated merchandise, production and sales planning to form an effective interaction mechanism, thereby promptly responding with the movements in demand by production and supply. The Company 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 growth with top-quality supply chain resources.

- In respect of cost management, given the increase in the costs of raw material and labour attributed to external macroeconomic factors, the Company maintained stringent cost planning and adopted cost control measures in each area throughout the entire production process from the development stage to market launch of products. By expanding the integrated cooperation with major suppliers, the Company promoted the optimization of material integration, scalable procurement and processing efficiency, with a view to driving the optimization and upgrade of cost structure with concerted efforts and ensuring stable supply and effective cost and price control. Meanwhile, in an effort to undertake social responsibilities, 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 of the supply chain. It was committed to gradually instilling the core industrial capabilities into LI-NING's system over time. As a result, it strengthened its own supply chain management and the application of technological R&D knowledge, as well as enhanced the supplier management and optimization of their capability, thus achieving win-win cooperation towards the common goal of improving product quality in a strict manner.

NEW BUSINESS

LI-NING YOUNG

In 2021, LI-NING YOUNG set clear business development goals and operation plans for the future and established a future-oriented business model for kidswear. It positioned itself to be "the fashionable professional sports kidswear brand originated from China" and continuously optimised the business model to drive brand growth.

– In respect of products, the Group continued to increase the investment in the category of professional sports products for kids in order to establish a distinct positioning and to complete the review of its technology for professional products. During the year, the Group launched the first professional basketball shoes series that integrates the "LI-NING BOOM" (李寧䨻) technology, which enhanced its technology attributes in line with the marketing efforts, and in turn further boosted the proportion and competitiveness of the professional sports products. For apparel products, the Group focused on the characteristics and the functional features of different sports to build its reputation as a professional sports brand and enhance the brand image of professional sports products. Based on the concept of trendy sports for kids, the design of the lifestyle sports products was inspired by the Chinese elements, further highlighting the style of trendy series embodying the unique features of LI-NING YOUNG.

– For channel development, we accelerated the opening and development of big stores and benchmark stores to further optimize the channel structure. Our key business goals focused on boosting the efficiency of stores rapidly, expanding flagship stores providing goods of the entire series, integrating creativity, products, technologies, Chinese culture, IP crossover with sports and children fun filled shopping experience and promoting sustainable growth of store efficiency. We implemented the Omni-channel strategy, expanded new retail channels actively and adapted to external changes to explore new sales channels and business opportunities.

– For brand marketing, we conducted integrated marketing based on key products, key events and the timing of such events. We created the star-featured product images by means of, among others, brand videos, public relations, social media promotion, KOL promotion and analysis of product technologies. Leveraging the catwalk show campaigns of Li Ning brand to showcase fashionable kidswear products, coupled with resources such as visual marketing and social media, we developed the product and brand influence with the aid of such integrated communication effects. In addition, we have improved the all-media matrix and developed an integrated marketing and sales platform comprising public relations, search and all-social matrix (Weibo, WeChat, Douyin (抖音), Xiaohongshu (小紅書), bilibili (嗶哩嗶哩)).

As of 31 December 2021, LI-NING YOUNG business covered 30 provinces, municipalities and autonomous regions with a total of 1,202 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 2021, in order to promote the accomplishment of the business strategies of the Company, the human resources department continued to increase the efficiency of the organisational structure, establish the talent supply chain system, further promote the strategy for hand-picked elites and improve the incentive sharing mechanism, thereby developing Li Ning's featured corporate culture.

– Regarding organisational development, the Company continued to optimize the organisational structure and increase the efficiency by strengthening its organisational capacity and continuous innovation of mechanism. The Company has established the retail business units to further enhance its retail operation capability and increase the operational efficiency of retail front. In addition, it has implemented the strategic goal of transformation of wholesale operation model into retail operation model, accelerated the development of Omni-channel to promote digitalized transformation of the Company and continued to enhance the organizational breakdown of product categories in a bid to explore and strengthen the strategic and new categories.

– In terms of talent management, the Company continued to optimize the talent supply chain management system and the dual career development paths for employees to ensure introduction of core and key talents and development of talent teams. It has put greater efforts in the nurturing of management trainees and retail talents so as to explore and recruit talents to drive business transformation on a continuous basis, and identify young talents for building up teams of hand-picked elites. The Company also established a learning organization to enable it to possess more open learning abilities.

– In terms of remuneration and benefits, in order to realise performance growth stemmed from capability improvement, the Company has incorporated the strengthening of organizational capabilities into its business evaluation system. The Company continued to optimize the incentive sharing system to enhance its market competitiveness in respect of remuneration. As such, incentive resources have been redirected towards staff in core positions that are able to drive performance growth and enhance organizational capabilities, while focusing on increasing its market competitiveness in terms of remunerations relating to retail stores.

– Regarding culture and staff relationship, the Company motivated organizational and employees' vitality, further developed the core values and sense of integrity of the Company, improved staff satisfaction and engagement and increase their sense of honor and mission in a bid to perform the corporate social responsibilities.

In the future, the Company will continue to enhance its organisational efficiency and improve the development of talent teams as well as the incentive sharing system. The Company will effectively manage the investments in human resources, while continuing to strengthen its organisational capacity and competencies of employees, which underpin the business growth of the Company.

As at 31 December 2021, the Group had 4,019 employees (31 December 2020: 3,625 employees), among which 3,838 employees were at the Group's headquarters and retail subsidiaries (31 December 2020: 3,466 employees), and 181 employees were at other subsidiaries (31 December 2020: 159 employees).

OUTLOOK

Heading into 2022, we will consistently adhere to the strategic direction of "Single Brand, Multi-categories, Diversified Channels" to strengthen our business development and enhance our retail operation capability with a view to realizing LI-NING's experience value in all aspects and hence promoting the continuous growth of the Company's results:

– In respect of products, we will continue to focus on exploring aspects such as product functions and technological innovation, and further analyze the popular trends and sports culture to provide consumers with diversified consumption experience, which will thereby reinforce customer loyalty to our LI-NING brand and enhance our brand influence;

– In respect of channel development, with the main focus on improving the operation efficiency, we will further accelerate the establishment of big stores with high efficiency and enhance the synergistic operation of the omni-channel by upgrading the diversified channel network, so as to further optimize the efficiency of our channels;

– In respect of retail operation and supply chain, we will enhance the standards of store operation and store management ability on the focused basis of optimizing both product and consumer experience with a view to expediting the changes in retail concepts. In addition, we will continue to consolidate and optimize the supply chain system to enhance our capabilities in terms of supply chain management and the application of technology and expertise resulted from the research and development;

– In respect of marketing, we will make full use of big data and information technology to continuously strengthen our comprehensive marketing layout through digitalized approaches to reach consumers at different levels. While concentrating on the actual demands of consumers, we will convey our brand value in combination with the fashion trends and continue to increase popularity of our brand among the public;

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

The continuous growth of the Chinese economy and national consumption in recent years has provided a strong impetus for the development of sports goods industry. With constant self-breakthroughs and advancements, the sports industry has expanded beyond the professional field and became widely accepted by the general public in a more diversified, refined and commercialized manner. We strongly believe that the sports industry has a promising outlook with enormous potential for development. As one of the leading enterprises in the professional sports sector in China, the Group will keep abreast of the development trend of the industry, continue to seize new opportunities and embrace challenges. Under the strong support of the national policies, we will proactively explore business opportunities and market potential in a bid to establish a more professional, unique and fashionable image for LI-NING brand, and bring the spirit of "Anything is Possible" into real practice.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

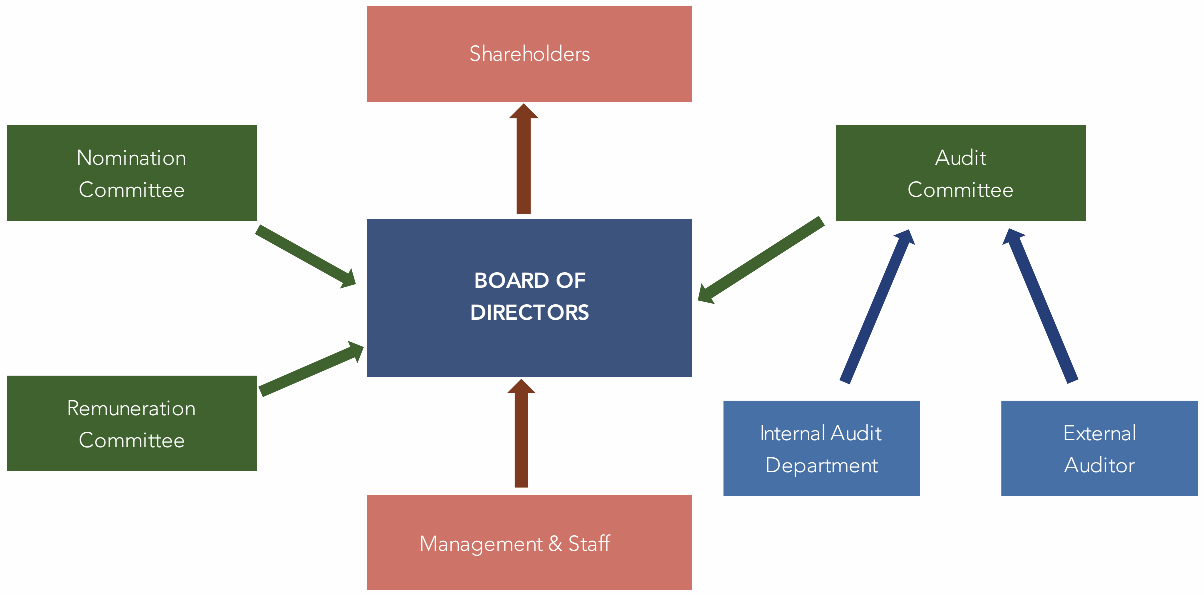
Neither the Company or any of its subsidiaries purchased, sold or redeemed any of its shares during the year ended 31 December 2021.

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 2021, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") 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 code provision A.2.1 of the CG Code as the duties of the Board in performing its corporate governance functions.

During the year of 2021, the Board has performed the following duties in respect of its corporate governance functions:

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

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

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

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

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

THE BOARD OF DIRECTORS

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

Composition of the Board

The Board currently comprises six Directors, of which three are executive Directors and three are independent non-executive Directors. During the year of 2021 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, *GBM, GBS, JP*	
Mr. Su Jing Shyh, Samuel	*(ceased on 5 July 2021)*

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

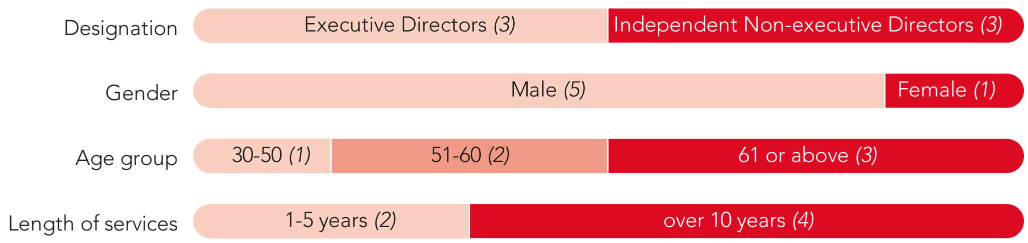
All Directors have disclosed to the Company the number and nature of offices they held in other public companies or organisations and other significant commitments, with the identity of the public companies or organisations, and an indication of the time involved. They are also reminded to notify the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

Board Diversity Policy

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

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

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



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

The Nomination Committee made an annual review on the composition of the Board with reference to a number of factors, including but not limited to diversity, and monitored the implementation 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 code provision C.2.1 of the CG Code, the roles of the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. During the year of 2021, 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 code provision A.2.1 of the CG Code.

Directors’ Induction and Continuous Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives a comprehensive, formal and tailored induction to ensure that he or she has a proper understanding of the business and operations of the Group and that he or she is fully aware of his or her duties and responsibilities 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 “Model Code for Securities Transactions by Directors under the Listing Rules” and “Anti-corruption and Anti-Bribery System of Li Ning Group”.

According to the records maintained by the Company, the Directors received the following trainings and updates in 2021:

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, *GBM, GBS, JP*	✓	✓
Mr. Su Jing Shyh, Samuel *(ceased on 5 July 2021)*	✓	✓

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 three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of his or her independence as required under Rule 3.13 of the Listing Rules. 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 chief executive officer and the chief financial officer ("CFO") of the Company, to evaluate the structure and organisational strategy of the Group, and to assess and identify the appropriate staffing for the Senior Management.

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

The Nomination Committee currently consists of the following three Directors:

Mr. Li Ning *(Chairman of the Nomination Committee)*	Executive Chairman, Joint CEO & Executive Director
Ms. Wang Ya Fei	Independent non-executive Director
Dr. Chan Chung Bun, Bunny, *GBM, GBS, 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 2021:

- 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, *GBM, 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 2021 are set out in note 37 to the consolidated financial statements. The remuneration of Senior Management for the year ended 31 December 2021 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 2021:

- making recommendations to the Board on the remuneration packages of all the Directors and Senior Management for the year 2021;
- reviewing and approving the bonus plan for the year 2021;
- reviewing and approving the salary adjustment plan for the year 2021;
- reviewing, monitoring and approving the implementation of employee share option program (ESOP) and the 2016 Restricted Share Award Scheme for the year 2021;
- reviewing and approving the recommendation of short-term and long-term incentives for the year 2021;
- reviewing, monitoring and approving the human resources work plans for the year 2021; and
- approving the budget of human resources expenses for the year 2022.

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

Audit Committee

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

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

The Audit Committee currently consists of the following three Directors:

Mr. Koo Fook Sun, Louis *(Chairman of the Audit Committee)*	Independent non-executive Director
Ms. Wang Ya Fei	Independent non-executive Director
Dr. Chan Chung Bun, Bunny, *GBM, GBS, 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 2021, 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 2021:

- 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 2020 and the interim results announcement and interim financial statements for the six months ended 30 June 2021 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 2021 internal audit findings and recommendations and approving 2022 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 CG Code.

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 2021			
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive Directors				
Mr. Li Ning *(Executive Chairman and Joint CEO)*	4/4	1/1	N/A	N/A
Mr. Kosaka Takeshi *(Joint CEO)*	4/4	N/A	N/A	N/A
Mr. Li Qilin	4/4	N/A	2/2	N/A
Independent non-executive Directors				
Mr. Koo Fook Sun, Louis	4/4	N/A	N/A	3/3
Ms. Wang Ya Fei	4/4	1/1	2/2	3/3
Dr. Chan Chung Bun, Bunny, *GBM, GBS, JP*	4/4	1/1	2/2	3/3
Mr. Su Jing Shyh, Samuel *(ceased on 5 July 2021)*	2/2	N/A	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 2021, 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 2021, the fees for the audit services and non-audit services provided by the external auditor are as follows:

Type of Service	2021 (RMB)	2020 (RMB)
Audit fee for the Group	**6,500,000**	5,660,000
Tax compliance and other advisory services	**911,000**	2,224,000
Total	**7,411,000**	7,884,000

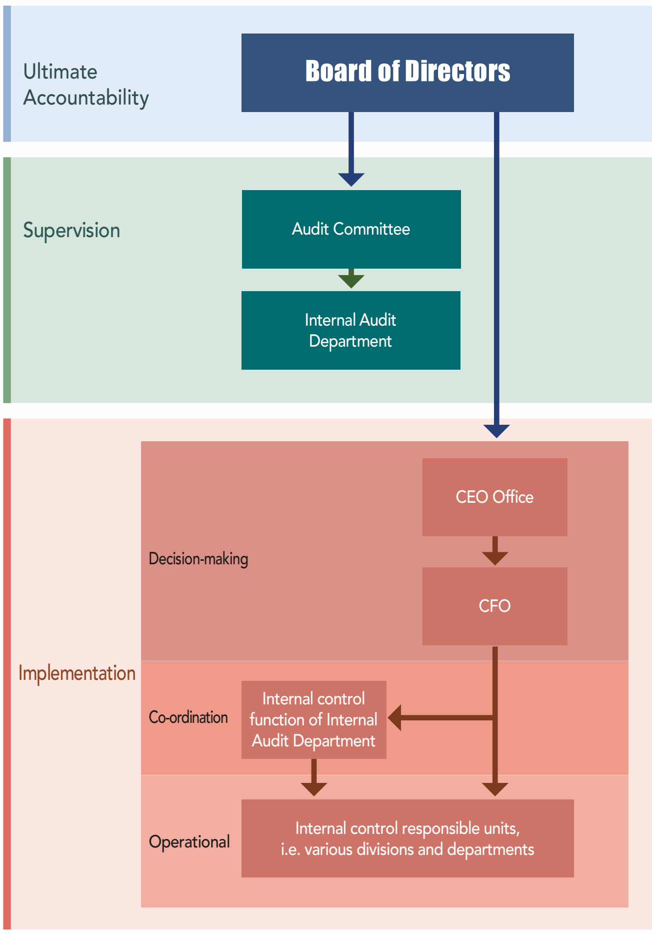
Risk Management and Internal Control

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 2021, 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

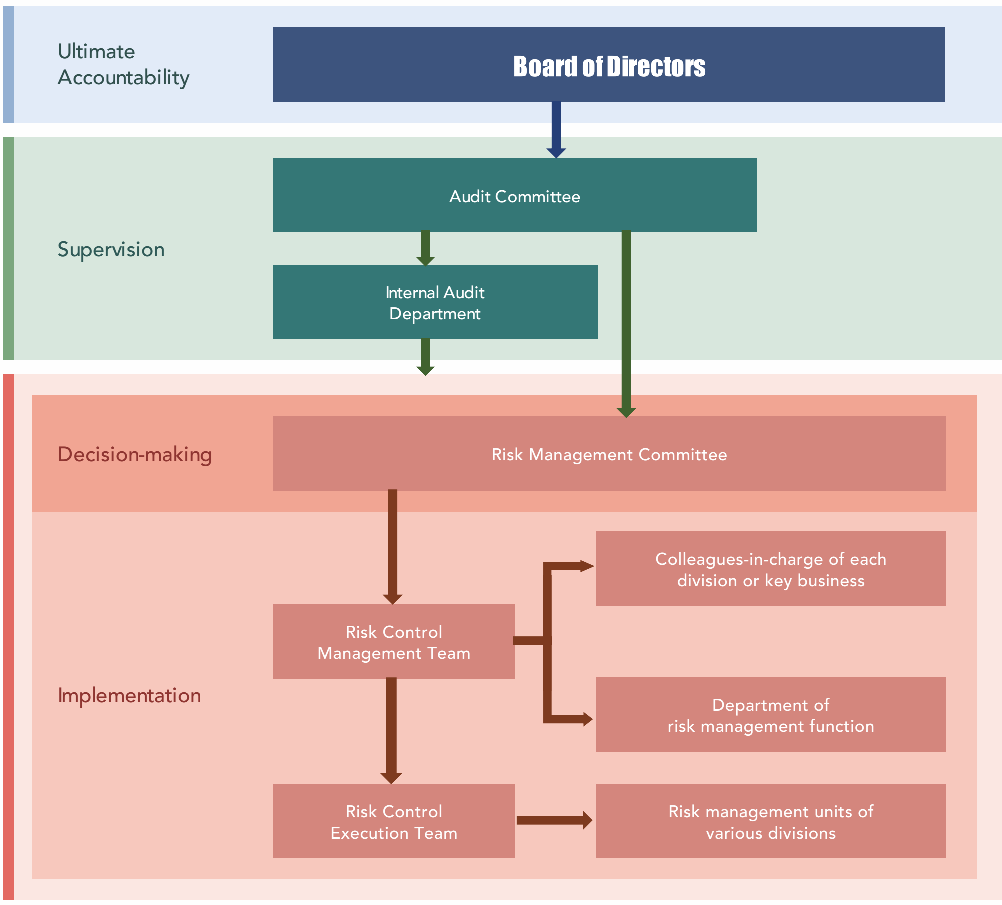
Based on the experience in operation control over the years, the Company has put in place an integrated system of risk management and internal control. The system adopts the globally recognised framework outlined by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"), taking 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 and 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 (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 Audit Department 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. The Internal Control Manual is revised from time to time on the circumstances, depending on the needs for business changes and procedural refinement, so as to further improve and monitor the effectiveness of the internal control system on a continuing basis. 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 2021. 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 2021, the Company continued to improve methods for self-assessment. In accordance with the Company's organizational structure and business expansion, the process of self-assessment covers numerous divisions and departments. In addition, members of the Senior Management were required to assess the effectiveness of the corporate internal control system according to the outlines of the COSO internal control system, including control environment and risk assessment, information and communication. The review process has enabled the persons-in-charge to verify whether the internal control system is operated as intended, to identify deficiencies or inadequacies, and to take relevant remedial actions. The Internal Audit Department also carried out independent examination and analysis on the review process and the results, and submitted a declaration to the Audit Committee and the Board certifying the adequacy and effectiveness of the Group's risk management and internal control systems.

The results of the review for the year ended 31 December 2021 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 CG Code for the year ended 31 December 2021.

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 2021. 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 2021, 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 2021, 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 of the Company 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 2021, 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 unauthorized use of confidential or inside information and has established and implemented procedures for responding to external enquiries about the Group's affairs.

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

COMPLIANCE WITH THE MODEL CODE ON SHARE DEALINGS

The Company has adopted the Model Code regarding securities transactions by the Directors. Directors are reminded regularly of their obligations under the Model Code. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021, 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 Executive 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 arranged trainings during the year 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 or herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

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

Procedures for Shareholders to Send Enquiries to the Board

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

For the year of 2021, 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 11 June 2021. 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 15 June 2022. Details of the 2022 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 2021 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, *GBM, GBS, JP*	1/1
Mr. Su Jing Shyh, Samuel *(ceased on 5 July 2021)*	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, 17 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PARTICULARS OF THE REPORT

Report summary

This report aims to disclose to the stakeholders the latest progress of the work of Li Ning Group ("We") in respect of Environmental, Social and Governance ("ESG") in 2021. This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") set out in Appendix 27 to the Listing Rules. This report should be read together with the section headed "Corporate Governance Report" of this annual report and the "Social Responsibility" column on the Group's website.

Reporting period

From 1 January 2021 to 31 December 2021, some contents of the report are applied retrospectively 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 this annual report. The reporting scope has not changed from that of previous ESG reports.

STATEMENTS OF THE BOARD

The Board attaches great importance to environmental, social and governance issues. It fully authorizes the ESG Management Committee and the execution team to carry out ESG-related work, supervises the overall ESG issues, regularly listens to the reports of the ESG Management Committee, and reviews the Group's ESG strategy, evaluation of key ESG issues, ESG goals and related risk management. The Board also regularly reviews the achievement of ESG goals.

The Group has established the sustainable development vision and strategy to guide its environmental, social and governance work. The vision and strategy have been reviewed by the Board to ensure that they are consistent with the business characteristics of the Group and are consistent with the overall development strategy of the Group. The Board has participated in the assessment, prioritization and management of key ESG issues, and reviewed the identification, assessment process and analysis results of key ESG issues of the Group, as well as the risks and opportunities arising from climate change, impact analysis conducted and response strategies developed.

During the reporting period, the Group proposed development goals for 2025 in terms of employees, environment, community and innovation, which have been reviewed by the Board. The specific environmental objectives of the Group are reviewed and approved by the Board along with this report, and we will review the achievement of the objectives regularly in the future.

This report discloses the Group's management practices in the above and other ESG areas and was considered and approved by the Board on 17 March 2022.

Reporting principles

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

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

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

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

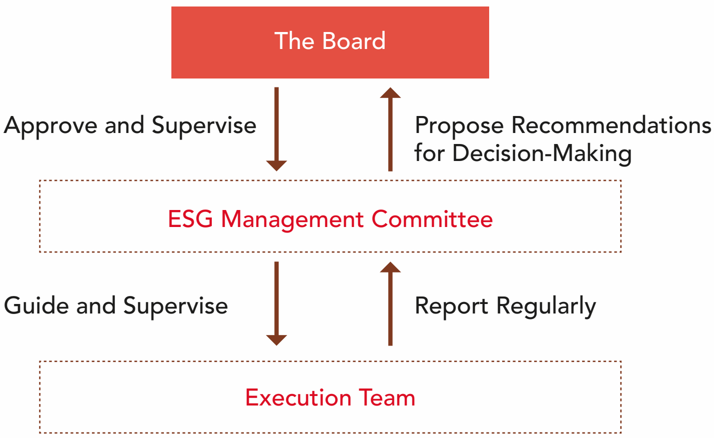
The Group upholds the core values of "Winning the Dream", "Consumer Oriented", "We-Culture" and "Breakthrough". Adhering to the mission of "Igniting Passion with Sports", the Group follows the sustainable development vision of "Establishing Equal, Confident, Inclusive and Open Corporate Management Culture, Building Environment-Friendly Supply Chain, and Promoting Sustainable Development of Sports Brands". The Group strives to become a world-class professional and fashionable sports brand originated in China and recognized by the world. The Group is committed to establishing an environment-friendly supply chain, and building the "Li Ning experience value" integrating product experience, sport experience and purchase experience. The group devotes itself to realizing the public welfare and social education values of sports while practicing its social responsibility, and continuously promotes the sustainable development of sports brands.

ESG Management Structure

The Group has continuously improved its ESG management structure, and management level, and effectively guaranteed the systematic and scientific development of ESG work. The Board is responsible for the overall decision-making, approval and supervision of ESG issues, including the Group's ESG strategy, key ESG issues assessment, ESG-related risk identification and response, supervision and guidance of ESG goals preparation, regular review of ESG goals accomplishment, and review of ESG report.

The Group has established the ESG Management Committee at the management level, with the Company's Executive Director and Joint Chief Executive Officer as the chairman. The ESG Management Committee is responsible for proposing recommendations to decision-making on ESG work to the Board, setting mid-to-long term ESG strategies and goals, sorting out annual key ESG work and guiding and supervising the execution team to carry out relevant work. The ESG execution team is composed of key leaders of ESG related departments, which is responsible for coordinating relevant departments in implementing ESG strategies and policies, and promoting the implementation of ESG management.

In 2021, the Board reviewed and approved the sustainable development vision and strategy, the sustainable development goal recommendations and key ESG issues assessment results, the identification and assessment results of the risks and opportunities arising from climate change, and the response strategies developed.



ESG Management Structure and Management Process

ESG Strategy and Management Philosophy

The Group pays close attention to the management of ESG issues in business and operation, and constantly explores the organic integration of ESG concept and enterprise development. We actively support the realization of the "30 · 60" peak carbon dioxide emissions and carbon neutrality goals, adhere to green operations, identify and respond to climate change risks and opportunities, and promote sustainable development to upstream and downstream value chain; We protect the legitimate rights and interests of employees and promote their career development; We strengthen product quality and safety management to provide customers with satisfactory products and services; We continue to carry out development of incorruptibility, and make earnest efforts to promote public welfare; We continue to promote and strengthen communication and collaboration with stakeholders to explore the sustainable development of the industry.

The Group takes "Establishing Equal, Confident, Inclusive and Open Corporate Management Culture, Building Environment-Friendly Supply Chain, and Promoting Sustainable Development of Sports Brands" as its vision of sustainable development, and "improving the social and environmental management system of the whole chain of product realization, integrating industry resources and realizing the sustainable concept of innovation while ensuring the compliance of supply chain production" as its sustainable development strategy. The Group has formulated specific management strategies in environmental protection, care for employees, supply chain management, product responsibility, anti-corruption and community investment in line with the Group's development strategy.

In respect of environmental protection:

- Comply with the laws and regulations regarding environmental protection, and actively respond to the national call to achieve the goal of "Dual Carbon";

- Adhere to the concept of green development, implement environmental management measures, set energy conservation and emission reduction targets, identify risks and opportunities of climate change, and actively explore and develop countermeasures;

- Integrate green and environmental protection into the product concept, continuously promote the development and use of environment-friendly materials, optimize packaging management, and carry out low-carbon logistics and warehousing practice;

- Practice the concept of green office, enhance employees' awareness of environmental protection, and promote paperless office.

In respect of care for employees:

- Establish a legal employment policy, always adhere to the "people-oriented" employment concept, eliminate the employment of child and forced labor, and build harmonious and good labor relations;

- Establish a sound social security and compensation and welfare system to safeguard the legitimate rights and interests of employees, eliminate discrimination, and build an equal, inclusive and diversified employee team;

- Care for the physical and mental health and safety of employees, encourage employees to take part in physical activities, and help employees balance work and life;

- Improve talent training mechanism, enrich employee training resources, and help employees realize their personal value.

In respect of supply chain management:

- Strengthen supplier audit standards, improve supplier admission, assessment and termination process, and promote supply chain ESG management practice;

- Continuously integrate and improve the supply chain management system with the benchmark of best industrial practices, and continuously strengthen our own supply chain management and R&D technology application capabilities;

- Practice green procurement, strengthen suppliers' environmental protection concepts, promote the use of environmental materials in the supply chain, supervise suppliers to carry out self-examination on the environmental performance, and continue to carry out environmental compliance and carbon emission management in the supply chain;

- Promote social responsibility management of supply chain, pay attention to suppliers' social responsibility performance, strengthen suppliers' labor rights protection measures, prohibit the employment of child and forced labor, and urge suppliers to provide employees with a healthy, safe and mutually respectful workplaces;

- Strengthen chemicals management of suppliers continuously, evaluate suppliers' chemical risk comprehensively, and supervise suppliers' full-process management on chemicals;

- Actively participate in industrial discussions, promote industrial carbon emission reduction practices, participate in the preparation of industry standards, and further enhance the competitiveness and discourse power of the industry in the global market.

In respect of product responsibility:

- Strengthen product and service quality management, and optimize the quality control process to provide customers with high-quality products and services;

- Strengthen management on advertising, trademark, brand and intellectual property, improve emergency response capacity, protect intellectual property rights, prohibit infringement, maintain brand reputation and enhance brand value;

- Make active explorations on scientific and technological innovation, step up product research and development, strive to improve product performance, launch products that are more in line with consumer needs, and provide consumers with diversified consumer experience;

- Boost customer communication, listen attentively to customers' opinions and feedback, timely deal with complaints and improve product and service quality;

- Safeguard customer privacy and data security by optimizing information security protection technology and improving customer data authorization or use mechanism.

In respect of anti-corruption:

- Strongly resist corruption by employees, suppliers and working partners to create a clean, open, honest and trustful working atmosphere;

- Continuously strengthen the promotion of anti-corruption and anti-bribery concepts among directors and all employees, improve the anti-corruption and anti-bribery reporting channels and whistleblower protection mechanism, and constantly consolidate the construction of incorruptibility.

In respect of community investment:

- Continue to consolidate poverty alleviation achievements and actively implement the national rural revitalization policy;
- Show agape love through sports activities, advocate sports culture and sportsmanship while carrying out charitable events, and encourage sports-for-all and healthy lifestyle;
- Actively respond to emergencies and disasters with support, join public welfare activities and disaster relief, and provide assistance for reconstruction and production resumption in disaster-hit areas;
- Call on the public to care for people with mental disabilities and other special needs groups, and strive to build an inclusive, caring and harmonious society.

Actions for Sustainable Development

In September 2016, China promulgated China's National Plan for Implementation of the 2030 Agenda for Sustainable Development (hereinafter abbreviated as "National Plan") in response to the 17 Sustainable Development Goals (SDGs) proposed by the United Nations. The National Plan serves as an action guide for China's implementation of the SDGs, and elaborates on the opportunities and challenges of China in the implementation of the 2030 Agenda for Sustainable Development.

In 2021, the Group continued to implement the National Plan, actively explored the relationship between corporate strategy and business operation and SDGs realization, and made contributions to promoting sustainable development of our enterprise and the society. The following table sets out China's implementation measures related to the Group's strategy, as well as our actions to help achieve the goals.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2021
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	• Provide "five social insurance and one housing fund", personal accident insurance and supplemental medical insurance for its employees. • Donate daily necessities to needy families in Shunping County, Hebei Province and Wangmo County, Guizhou Province. • Carry out public welfare visits in Inner Mongolia and donate daily necessities to local women's federations. • Donate 196 sets of down jackets to needy students in Jiaqiong Town, Bangor County, Tibet Autonomous Region. • Donate clothes to needy students in Nanyang Village, Zhengcheng Town, Linyi City, Shandong Province, Mabian Yi Autonomous County, Sichuan Province, Long'an Town, Yiliang County, Yunnan Province, and Nanning, Guangxi. • Since 2012, the Group has collaborated with China Women's Development Foundation to organize charitable events. The "Postal Parcels for Mothers" Programme has been organized for a long time to lend a helping hand to mothers struggling with poverty.
SDG2 Zero hunger	• Ensure that everyone has safe, nutritious and sufficient food throughout the year	• Establish a scientific diet system for employees, and check the hygiene and food quality of the canteens regularly to ensure the quality and safety of the food.
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. • Establish physical rehabilitation research centers, health consultation rooms and maternal and infant rooms to provide its employees with basic medicines for treating and preventing common diseases, and provide convenience, warmth and care for employees with breast feeding needs. • Provide commercial insurance including supplementary medical insurance, personal accident insurance and critical illness insurance for employee.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2021
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	• Found Li Ning Sports School and set up sports winter camps adopting centralized and closed-off management, including 4 special training camps in respect of integrated physical fitness, basketball, table tennis and badminton, with a view to educating the children of employees of the Company and teenagers in general on professional sports training methods for adolescence and helping them to foster healthy exercise habits.
SDG5 Gender equality	• Adhere to the basic national policy of gender equality to eliminate all forms of discrimination and bias against women • Enhance the working and entrepreneurial capability of women by developing public childcare services	• Combat gender discrimination in employment, wages, benefits, promotion, training and retirement. • Prohibit suppliers from involving with any form of gender discrimination in recruitment, establishment of labor relations, access to training, salary, benefits, social insurance, etc. • Operate "Home of Employees" and Li Ning & OCEG Kindergarten on an ongoing basis so as to assist 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	• Make full use of landscape water to water plants, and carry out daily maintenance and repair of water equipment, thus to improve the utilization rate of water resources. • The canteens and kitchens replace thawing under running water with thawing at cold closet or thawing by soaking in water to reduce the water consumption of thawing process. • 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, conduct stringent review of the wastewater monitoring report and sewage discharge permit of the Group's suppliers, and enhance the monitoring and control over wastewater along the supply chain.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2021
SDG7 Affordable and clean energy	• Optimize the energy structure by enhancing the utilization rate of fossil fuel energy and increasing the proportion of clean energy consumption • Build a clean, low-carbon, safe and efficient modern energy system	• Automatically open the temperature-controlled sensing canopy on the roof-top of office buildings and venues within Li Ning Central Park in hot days, to timely reduce the indoor temperature and reduce the energy consumption of cooling by air-conditioning. • Replace the lighting in the canteen freezer with an automatic switch to reduce power consumption. • Install solar panels at the roof-top of the buildings within Li Ning Central Park to actively develop and utilize solar energy. • Install plenty of electric vehicle charging piles in Li Ning Central Park to provide convenient charging conditions for employees' electric vehicles and reduce carbon emissions in employees' commuting.
SDG8 Decent work and economic growth	• Improve the employment and entrepreneurial service system and implement a life-long vocational skills training system	• Provide employees with internal course training, on-the-job learning, job rotation learning, tutoring feedback and other diversified learning opportunities and all-round development, encourage and guide employees to constantly improve their job skills and comprehensive quality. • Provide basic training such as new employee orientation training and pre-employment training for all employees.
SDG9 Industry, innovation, and infrastructure	• Accelerate the upgrading and transformation of traditional industries and promote low-carbon industrial energy use	• Join "30 · 60 Net Zero Accelerating Plan". • Attend the China Brand Day – Sustainable Fashion Summit and deliver a themed speech on sustainable development. • Attend the China Beijing International Fair for Trade in Services and deliver a themed speech on quality and sustainable fashion. • Actively promote ecological and environmental protection processes, and cooperate with the supply chain to carry out a pilot project to replace chemical dyes with plant dyes.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2021
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 follow the principles of equality, respect and democracy in the whole process of employment management, and establish specific systems and processes for employee recruitment, employment and dismissal. • Design a scientific and efficient salary management system, and provide extra rewards to outstanding employees to fully attract, motivate and retain outstanding talents.
SDG11 Sustainable cities and communities	• Strengthen the construction of natural disaster monitoring and early warning system and engineering defense capacity, improve the social mobilization mechanism for disaster prevention and reduction, and establish smooth channels for social participation in disaster prevention and reduction	• Concern with natural disasters and public emergencies, and provide assistance to the people and rescue workers in disaster-hit areas with materials, health and epidemic prevention, and post-disaster recovery and reconstruction. In 2021, the Company donated cash and supplies to disaster-hit areas in Henan and Shanxi respectively.
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	• Integrate the environmental requirements of suppliers into the whole process of supplier management, and exercise all-round supervision over the use of chemicals, to control the quality of raw materials and ensure the health of customers at source. • Advocate environmental protection concepts to increase customers' acceptance of products produced under circular economy. • Actively promote eco-environmental processes, cooperate with the supply chain to carry out pilot projects to replace chemical dyes with plant dyes, and promote the use of environmentally friendly materials as a sustainable development goal. • Conduct on-site chemical management audit for key material suppliers using the Chemical Management Performance Audit Tools of Li Ning.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2021
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	• Vigorously carry out the propaganda and education of green operation concept to enhance employees' awareness of energy conservation and promote green lifestyle. • Encourage employees to use electronic devices and office systems to process their work, and reduce the use of facsimile paper and paper meeting materials. • Join "30 · 60 Net Zero Accelerating Plan" to actively respond to climate change, and promote carbon reduction practice in the industry. • Carry out supply chain carbon inventory, popularize energy conservation and emission reduction concepts to suppliers, and strengthen carbon emission management in 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 labor and child abduction	• Strictly verify employees' identification documents according to the Company's "Staff Handbook" to check whether their age meets the requirements of legal employment, thus preventing the employment of child labor. • Safeguard employees' legitimate rights to rest, pay attention to employees' reasonable working intention and demand for rest, and prohibit forced labor.
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	• Attend the China (Beijing) International Fair for Trade in Services and deliver a themed speech on quality and sustainable fashion. • Join "30 · 60 Net Zero Accelerating Plan" to actively respond to climate change, and promote the carbon reduction practice in the industry. • Actively participate in the resolutions and elections for major affairs of the Zero Discharge of Hazardous Chemicals (ZDHC) Programme.

Communication with Stakeholders and Key Issues Identification

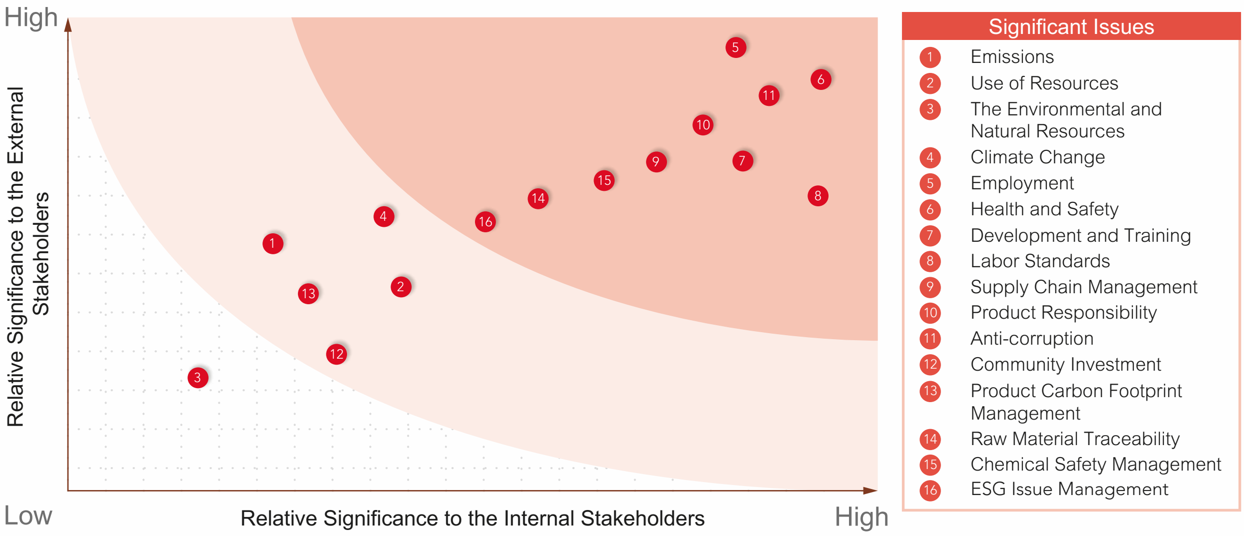
The Group continued to strengthen the interaction with stakeholders, constantly improved the communication mechanism with stakeholders, and established diversified communication channels. Based on its own development strategies and business operation characteristics, the Group has identified the following major stakeholders groups, including government and regulatory authorities, shareholders and investors, consumers, distributors and suppliers, communities and the general public, media and non-governmental organizations (NGOs), senior management and employees. In the communication with stakeholders, we actively communicated and discussed the ESG management philosophy to all parties, and constantly improved the ESG working system according to the communication results and feedback, so as to jointly achieve sustainable development with all parties. In December 2021, the Group won the prize of "Enterprise with Social Value of 2021" in the award ceremony of "China's Social Value Annual List 2021" sponsored by South Reviews.

Communication with and Response from Key Stakeholders

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; Climate change	Strengthen ESG management; Maintain brand value; Regularly publish results announcement; Promote risk and internal control management
Consumers	Customer service hotline; Satisfaction survey; Marketing activity; Official website	Product quality; After-sales service; Privacy protection	Establish and improve the quality control and management system; Improve service quality; Protect consumers' rights and interests; Safeguard customer data security
Distributors and suppliers	Regular communication meeting; Daily communication and visits; Cooperation agreement; Strategic negotiation	Fair cooperation; Integrity and compliance; Mutual development	Formulate a transparent and fair procurement system; Enhance environmental and social risk awareness; Establish a good relationship in business cooperation
Community and general public	Charity activity; Volunteer action; Community activity	charitable activities; Community development; Community relations	Regularly conduct volunteer activities; Increase external donations; Promote professional sports knowledge
Media and non-governmental organizations (NGOs)	Press Release; Media platform; Site visit	Corporate influence; Transparency of information disclosure; Ability in public relation	Regularly organize the open day for media; Real-time news release; Timely and objective information disclosure
Senior management	Management meeting; Democratic communication conference; Intranet mailbox; Corporate activity	Labor standards; Health and safety; Supply chain management; Product quality management	Promote the implementation of the ESG system; Improve ESG workflow; Promote internal communication; Strengthen operational supervision
Employees	Trade union; Staff representatives meeting; Intranet mailbox; Corporate activity	Employee remuneration and benefits; Community charity; Development and training; Safety and protection	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

Based on the 12 disclosure aspects identified in the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, and in line with the characteristics of its own business operation and daily communication with stakeholders, the Group added climate change, product carbon footprint management, raw material traceability, chemical safety management and ESG Issue Management, identifying 16 key ESG issues in total.

To evaluate the significance of ESG issues, the Group extensively consulted stakeholders and conducted a questionnaire survey to evaluate the significance of ESG issues among internal and external key stakeholders. According to the feedback results of the questionnaire, the Group analysed and evaluated the significance of ESG issues, sorted out the ranking of the significance of issues, and presented the following results through the significance matrix:



Matrix of Significant ESG Issues

II. ENVIRONMENTAL MANAGEMENT

Environmental Management Policy

The Group strictly complies 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", "Law of the People's Republic of China on Conserving Energy", and "Measures for the Management of Municipal Solid Waste". It actively responded to the national call to achieve the goal of "Dual Carbon" so as to undertake the responsibility of energy conservation and emission reduction of enterprise. The Group adhered to the concept of green development by constantly improving the environmental management system, promoting the implementation of environmental protection measures, identifying and responding to the impact of climate change, thus making continuous progress on the road of sustainable development. Li Ning (China) Sporting Goods Co., Ltd. has passed ISO 14001 Environmental Management System Certification. In 2021, 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 strictly 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)". It actively practiced the concept of sustainable development in office operation, implemented energy-saving and emission reduction measures, and encouraged employees to integrate green awareness into their work and life. In 2021, the Group continued to strengthen management over emissions and resource use, set environmental goals for office operations, and defined the direction and path of green operations in the future. By doing so, the Group continuously improved its environmental management.

Emission Management

In 2021, the Group further improved its management measures on exhaust gas by continuing to carry out regular inspections on boiler equipment, strengthening emission reduction practices in logistics sector, and encouraging employees to adopt green commuting to further reduce greenhouse gas emissions. To standardize the disposal of waste generated, the Group cooperated with qualified property service companies to entrust them to collect, classify, stash and arrange classified removal and transportation of the hazardous and non-hazardous wastes, and recycle according to the type and state of waste, with a view to reducing the impact of the Group's office operation on the environment.

- **Manage boiler equipment according to regulations:** The Group continued to strengthen management over boiler equipment, and controlled boiler pollutant emission in accordance with the "Emission Standard of Air Pollutants for Boiler" to prevent and control air pollution. It regularly carried out maintenance and inspection of boiler equipment to ensure good operation of the equipment, and regularly entrusted professional institutions to test the exhaust emission of boiler equipment to ensure that it meets the emission requirements.

- **Strengthen waste management:** The Group encouraged employees to adopt online office to reduce the use of printing equipment, and recycled the old toner cartridge by replacing chips and filling toner, so as to reduce the generation of hazardous waste. The Group terminated the use of individual garbage cans, and set up public garbage classification area to urge employees to carry out garbage classification. It recycled waste cartons in the offices and logistics, and put them into the disposal point or recycling station.

- **Adopt low-carbon logistics transportation:** The Group made constant efforts to optimize its logistics transportation process, and actively explored green and low-carbon logistics transportation modes. By establishing regional central warehouses, carrying out centralized returns processing, and coordinating and optimizing transportation plans, the Group has effectively reduced the logistics transportation distance of products from the factory to consumers, and reduced carbon emissions generated in the logistics transportation process.

- **Promote green commuting:** The Group advocated employees to adopt green commuting modes and encouraged employees to take shuttle buses, public transportation or carpool with colleagues going to the same or a nearby destination to reduce the use of private cars during commuting. In addition, the Group installed plenty of electric vehicle charging piles in the office park of the headquarters and provided convenient charging conditions for employees to support employees to use electric vehicles, and effectively reduce the carbon emissions generated by employees' daily commuting.

Resource Usage Management

The Group continued to practice the concept of green office. It promoted sustainable development in production and operation by improving energy use efficiency, effectively using clean energy, and carrying out resource use management from headquarters to subordinate stores, from office operation to warehousing and logistics.

- **Promote smart office:** The office park of the Group's headquarters in Beijing continued to optimize and use efficient building automatic control system, check and calibrate sensor functions, to safeguard and strengthen the control function of building automatic control system in energy saving. The Group required that the air conditioning be automatically turned off half an hour before the end of work, and provided air conditioning centrally for employees who need to work overtime. A temperature-controlled sensing canopy is installed on the roof-top of office buildings and other venues, which can be automatically opened in hot days to reduce the indoor temperature in time and reduce the energy consumption of air-conditioning cooling.

- **Use clean energy:** The Group actively developed and utilized solar energy by installing solar panels on the roof-top of the buildings of the office park of its headquarters to provide the office park with electricity partly required for daily operation through solar energy. Currently, 1.45 MW of solar power is installed in the office park of its headquarters, generating an average of 4,500 KWh/day and reducing CO_2 emissions by 2,700 kg per day.

- **Strengthen water management:** The Group attached importance to scientific utilization and conservation of water resources. It made full use of landscape water to water plants, thereby improving the utilization rate of water resources. Meanwhile, the Group conducted daily maintenance and repair of water-use equipment to avoid waste caused by equipment leakage. In addition, the Company's canteens replaced thawing under running water with thawing at cold closet or thawing by soaking in water to reduce the water consumption of food thawing process.

- **Practice green office:** The Group advocated green operation concept, promoted green office mode, and called for employees to form energy-saving and low-carbon good office and living habits. The Group encouraged employees to "turn off the lights when leaving" and "turn off the air conditioner when leaving", and actively guided employees to use the stairs instead of elevators, so as to reduce energy consumption. As of the end of the reporting period, 80% of lighting equipment in buildings and venues of the office park of the headquarters was replaced with LED lights, all monitoring equipment was upgraded to the ones with night vision, and the use of emergency lights was reduced by 50%. In addition, the Group vigorously promoted the publicity and education of green operation concept, and carried out the "four ones" campaign (i.e. saving one kilowatt-hour of electricity, one drop of water, one litre of gasoline and one piece of paper) to improve the awareness of energy saving and consumption reduction among employees.

- **Save office paper:** The Group advocated paperless office by encouraging employees to handle daily work through electronic equipment and office systems, thus reducing the use of facsimile paper and paper meeting materials. Employees were required to carefully check the contents to be printed before printing to avoid repeated printing caused by mistakes or omissions in contents or improper format. In addition, employees were advised to make full use of waste paper in office processes such as preparing drafts and pasting invoices to reduce paper consumption.

- **Strengthen management of packaging materials:** The Group adopted uniform management on the use of packaging materials, and took measures to reduce the use of packaging materials, such as reducing the generation of packaging waste through precise design and cutting. It used environmentally friendly recyclable paper and adhesive outer boxes to increase the recyclability of packaging, and promoted packaging diversity, such as designing the packaging into shoebox display box or storage box, to increase the useful life of packaging materials in the hands of consumers. In addition, the Group tried to adopt environmentally friendly packaging materials, and gradually promoted the use of plastic bags made of RPET[1] material. In 2021, the Group has used 50,000 bags made of 100% RPET material, and plans to expand the use of this material to more than 1 million bags by 2022.

- **Energy saving management for warehouses:** The Group improved energy use efficiency by upgrading energy-consuming equipment in warehouses, used LED energy-saving lamps in the newly rented warehouses, and gradually replaced the lamps used in the existing warehouses with energy-saving lamps. At the same time, we assigned specific persons in each warehouse to manage the electricity consumption in the area, to ensure that lighting is turned off during non-working hours and non-working areas to reduce power consumption.

- **Energy saving management for stores:** The Group explicitly stipulated the setting range of air conditioning temperature in stores in winter and summer to avoid energy waste. Energy-consuming equipment such as air conditioners were cleaned and maintained regularly to ensure their energy efficiency. Time control switches were installed for the shop signs to adjust the opening time according to sunlight of different seasons. The Group required stores to standardize the daily use of lighting, computers and other office supplies, timely shut down unnecessary power-consuming equipment to reduce electricity consumption. In addition, the Group paid close attention to the environmental impact of the store decoration process. In the construction process, the stores were required to use environmentally compliant construction materials and adopt low-noise construction methods to actively eliminate the negative impact on the environment and surrounding communities.

1 RPET: "PET" stands for polyethylene glycol terephthalate, "R" stands for "recycle", and "PRET" stands for "recycled polyethylene glycol terephthalate".

Environmental goals

In order to further practice the green and low-carbon operation concept of the Group, promote the implementation of ESG management measures and achieve better green development, the Group has set relevant environmental goals in terms of reducing greenhouse gas emissions and waste, and saving energy and water. The details are as follows:

Type of Goal	Content of Goal
Carbon emission goal	By the end of 2040, Li Ning Central Park will achieve carbon neutrality.
Waste goal	By the end of 2022, the waste classification will be fully implemented in the whole company.
	Maintain 100% of the waste generated in Li Ning Central Park processed by qualified companies.
Energy use goal	By the end of 2024, 100% of the lamps in Li Ning Central Park will be replaced by LED energy-saving lamps.
	Since 2022, the average annual purchased power consumption per square meter of floor area of Li Ning Central Park will not be higher than 70 KWH/square meter.
	In 2022, Li Ning Central Park will implement at least one energy-saving renovation project.
Water resource use goal	Since 2022, the average annual consumption of water per square meter of floor area of Li Ning Central Park will be no more than 0.62 tons/square meter.

2021 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]	5,494.73
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)	634.56
Company car oil consumption	4.25
Natural gas	630.31
Indirect emission (Scope 2) (tons)	4,860.17
Purchased electricity	4,860.17
Total amount of hazardous waste (tons)[3]	0.61
Weight of hazardous waste per square meter of floor area (tons/square meter)	0.000003
Total amount of non-hazardous waste (tons)[4]	1,051.67
Weight of non-hazardous waste per square meter of floor area (tons/square meter)	0.0051

Notes:

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

2. Greenhouse gases included carbon dioxide, methane and nitrous oxide, which were mainly from purchased electricity 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 "2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventory" (《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 Harbin, Daqing, Dalian, Guangzhou, Chengdu, Wuhan, 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.

2. ENERGY AND RESOURCES CONSUMPTION

Indicator	Performance
Total energy consumption (MWh)[1]	12,387.13
Energy consumption per square meter of floor area (MWh/square meter)	0.06
Direct energy consumption (MWh)	4,807.89
Gasoline	17.37
Natural gas	3,223.46
Solar energy	1,567.06
Indirect energy consumption (MWh)	7,579.24
Purchased electricity	7,579.24
Daily water consumption (tons)[2]	81,768.68
Daily water consumption per square meter of floor area (tons/square meter)	0.39
Total amount of paper used (tons)[3]	27.69
Total amount of packaging material used for finished products (tons)[4]	25,375.54
Amount of packaging material for finished products consumed per million revenue (tons/million yuan)[5]	1.12

Notes:

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

2. Daily water consumption of the Group includes tap water and reclaimed water, mainly from municipal water supply, and there were no problems found in obtaining applicable water sources. In particular, daily water consumption of Shanghai office area, and the Group's retail subsidiaries in Lanzhou, Xiamen, 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 "Standard 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.

Climate Change

With the increasingly significant impact of climate change on business operations, and the rolling out of the national "30 · 60" peak carbon dioxide emissions and carbon neutrality targets, it is expected that relevant environmental regulations will be increasingly stricter, and the capital market and investors will pay increasing attention to climate change. In this context, the Group closely monitors the climate change issues, and recognizes the far-reaching and extensive impact of climate change on business models. In order to cope with the impact of climate change on the operation continuity and sustainability of the Group, the Sustainable Development Department of the Group identified and sorted out the main climate change risks and opportunities related to the Group through communication, investigation and research with various functional departments and stakeholders catering to the development needs of the Group's business strategy. By analyzing the impact of risks and opportunities, relevant response strategies were developed.

The main climate change risks and opportunities identified by the Group and the response strategies to address them are as follows:

Type of Risk/ Opportunity	Potential Impact	Response Strategy
Risk of transformation		
Changes in policies, laws and regulations	China has been paying great attention to the impact of climate change on the country and society, actively promoting energy conservation and carbon reduction, and proposed the "Dual Carbon" goals of peak carbon dioxide emissions by 2030 and carbon neutrality by 2060. In order to achieve these goals, China will introduce and implement relevant supporting policies and regulations for energy saving and carbon reduction, which may have an impact on the supply chain and the production activities of factories.	Regularly follow changes in environmental protection, energy saving and low-carbon policies and regulations, including policies and regulations that have been implemented, will be implemented and are under discussion. Identify and analyse the regulatory requirements that may affect the supply chain and factory production. Maintain communication with internal supply chain management departments and supply chain factories to learn about the latest news and specific requirements of the implementation of regulations, timely feedback the impact of regulatory changes on suppliers' production, and discuss the problems encountered to seek solutions.
Changes of consumption concept in the end consumer market	As consumers pay more attention to climate change, their awareness of environmental protection and low carbon will be enhanced, and their consumption demand, behaviour and habits will make them prefer green, low-carbon and sustainable products.	Pay attention to the change trend of consumer demand, consumption habit and behaviour, integrate the green concept into the process of product design, manufacturing, packaging and transportation, and promote and publicize the green concept in the product end, so as to meet the consumer demand for green concept products in the end consumer market.

Type of Risk/ Opportunity	Potential Impact	Response Strategy
Impact on brand reputation	As climate change becomes a hot topic, various stakeholders, such as investors, the general public, the media, NGOs, etc., are paying increasing attention to climate change actions taken by the brand.	Collect and sort out information and data related to climate change, maintain good communication with all stakeholders, and present the progress and results of relevant work rigorously and accurately to reduce the negative impact on brand reputation caused by information asymmetry or misleading stakeholders with false information.
Raw material supply	The quality and cost of raw materials used in products may be affected due to the occurrence of extreme weather and changes of climate conditions in some regions.	Pay attention to the climate of production places of raw material and the price fluctuation of raw material market. If the quality of raw material is affected or the price increases significantly, the supplier of raw material will be replaced in time, and other types of substitutes will be developed and used.
Risk of entity		
Operation continuity	The occurrence of extreme weather or natural disaster may affect store operation, raw material supply chain, factory production continuity and logistics transportation, storage of goods, etc.	Pay attention to the occurrence time and characteristics of extreme weather in different regions, especially in regions where extreme weather is frequent and may lead to interruption of operation, production or logistics transportation, and maintain communication with relevant functional departments to ensure continuity of store operation, order production and transportation. In addition, we will continue to build regional central warehouses to enhance product storage and supply capacity, and gradually incorporate climate change into the considerations on approving the introduction of supply chain plant.
Opportunity		
Application of science and technology	Application and promotion of green technology related to textile. For example, the technological innovation of production process, the use of green energy, the technological innovation of raw materials and additives, etc., will bring new challenges and reform opportunities to the future supply chain production.	Implement carbon reduction goal of the Group, pay attention to the application of green technologies and materials in the textile industry, and gradually advocate and implement mature and feasible green technologies in the supply chain according to the needs of the Group's operation and development and goal achievement.

III. EMPLOYMENT MANAGEMENT

The Group strictly complies with the laws and regulations such as the "Labor Law of the People's Republic of China", "Law of The People's Republic of China on Employment Contracts", "Social Insurance Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", "Production Safety Law of the People's Republic of China" and "Employment Ordinance" in Hong Kong area. It has continuously improved the staff management system, formulated various systems and measures including "Staff Handbook" and "Regulations on Staff Attendance and Leave", and reviewed and updated the relevant policies and systems of staff regularly according to the revision of laws and regulations, so as to establish a sound institutional safeguard for the talent training of the Group. Based on its future development strategy, the Group constantly discovers and introduces talents, strengthens the building of talent team, improves the staff remuneration and benefits and health management system, and safeguards the rights and interests of employees by promoting anti-discrimination and equal opportunity to foster a fair, diverse and mutually respectful working environment, with a view to promoting mutual growth of employees and the Group and boosting the harmonious and sustainable development of the Group. As of the end of the report period, the Group had 4,019 employees, among which 3,838 employees were at the Group's headquarters and retail subsidiaries, and 181 employees were at other subsidiaries.

In 2021, the Group won many honorary titles and awards, including the "Top 50 Leading Enterprises in Human Resource Management in China 2020-2021" of the 3rd China Human Capital · Employer Brand Super Summit, "2021 Top Human Resources Management Awards" of 51Job, "Golden Jubilee Award 2021 for Excellent Employer Enterprise" of China Investment Network, "Best Employer Award in China 2021" of Zhaopin.com and "King's Ark · Award for Employer Most Cherishing Talents" of BOSS.

Lawful Employment to Safeguard Rights and Interests

The Group introduces talents through the Company's official website, external recruitment websites, campus recruitment, school-enterprise cooperation and internal recommendation, always adheres to the principle of openness, fairness, competition and merit-based in the recruitment and promotion processes, and provides equal opportunities and fair treatment to all employees. Any decision on appointment, promotion or termination of employment contract is made based on reasonable and lawful reasons and internal policy, and any form of unfair or unlawful dismissal is strictly prohibited. The Group has developed a harmonious and stable employment relationship with employees.

The Group strives to form a diversified team, and stipulates in its "Staff Handbook" that it shall fully respect the dignity and equality of employees, and shall not discriminate against, openly or privately, any employee on any occasion due to his/her ethnicity, color, gender, religion, political stance, disability, nationality, family background and age openly or implicitly. The Group adopts zero-tolerance attitude towards any discrimination in the workplace, the whole employment process, promotion and compensation, and encourages employees to report any incidents involving discrimination to the Company. In the event of discrimination, the Group will be responsible for assessing and recording the incident and taking necessary action in respect of such incident.

The Group upholds open communication concept and "open channels, transparent modes and smooth process" principles, continues to strengthen democratic communication and improves employee feedback communication mechanism by providing employees with formal and open channels of communication, such as trade union, suggestion box and face to face communication. It pays attention to protect employees' information, encourages employee to propose feedback, suggestions and demands, so as to speak up for their legitimate rights and interests. The Group will solicit the opinions and recommendations of the trade union representatives on all major measures involving the vital interests of employees, and implement them with the consent of the trade union representatives after voting.

In order to prevent the illegal employment of child and forced labor, our "Staff Handbook" expressly stipulates that the age of candidate must comply with provisions of laws and regulations, and we shall strictly check the valid identification document of the candidate before confirming employment to ensure he/she must meet the legitimate age. We clearly describe the job responsibilities to the candidates during recruitment, timely sign the labor contracts with them in accordance with national regulations to guarantee the legal right of employees to rest during work, and pay attention to the reasonable work intention and rest demands of employees, and prohibit forced labor. If child labor or forced labor is found, the Group will timely investigate the situation according to the requirements of local labor authorities, including communicating with guardians of the minors and learning about the work intention of the forced workers, etc., and take measures such as adjustment of work, dismissal and holding people involved accountable based on the investigation results, so as to eliminate the violation as soon as possible. No employment of minors or forced labor was found by the Group in 2021.

Employment of Employees[2]

Indicator		As of 31 December 2021
By gender	Male employees (person)	1,105
	Female employees (person)	1,324
By employee type	Full-time employees (person)	2,429
	Part-time employees (person)	0
By age	Employees under 30 years old (person)	494
	Employees between 30 years old (inclusive) and 50 years old (exclusive) (person)	1,876
	Employees over 50 years old (inclusive) (person)	59
By region	Employees in Mainland China (person)	2,396
	Employees in Hong Kong, Macao and Taiwan regions (person)	24
	Overseas employees (person)	9

[2] The scope of statistics includes headquarters and retail subsidiaries, excluding Guangxi supply base.

Employee Turnover Rate[3]

Indicator		As of 31 December 2021
Employee Turnover Rate (%)		16.07
By gender	Turnover rate of male employees (%)	17.73
	Turnover rate of female employees (%)	14.73
By age	Turnover rate of employees under 30 years old (%)	32.84
	Turnover rate of employees between 30 years old (inclusive) and 50 years old (exclusive) (%)	12.40
	Turnover rate of employees over 50 years old (inclusive) (%)	6.25
By region	Turnover rate of employees in Mainland China (%)	16.17
	Turnover rate of employees in Hong Kong, Macao and Taiwan regions (%)	4.26
	Turnover rate of overseas employees (%)	21.95

People-oriented and Mutual Harmony

Upholding the concept of mutual development with employees, the Group formulates competitive compensation strategy that matches the Company's strategy, designs a scientific and efficient remuneration management system, and adjusts and optimizes the Company's compensation level and compensation structure from time to time to fully attract, motivate and retain excellent talents, so as to achieve a win-win situation between the Company and employees. The Group conducts performance appraisal for all employees, and sets up various incentive systems, including providing sales bonuses, sales commissions, share options and share incentives to outstanding employees to recognize their contributions to the Company and encourage them to perform better.

The Group creates a diversified and flexible benefit platform for employees, and follows the differentiated benefits strategy to meet the individual needs of employees and enhance their happiness and satisfaction. According to the requirements of the national and local government, the Group has provided various social insurances and housing provident fund for employees, as well as additional benefits such as catering and transportation subsidies, wedding and baby birth presents, allowance for traditional festivals, annual health examination and supplementary commercial insurance.

The Group encourages employees to maintain a balance between work and life, and has formulated the "Employee Attendance and Leave Management System" to arrange the working hours in accordance with the law. In the case of exceeding the standard working hours, the Group will compensate employees by way of compensatory leave or overtime payment. In addition, the Group guarantees that employees are entitled to statutory holidays, annual leave, maternity leave, paternity leave, sick leave, etc..

The Group has set up a mutual assistance fund to help employees who encounter difficulties in daily life due to accidents or critical illness, thereby easing their burden and making them feel the caring warmth from the Company. The Group has set up maternal and infant rooms in Beijing Office Park to provide convenience, warmth and care for women employees with breastfeeding needs. The Group has set up Li Ning & OCEG Kindergarten and furnished with high-quality teachers, to provide high-quality and convenient education for employees' children and enrich the surrounding community with high-level education resources, and continued to carry out the exploration of harmonious development of enterprises and communities. In addition, the Group has set up "Care Center under Home for Employees" to help employees solve their child care problems during extreme weather or winter and summer vacations.

3 The scope of statistics includes headquarters and retail subsidiaries, excluding Guangxi supply base.

Safeguard Safety and Caring for Health

This Group strictly abides by laws and regulations such as the "Law of The People's Republic of China on Employment Contracts", the "Production Safety Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" and the "Fire Control Law of the People's Republic of China", continues to improve staff health management system, strengthens the fire safety controls, and establish a normalized epidemic prevention and control mechanism to fully safeguard employees' safety and health.

Focusing on Employees' Health

The Group cares for the physical and mental health of employees from four aspects, including health examination, healthy exercise, healthy diet and supplementary medical treatment. It provides commercial insurance including supplementary medical insurance, personal accident insurance and critical illness insurance for employees, and provides physical examination and annual physical examination for each employee on induction. The Group attaches importance to the health and well-being and occupational disease prevention needs of employees, so it sets up physical rehabilitation research centers and health consulting rooms in Beijing Office Park to provide employees with basic medicines for treating and preventing common diseases such as cold, cough and summer heat prevention to protect the health of employees.

As a sports brand company, the Group organizes a variety of cultural and sports activities to enrich the leisure life of employees. It sets up many sports clubs. There are badminton courts, basketball courts, tennis courts, swimming pools, football field, yoga rooms, gymnastic room and other sports venues in the office park of Beijing. It provides a wide range of fitness facilities, and organizes many sports activities, such as sports contests and brisk walking to allow employees cultivate the habit of exercise in their spare time to release pressure, relax their body and mind and maintain a healthy body and a cheerful mood.

The Group develops a scientific diet system for employees, and regularly inspects the hygiene and food quality of the staff canteen to ensure the quality and safety of the food. The Group gives lectures on health knowledge on an irregular basis every year and encourages employees to participate in them actively, aiming at improving employees' health concept, popularizing health knowledge, playing a certain warning role in occupational disease prevention, and improving employees' own health-care ability. In addition, the Group organizes all employees to participate in the "Health Cup" employee safety emergency skills and knowledge competition, carries out the "March 8th" female employees' health knowledge competition and organizes brisk walking activities for employees and their families, so as to promote the development of good and healthy work and life style of employees.

➢ ***Sport is key to Life – Diversified Sports Activities for Employees***

During the 31st Anniversary Celebration of the Group, we organized various sports activities in Beijing, Shanghai, Foshan and other cities. Employees were encouraged to take an active part in those activities, for example, badminton competition, 4v4 basketball competition, table tennis competition, tennis competition, etc., to enrich their leisure life, cultivate their team spirit, and show the athletic demeanor of Li Ning's staff.

Staff Basketball Game

Strictly Safeguard Fire Safety

The Group insists on maintaining the safety of workplace and constantly strengthens fire safety management. We have formulated systems and contingency plans including "Li-Ning Centre Emergency Evacuation Plan (《李寧中心應急疏散預案》)", "Fire and Electricity Safety Management System (《用火用電安全管理制度》)", "Fire Prevention Patrol and Inspection System (《防火巡查、檢查制度》)" and "Safe Evacuation Management System (《安全疏散管理制度》)", set up fire safety emergency response mechanism, and carried out propaganda activities on use of fire-fighting equipment and fire safety knowledge as well as fire emergency response drill, thereby effectively enhancing employees' fire safety awareness and ability to respond to fire emergencies. We have set up a miniature fire workstation in Beijing Office Park, carried out drills every month on the use of firefighting equipment to demonstrate how to wear fire suit and connect fire hydrant, and organized training every quarter on fire safety knowledge for new employees, property service staff and kitchen staff. On 9 November, 2021, we organized to carry out a fire evacuation drill for employees according to the fire emergency plan to help them get familiar with evacuation routes and procedures. The Jingmen Logistics Park of the Group conducts repair and maintenance of fire equipment every month, checks the status of firefighting equipment in its buildings every year, and carries out 2 emergency evacuation fire-drills every year to enhance employees' survival skills and the ability to use firefighting equipment. In addition, a volunteer fire brigade is established in the park, trainings on special fire protection issues are organized regularly to enhance the security defense and self-rescue skills of the logistics park.

Regular epidemic prevention and control

In 2021, the Group set up a regular epidemic prevention and control mechanism, followed the principle of "reporting epidemic immediately and responding quickly", and closely kept abreast of the epidemic situation in the locations where it operated. The Group took several measures to support the smooth and orderly business operation, including formulating an epidemic prevention manual, strengthening internal communication and information synchronization management, improving employees' health information detection and enquiry system, timely and systematically planning epidemic response measures, organizing employees in areas with epidemic risk to make daily health report and employees in key epidemic areas to conduct nucleic acid test, and establishing a flexible office working mode.

- Beijing Office Park: Strictly check the Health Kit and Travel Code when people and vehicles enter the park. Disinfect the office areas, toilets, meeting rooms, door knobs and other places in the office park three times a day, and disinfect the filter section of the central air-conditioning by spraying disinfectants every day. The canteen adopts staggered serving system at different periods of time, and requires a single person eating at a single table to reduce the density of dining staff, thereby providing safe and healthy dining environment for employees.

- Jingmen Logistics Park: Establish an epidemic prevention materials reserve plan to regularly inspect the reserved materials. enhance emergency response capabilities by setting up a nucleic acid test site in the park to test the health status of employees in a timely and effective manner. Maintain communication with the local epidemic prevention and control departments, establish and update the emergency contact list regularly.

Occupational Health and Safety[4]

Indicator	Number
Number of work-related deaths of employees	
—— Number of work-related deaths of employees in 2019 (person)	0
—— Number of work-related deaths of employees in 2020 (person)	0
—— Number of work-related deaths of employees in 2021 (person)	0
Proportion of work-related deaths of employees	
—— Proportion of work-related deaths of employees in 2019 (%)	0
—— Proportion of work-related deaths of employees in 2020 (%)	0
—— Proportion of work-related deaths of employees in 2021 (%)	0
Working time lost due to occupational injury (day)	154

Venue disinfection

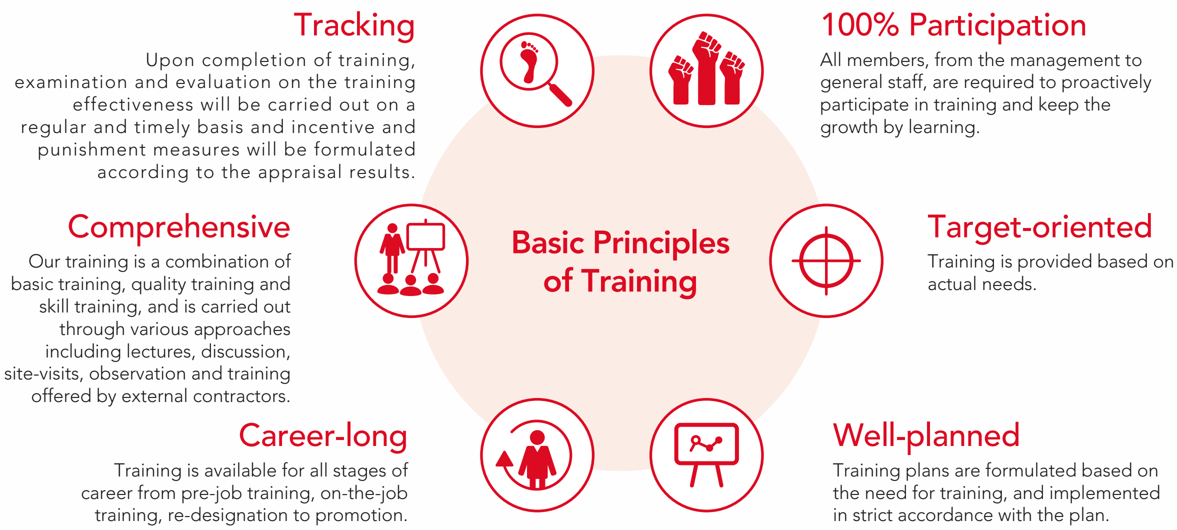
Drilling of using fire-fighting equipment

4 The scope of statistics includes headquarters and retail subsidiaries, excluding Guangxi supply base.

Talent Training and Mutual Value Creation

The Group provides employees with diversified learning opportunities and room for all-round development, encourages and guides employees to improve their professional skills and comprehensive quality and develop necessary abilities to achieve the Company's strategic objectives. It helps employees grow and realize their personal values, with a view to forming a talent team for comprehensive and sustainable development and driving the Company's future development.

The basic principles of our training are as follows:



Li Ning's Basic Principles of Training

The Group enters into a Training Agreement with employees to provide basic trainings programs such as induction training and pre-job training for all employees. Following the "721" principle of talent cultivation (i.e. 70% learning from experience, 20% learning from others and 10% learning from formal training), we provide diversified training and learning opportunities for employees such as internal course training, on-the-job learning, job-rotational learning and tutoring and feedback. We also provide training fees and carry out special training for the outstanding employees evaluated.

- Internal course training: Adopt hybrid learning method combining online and offline modes to provide differentiated courses for employees of retail-end and functional positions, so as to help employees quickly improve their working skills and management ability. Currently, an online learning course system consisting of 4 categories and 16 sub-categories, including general skills, professional skills, management skills and enterprise culture has been established, aiming to deliver knowledge efficiently and effectively. In offline learning, we focus on integrating learning contents into work and practices to achieve the integration of teaching and practice, so as to help employees better understand the learning objectives and further acquire the knowledge effectively.

- On-the-job learning: Continuously improve the ability through practical learning in specific work, mainly through task-oriented training or project-oriented training. Project teams are formed by employees within or across departments to jointly complete the practical tasks, so as to improve the working efficiency of the organization and create value jointly.

- Job rotational learning: Advocate job rotation within or across the system, and give priority to excellent internal talents the training and development opportunities, so as to achieve talent flow and incentive retention while expanding the depth and breadth dimensions of employees' work.

- Tutoring and feedback: Adopt the "dual-tutor" system, that is, each employee is provided with two tutors. The first tutor is the employee's immediate superior, who helps the employee analyze his/her advantages and disadvantages in daily work, guides the employee to make up for his/her shortcomings and give full play to his/her advantages. The second tutor is the employee's indirect superior, who is responsible for helping the employee make his/her career development plan and coordinating training resources, communicating with the employee regularly, and sharing successful experience, thus to broaden the employee's horizon and train his/her diversified modes of thinking.

➢ ***Develop employees' management ability——Mini-MBA online learning program***

In November 2021, the Group officially launched the Mini-MBA online learning program. This project is jointly launched by the Group and a digital learning company. Based on the MBA system of the business schools, Mini-MBA builds a systematic management knowledge structure and focuses on solving the pain point that managers lack a holistic vision and systematic management foundation. Courses are organized around the Mini-MBA diamond model, involving 6 themes, including strategy, leadership, innovation, marketing, human resource management and financial management. With 51 courses under 11 modules in total, they help managers comprehensively understand the operation mechanism of enterprises. Mini-MBA courses are mainly based on mobile learning. Employees can efficiently use fragmented time and gradually cultivate learning consciousness. In addition, the learning contents can be practiced according to scenarios, which not only enhance the interaction, but also help managers quickly internalize knowledge points and bring more efficient learning experience for management personnel.

Employee Trainings in 2021[5]

Indicator		Proportion (%)	Average Training Time (Hour)
By gender	Male employees	100	10.94
	Female employees	100	11.02
By type	Management employees	100	10.43
	Non-management employees	100	11.09

IV. SUPPLY CHAIN MANAGEMENT

The Group has constantly improved its social responsibility management system of supply chain, formulated policies systems such as "Supplier Management System (《供應商管理制度》)", "Code of Conduct Regarding Social Responsibilities of Suppliers of Li Ning Company (《李寧公司供應商社會責任行為準則》)", "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》)", "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》)". It continued to strengthen environmental and social risk management of its suppliers, increased the proportion of high-quality suppliers in cooperation, and carried out green supply chain and product research and development and collaboration, committing to driving brand value chain partners to jointly practice social responsibility and building a sustainable value chain. As of the end of the reporting period, the Group currently has a total of 357 suppliers.

Number and Distribution of Suppliers

Indicator	As of 31 December 2021
Number of suppliers in Mainland China	355
Number of suppliers in overseas area and Hong Kong, Macao and Taiwan regions	2

The Group incorporates ESG concepts and standards into introduction, assessment, improvement and termination of suppliers. It regularly follows the updates and changes of ESG related laws and regulations, policies and industry standards, and timely incorporates them into supply chain audit and assessment tools. The Group clarifies its environmental and social risk management requirements to suppliers. It also helps suppliers continue to improve their environmental and social risk management, with the aim to mutually build a safe, inclusive and mutually respectful workplace and promote sustainable development of supply chain partners.

Introduction of Suppliers

In the supplier introduction stage, the applicant department shall put forward the application for new supplier cooperation, and all relevant departments shall cooperate to carry out the document audit and on-site audit of the potential supplier, and upload the audit opinion to the supplier management system, and the supplier management department shall judge whether it meets the requirements of introduction according to the opinions of various departments. For the potential supplier that meets the requirements, the introduction assessment result shall be approved by the senior management, and finally approved by the CEO to complete the introduction procedure.

[5] The scope of statistics includes headquarters and retail subsidiaries, excluding Guangxi supply base.

In the introduction assessment stage, in addition to requiring suppliers of physical production plants to provide basic information such as qualification, scale requirement, quality system and production technology, the Group also conducts social responsibility audit on suppliers in terms of labor, occupational health, fire prevention, chemical management and environmental protection. Other audit work can be proceeded after the completion of this process. The Group will terminate the introduction process of the potential supplier if zero-tolerance circumstances such as commercial bribery, employment of child labor or forced labor and illegal discharge of sewage are found during the audit. If it is found that there are other significant environmental and social risk items, the introduction process will be suspended, and cannot be resumed until the systematic rectification is completed. In 2021, a total of 50 formal suppliers entered the social responsibility audit at the introduction stage of the Group, and 100% of them passed the introduction assessment after the initial and secondary reviews.

Assessment of Suppliers

The Group conducts quarterly and annual social responsibility audits on suppliers to timely identify possible environmental and social risks in the supply chain, and supervise suppliers to make rectification and improvement within a prescribed time limit.

The Supplier Management Department of the Group works with the production team, R&D team, development team, supply chain team and quality and sustainable development team to sort out the cooperation situation of the supply chain, organize and conduct quarterly evaluation every quarter. The Group will issue a self-examination notice at the beginning of the first month of each quarter, requiring suppliers to conduct self-examination in the third month of the quarter and submit relevant documents with transparency, clarity, relevance, timeliness and traceability. We will review and assess the submitted documents, and send the continuous improvement requirements for the following quarter to suppliers. The quarterly assessment mainly covers business ethics, employment, working hours, wages and benefits, occupational health, energy and environmental performance, chemical management, safety and business continuity. The Supplier Management Department collects and summarizes the quarterly assessment results of all relevant functional departments, organizes quarterly assessment meeting, in which each department summarizes the work of the quarterly supplier assessment, the problems of suppliers in each aspect, and the improvement of goals and plans, and reports the evaluation results to the CEO. In 2021, the Group conducted quarterly assessment and evaluation on all suppliers' self-examination/self-report, including 152 times of review on Tier 1 plant documents in relation to social responsibility and 224 times of review on Tier 2 plants' environmental documents.

Each year, the Group will select corresponding suppliers according to the degree of cooperation and the assessment results of the previous year, and carry out on-site audit/assessment work of the new year. The audit/assessment content includes social responsibility audit, environmental audit, chemical on-site assessment and carbon inventory inspection. After the annual assessment, the Group will make a rectification plan for the problems found in the supplier audit/assessment and arrange person in charge of rectification to track the progress and results of rectification at the end of the year.

In 2021, the Group rechecked the red line termination criteria. If a supplier has a major quality, integrity or social responsibility incident or the comprehensive assessment is lower than the minimum standard for three consecutive quarters, we will commence the termination process.

➢ *Social responsibility audit*

In 2021, the Group conducted social responsibility audit for 40 suppliers. The audit and assessment results are shown in green card, blue card, yellow card and red card, where the red card means disqualified level[6]. The audited suppliers were required to rectify issues such as energy and environment, safety and business continuity, business ethics and labor employment within a specific time limit. After the rectification, 16 suppliers have obtained the green card and 14 have obtained the blue card.

➢ *Environmental audit*

In 2021, the Group appointed third-party audit agencies to carry out on-site audit and assessment of environmental compliance on the 13 representative core material suppliers, among which all suppliers followed up and rectified problems found, and all suppliers received green card assessment after rectification.

➢ *Supply chain carbon inventory inspection*

The Group started to cooperate with third parties to conduct carbon inventory inspection on major suppliers from 2020 with a view to learning about the ability of suppliers to save energy and reduce carbon emissions, and further strengthening ESG management of supply chain. In 2021, the Group conducted carbon inventory inspection on 14 suppliers. On-site carbon inventory inspection includes training on the requirements of relevant national laws and regulations on energy conservation and emission reduction, identification and analysis of energy use types and carbon emission sources, collection and verification of carbon emission data, customization of carbon emission calculation tools and calculation of carbon emissions. The implementation of carbon inventory inspection project deepens the understanding of Group's supply chain on national energy conservation and emission reduction policies, improves the supply chain's ability to manage energy use and carbon emissions, laying a foundation for the joint realization of supply chain carbon emission reduction targets in the future.

➢ *Chemical management of suppliers*

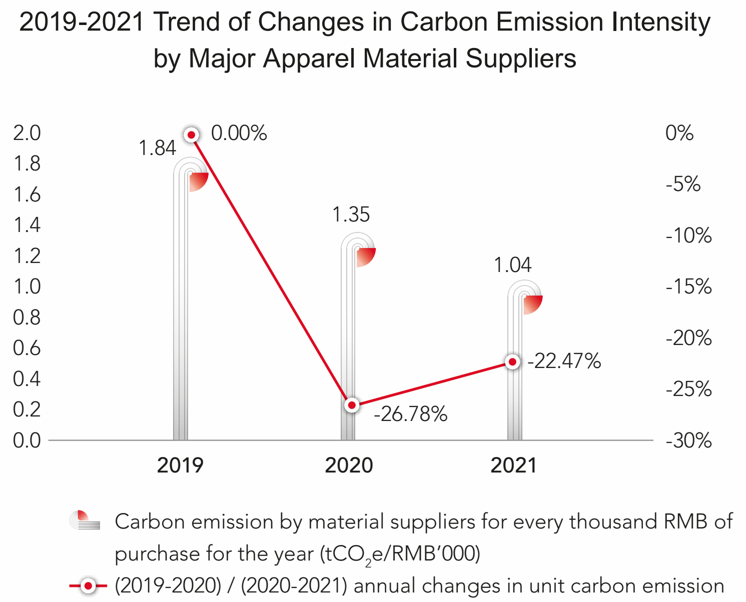
The Group has cooperated with professional third-party testing companies to conduct on-site chemical assessment for key suppliers to enhance the chemical management capabilities of the supply chain and ensure the effective implementation of the Group's concepts and requirements on chemical management. In 2021, the Group conducted on-site chemical assessment for 10 suppliers. The assessment project mainly includes sharing of laws and regulations related to chemical management and chemical management requirements of the Group (such as RSL[7] and MRSL[8]), sorting out the on-site chemicals used by suppliers, and evaluating the use and management of on-site chemicals. The Group required the core material 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 58% for 100% Compliance with the Manufacturing Restricted Substances List (MRSL). In addition, the Group entered into 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 on environment, and protect the health of employees and consumers.

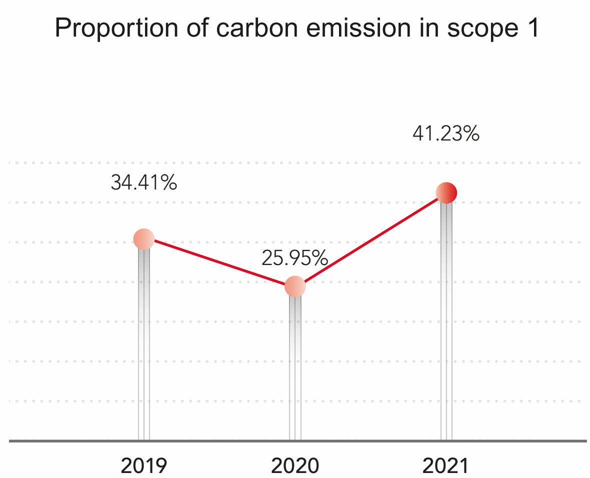
6 Requirements for on-site audit rating: green card: score >=85, blue card: 85>score>=70, yellow card: 70>score>=60, red card: score<60.
7 RSL: Restricted Substances List.
8 MRSL: Manufacturing Restricted Substances List of Zero Discharge of Hazardous Chemicals (ZDHC).

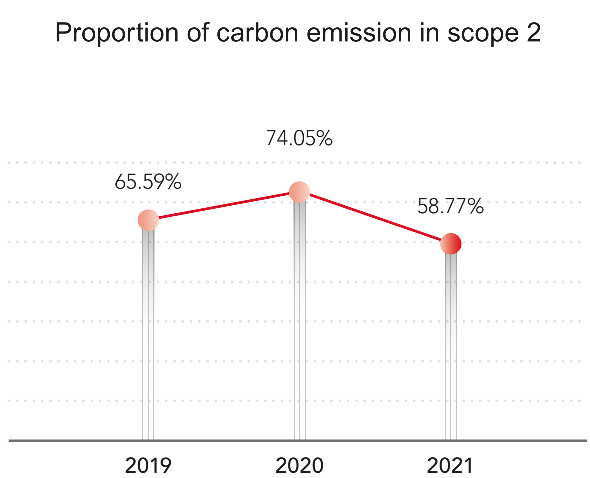
➢ *Third-party social responsibility audit on suppliers*

In 2021, in order to implement the reporting principles of international social responsibility standards of the Group and the auditing principles of international brand production factories, the Group conducted third-party social responsibility audits for about 60 suppliers. The reporting standards include but not limited to BSCI[9], SMETA[10], WCA[11], WRAP[12] and RBA[13].

Paying attention to the status quo of greenhouse gas emissions of the supply chain, the Group continues to follow up the carbon emission data of the supply chain and facilitate the setting of carbon emission reduction target of the supply chain of the Group. The greenhouse gas emissions of major Tier 2 suppliers in the past three years are as follows:







9 BSCI: Business Social Compliance Initiative.
10 SMETA: Sedex Members Ethical Trade Audit.
11 WCA: Workplace Conditions Assessment.
12 WRAP: Worldwide Responsible Apparel Production.
13 RBA: Responsible Business Alliance.

Building a Green Supply Chain

The Group incorporates its environmental requirements on suppliers into the whole process of supplier management. We require suppliers to provide the environmental impact assessment documents, the environmental impact assessment approval and the completion acceptance report of its construction projects, waste water/exhaust gas monitoring report, discharge permit and other related documents, as the audit content in supplier introduction stage, and regard illegal discharge of sewage and hazardous waste as zero-tolerance items in the audit. In quarterly audit, the Group requires suppliers to provide their main energy consumption and greenhouse gas emission list, energy consumption assessment system or energy saving action plans and measures. In annual audit, in addition to the audit of relevant environmental qualifications and compliance, the Group will also audit the suppliers' waste management, energy saving measures, the application of new energy saving technologies and the implementation of carbon emission reduction.

In addition, to promote the use of environmentally friendly materials is one of the sustainable development goals of the Group. Various relevant business departments of the Group have formulated goal breakdown plans and implementation plans for this goal. It gradually strengthens the cooperation with suppliers in the research and use of environmentally friendly materials, and regularly follows up the implementation progress to ensure the achievement of the goal. In 2021, the Group actively promoted ecologically and environmentally friendly technologies, and cooperated with supply chain partners to carry out a trial project of replacing chemical dyes with plant dyes. The project covered 3 colors, 2 fabrics and 4 styles of orders for high-end products, with a total order quantity of 47,151 pieces.

Replacement of chemical dyes with plant dyes

Participating in Industrial Cooperation

The Group continued to carry out cooperation and discussion on sustainable supply chain development within the industry, and actively participated in the industry low-carbon development and sustainable innovation summits to exchange and discuss the green, low-carbon, circular and sustainable development mode of the textile industry chain, actively explore solutions to climate change, and make contributions to the "Dual Carbon" practice of the textile industry.

- In May 2021, the Group attended the China Brand Day — Sustainable Fashion Summit held in Shanghai and delivered a themed speech on sustainable development;
- In August 2021, the Group attended China Beijing International Fair for Trade in Services and delivered a themed speech on quality and sustainable fashion;
- In October 2021, the Group attended the opening ceremony of "30 · 60 Net Zero Accelerating Plan" launched by China National Textile and Apparel Council, witnessing the awarding of "Enterprise of 30 · 60 Net Zero Accelerating Plan" and "Sustainable Innovation Center". It planned to carry out actions to address climate change and help achieve the "Dual Carbon" goal.

V. PRODUCT RESPONSIBILITY MANAGEMENT

The Group 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 fully understands the demands and suggestions of customers, attaches great importance to the quality of products and services, continually optimizes the quality control process, enhances the advertising and trademark management, and strengthens intellectual property protection and customer data security protection, thereby protecting the legal rights of customers and demonstrating social responsibility as a quality brand in the industry.

Product Quality Control

In strict compliance with the relevant laws and regulations, according to the requirements of GB/T 19001-2016 National Quality Management System, ISO9001 Quality Management System and various technical specifications on shoes, garment and accessories, and taking reference from the relevant standards of the industry, the Group has formulated various enterprise standards and specifications, in which enterprise standards and quality control management requirements beyond the national and industrial standards were added. Those standards and specifications include "Quality Management and Control Procedures for Shoes Products Development Phase of Li Ning Company (《李寧公司鞋產品開發階段質量控制流程》)", "Quality Management and Control Procedures for Apparel R&D Phase (《服裝研開發階段質量管控流程》)", "Manual of Physical Properties Standard for Shoes Products (《鞋產品物性標準手冊》)", "Quality Management and Control Requirements for Development and Production of Apparel (《服裝開發及生產質量管控要求》) "and "Specifications Specifically Used in the Production of Apparel Materials (《服裝材料生產階段特別採用的規範》)".

The Group implements management and supervision on product quality at 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. The Group audits the quality management system of finished shoe suppliers, major sole material suppliers and apparel material suppliers every year. Based on the assessment results, unqualified suppliers may face measures such as rectification within a time limit, interviews, circulation of a notice of criticism and commencement of termination procedure. In 2021, the Group revised "Safety Technical Requirements for Shoes, Apparel and Accessories (《鞋、服裝及配件安全技術要求》)" into "Safety Technical Requirements for Li Ning Products (《李寧產品安全技術要求》)" according to the domestic and international requirements on the chemical use and residue control of textile products and shoes products. On the basis of taking reference from the relevant domestic and international requirements, and in line with the actual situation of the Group's products, the standard puts forward more stringent quality technical requirements for the relevant suppliers, thereby further improving the Group's product safety index.

Product Examination and Recall

The Group has established systems and measures, including "Li Ning Company's Defective Product Recall Management Regulations (《李寧公司缺陷產品召回管理規定》)", "Procedures and Standards on Recall of Li Ning's Defective Goods (《李寧殘品收殘程序及標準》)", "Service Commitment (Repair, Replacement and Return) of Product Quality (《產品質量三包服務承諾》)" and "After-Sales Service Manual for Li Ning Products (《李寧產品售後服務手冊》)". It continued to strengthen the recall management standards of defective products to improve consumers' shopping experience, safeguard consumers' rights and interests, and avoid the impact of product defects on consumers' health and safety. According to customer needs, the Group offers return, replacement, repair and other services for products with quality problems within the promised time limit. In case of returned products, the Group's professional defective product examination team would inspect the problems of the defective products, and provide feedback of the inspection results to customers. At the same time, the inspection results would also be conveyed to the management personnel of logistics, finance and suppliers, and reported as the content of the Monthly Quality Report. The product research and development department would incorporate valid market feedback in the subsequent product development stage to further improve product quality.

The Group has developed a strict product recall mechanism to recall products with the occurence of specific conditions. In case of the occurrence of situations requiring recall, the quality assurance department shall have the right to request to stop the sale of the products, immediately conduct an investigation for the cause of such occurence 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 to minimize the impact of recalled products on consumers. The Group's product recall scenarios mainly include:

- The products quality is not qualified and is required to be pulled off from shelves and recalled after being inspected by the State or local market supervision department;
- The product is found not meeting national or enterprise standards and there are hidden quality problems of batches of product;
- Defects in design or manufacturing have caused personal or property damage to consumers, and may occur again after evaluation;

- Although the defects do not cause personal or property damage to consumers, they may still cause personal or property damage under certain conditions after testing, experiment and demonstration;
- The product is involved in infringement, plagiarism or violation of relevant laws and regulations, and has a negative impact on the Company;
- The defective rate of a single type of product reaches a certain percentage, which leads or may lead to the failure of normal sales or the rapid decline of customer satisfaction.

Customer Complaints and Protection

The Group adheres to creating a sound service system for customers, and upholds the principle of "customer priority and professional services". It formulated regulations, including "Customer Service Call Answering Management Regulations (《客戶服務電話解答管理規定》)", "Customer Services Knowledge Management Principles (《客戶服務知識管理準則》)", "Customer Service Hotline Daily Management Standards (《客戶服務熱線日常管理規範》)" and "Member Online Service Management Standards (《會員在線服務管理規範》)", with a view to establishing good communication channels with customers. In 2021, we revised the contents of Service Commitment (Repair, Replacement and Return) for some products, such as extending the Service Commitment (Repair, Replacement and Return) period for children's shoes, to better meet consumers' needs and effectively safeguard consumers' rights and interests.

We established a multi-channel customer communication and feedback mechanism, including the opening of a customer care hotline started with 400 (400-610-0011), Weibo We-Media channel (@李寧官方微博) and Li Ning Club WeChat public account, design of WeChat mini program, announcement of contact e-mail address (ccc.support@li-ning.com.cn) and voice message to realize round-the-clock communication and feedback channels. In addition, the Group opened an online auxiliary feedback channel of enterprise WeChat for channel stores to timely obtain consumer demand and solve consumer concerns more efficiently. In 2021, the Group headquarters received 320 complaints from consumers through the market supervision administration, and the e-commerce platform received 415 complaints from consumers through the market supervision administration. After receiving the complaints, the Group analyzed the product problems according to the consumer complaints, and dealt with the consumer demands according to the analysis results. The solution rate was 100%. The handling results were reported to the market supervision administration.

In 2021, the Group further improved customer satisfaction rating function, which will present service satisfaction questionnaire to members after their consumption to actively understand customers' shopping experience and their satisfaction with our overall service. After collecting customers' feedback on products or services, we will summarize and analyze customers' needs, comments and problems, and the customer experience department will classify, sort out data and make reports, and deliver them to relevant departments for implementation and improvement, aiming to continuously improve customer experience.

Customer Data Protection

The Group attached great importance to the protection of customer data security, strictly abided by the provisions of laws and regulations, including the "Personal Data Protection Law of the People's Republic of China", "Cyber Security Law of the People's Republic of China" and "Data Security Law of the People's Republic of China". It has established a sound information security management system, which effectively protects customers' privacy and data security through the application of high-tech means such as firewalls with high security level and the implementation of strict data flow monitoring measures. In 2021, the Group revised "Li Ning Privacy Policy" and "Li Ning Service Agreement" to further improve customer data authorization management, and standardize customer data collection and use procedure. It continued to strengthen employees' awareness of data security protection, and improved their ability in safety operation.

All customer information of the Group is strictly protected and properly preserved, and only authorized personnel can read and use relevant information within the authorized scope. In the process of communication, feedback and investigation involving consumers' personal data, the unified identity of the whole network ID encryption string is used to eliminate potential information security risks that may exist in the transmission and replication of consumers' personal data. At the same time, the Group collects necessary information only after obtaining the customer's authorization, informs the customer of the list of third-party SDKs interfaced with each platform of Li Ning official flagship store, and strictly prohibits to provide any customer information to third parties without authorization.

Our information security management mechanism covers all business partners and relevant third parties. We require all third parties and outsourcing business partners to sign the "Information Security Confidentiality Agreement", put forward the same information security management requirements to suppliers as those within the Group, and supervise their implementation. We have also added clauses requiring the working partners to protect consumers' personal information, legally collect and use consumers' personal information and relevant liability for breach of contract in distribution contracts and service contracts to reduce the risk of external disclosure of information.

In terms of internal staff management, the Group stipulates that every customer service employee shall learn and sign the "Information Security Confidentiality Agreement" upon induction, and regularly organizes professional ability training covering consumer data protection system and measures, so as to improve customer service personnel's awareness and ability of consumer privacy protection. In addition, the Group carries out assessment on information security protection for customer service personnel, and supervises their implementation of privacy and data security protection measures in business process.

Intellectual Property and Brand Protection

The Group strictly abides by the relevant laws and regulations such as 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》)", "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 continues to carry out standardized advertising and trademark management, implements protection measures, gradually improves the advertising and trademark management system to timely identify, sort out and prevent intellectual property risks in business, and further enhance the level of brand management and intellectual property management.

The Group continues to implement the "Intellectual Property Management System", "Trademark Management Measures", "Patent Management Measures" and "Copyright Management Measures", and fulfills departments' management responsibilities to strictly implement the compliance review process of trademark, patent, copyright, product design and other intellectual property protection applications. Once the listed products are found to be at risk of intellectual property infringement, we will immediately remove the infringing products and hold relevant responsible persons accountable. At the same time, in order to prevent patent infringement risks of suppliers' materials, the Group will strictly review their patent rights and other qualification documents before cooperating with material suppliers, and add intellectual property declaration clauses in Cooperation Agreement on Materials and Product Processing Authorization Agreement signed by both parties. The suppliers are required to undertake and guarantee that the products and materials provided will not infringe the intellectual property rights and legitimate rights and interests of any third party. In case of any infringement, the suppliers shall assume all the consequences of infringement and compensate the Company for all losses arising therefrom. The Group will timely follow up and protect any new product name, logo or new intellectual property involved in R&D technology. After internal examination and approval, professional intellectual property management personnel will file an application to relevant authorities, and monitor and closely follow up with the subsequent application results in a timely manner.

The Group requires business departments to strictly implement audit procedures in advertising and product promotion, requiring all information to be audited at all levels before release, and unauthorized production and release of unaudited information are prohibited. In terms of advertising contents and marketing, the Group requires that it is prohibited to disseminate, publish, edit and falsify unauthorized pictures, fonts, text, software and music works, nor infringe on the intellectual property rights of others, and it must ensure the authenticity of the advertising contents to avoid misleading consumers. In order to improve the awareness of advertising compliance of all employees, the Legal Department of the Group organizes regular advertising publicity training, and invites professional lawyers to carry out "Legal Training on Advertising and Marketing Compliance" for the Group. Meanwhile, advertising penalty cases and relevant matters for attention are shared with all employees to improve the risk prevention and compliance awareness of business departments and relevant personnel.

The Group formulated "Enterprise Logo Usage Standards of Li Ning Brand (《李寧品牌企業標識使用規範》)" to unify and standardize the brand logos, so as to further enhance brand recognition. It explicitly stipulated the format, proportion and standard requirements for the use of the brand logo in the using area, put forward the precautions for the use of the Group's brand logo in the pattern design creation in the non-logo area, and required external partners to strictly abide by the standards when using the Group's related logo and materials.

In 2021, the Group further expanded the scope of trademark protection, carried out supplementary registration for a number of categories involved in trademarks, regularly monitored the suspected trademark squatting of Li Ning every month, and filed objections or declared invalid trademark squatting. The Group continued to cooperate with third-party online platforms to complain and delete the infringing links of fake goods, coordinated with industry and commerce departments and public security departments to trace the origin of fake goods, crack down on infringing fake goods, and make full use of civil infringement action, criminal report and other legal channels to safeguard its own brand rights and interests. In addition, in 2021, the Group embedded the external cooperation audit process of all brands of the Group into the system, aiming to achieve "visualization, traceability and process", that is, the exposure of all brand logos must be reviewed by relevant departments in the system, so as to maximize the standard use of brand logos.

VI. ANTI-CORRUPTION MANAGEMENT

The Group commits to creating a clean, open, honest and trustful working atmosphere. It strictly abides by laws and regulations, including the "Law of the People's Republic of China on the Prevention of Money Laundering (《中華人民共和國反洗錢法》) ", "Law of the People's Republic of China for Countering Unfair Competition (《中華人民共和國反不正當競爭法》) ", and "Interim Provisions of the State Administration for Industry and Commerce on Banning Commercial Bribery (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》) ". It continuously improves the anti-corruption mechanism by revising the "Anti-Corruption and Anti-Bribery System of Li Ning Group (《李寧集團反腐敗和反賄賂制度》)". It requires employees and suppliers to sign "Anti-Corruption and Anti-Bribery Declaration Form (《反腐敗和反賄賂申報表》)", "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 "Letter of Undertaking on Anti-Corruption and Anti-Bribery (《反腐敗和反賄賂承諾書》)", and adopts zero tolerance for corruption by employees and suppliers. In 2021, the Group did not have any corruption lawsuit against the Group or its employees which has been concluded.

The Group continues to improve its corruption reporting mechanism, which supports whistleblowers to report corruption case clues through the reporting mailbox, senior officer complaint mailbox, complaint channel of the human resources department and voluntary reporting channels. It actively investigates relevant cases according to the clues. The Group promises to keep confidential the information of whistleblowers, forbids any retaliation against complainers or whistleblowers, and treats them seriously if such cases appear. In addition, the contact information of reporting is listed in the Letter of Undertaking on Anti-Corruption and Anti-Bribery. All people are encouraged to provide verifiable information and clues. Within three days after receiving the reporting information, the Group will initiate the investigation to resolutely resist the corruption of employees, suppliers and service providers. In May 2021, the Group won the "Clean and Compliance Innovation Award" of the first "Private Enterprise Clean and Compliance Innovation Award" jointly organized by the Criminal Law School of East China University of Political Science and Law and the China Legal Strategy Research Center of East China University of Political Science and Law.

In 2021, the Group carried out various forms of anti-corruption training for all employees, with a view to enhancing their awareness of anti-corruption, further promoting the implementation of the relevant system, and building a sound and clean operation ecosystem.

- Conducted a 45-minute training on the Group's anti-corruption and anti-bribery system for all directors, including the compliance background, purpose and significance of anti-corruption and anti-bribery, as well as the content and implementation of the Anti-Corruption and Anti-Bribery System;

- Conducted a one-hour training on the revised version of Anti-Corruption and Anti-Bribery System of Li Ning Group and anti-corruption compliance for all employees through online video recording and broadcasting;

- Communicated the Group's anti-corruption and compliance policies to employees through enterprise WeChat, emails and posts;

- For employees of key lines such as internal audit and legal affairs, the Group conducted 13 two-hour "LCOUNCIL" training programs, where outside experts explained the key points of anti-corruption, anti-bureaucratic decadence and compliance.

VII. COMMUNITY INVESTMENT MANAGEMENT

The Group takes the initiative to undertake and fulfill its social responsibilities. In the process of realizing its own vision, the Group pays attention to the needs of the community and strives to give back to the society. The Group gives full play to its advantages in sports resources to fully understand the needs of recipients. It integrates group resources to carry out targeted assistance and support, participates in public charity assistance, caring for special groups, disaster relief and other public welfare undertakings. Upholding the charity philosophy of "Practicing Love with Sports", it makes continuous contribution to the harmonious and sustainable development of the society. As of the end of 2021, Li Ning Group, as a strategic partner of China Women's Development Foundation, has donated more than RMB100 million to more than 30 provinces and municipalities across the country through the Foundation. The donated sum and supplies were all used in rural revitalization, disaster relief, epidemic fight and a series of livelihood work in various regions, benefiting nearly a million person-times.

Work Together for Disaster Relief and Production Resumption

For a long time, the Group has actively carried out charity relief work. We pay close attention to natural disasters such as floods and earthquakes and other public emergencies. In the face of natural disasters and public emergencies, the Group makes full use of its own resources and timely donates money and suppliers to support the reconstruction and production resumption of disaster-hit areas. Adhering to the sense of social responsibility of "helping each other for all as one", the Group continues to practice its responsible charity values, spread love and care, and strives to contribute to the public charity relief undertaking.

➢ *Flood Control and Disaster relief with Great Love and Support Relief for Henan*

In July 2021, Henan province suffered severe flood due to extreme heavy rainfall, which caused heavy losses. Rescue and post-disaster reconstruction work was in a grim situation. After learning about the specific needs of flood control and disaster relief, the Group, together with Viva China Holdings Limited, donated cash and supplies jointly through the China Women's Development Foundation. The donations were mainly applied for life assurance of the affected people and first-line rescue workers, disaster health prevention and post-disaster recovery and reconstruction work, sending warm greetings and sincere care to the people in the disaster area.

Donate money and supplies to relieve flood disaster in Henan province

➢ *Assist Shanxi in flood control, disaster relief and post-disaster reconstruction*

In October 2021, parts of Shanxi were hit by floods, which seriously affected the safety and life of the flood-stricken people. In order to help the people of Shanxi fight against the disaster, the Group donated cash and supplies to the flood-stricken areas of Shanxi to assist in the local flood control, disaster relief and post-disaster reconstruction. Working together with Shanxi people, the Group has taken concrete actions to help the affected people overcome difficulties and go through the dark.

Assist Shanxi in flood control and disaster relief

Facilitate Rural Revitalization for Common Prosperity

The Group takes the initiative to undertakes the civic responsibility of the enterprise by continuously paying attention to the needs of the impoverished people, personally participating in public welfare and charity activities to help the people in need solve their life difficulties. It hopes to encourage more people to join the public welfare and charity, and help more people to lead a better life and realize common prosperity.

➢ *Sow Love – Donate necessities to the needy*

In 2021, the Group donated daily necessities to needy families in Shunping County, Hebei Province and Wangmo County, Guizhou Province, sending care and assistance to the local impoverished people. In addition, in order to convey the concept of social responsibility, in October 2021, the Group invited high-quality suppliers and outstanding employees to carry out a public welfare visit to Inner Mongolia, to donate supplies to the local women's federations, and send warmth and care to local mothers, schools and families in straitened circumstances.

Donate necessities to needy families

➢ *Deliver Warmth – Donate necessities to needy students*

The Group donated 196 sets of down jackets to needy students in Jiaqiong Town, Bangor County, Tibet Autonomous Region in December 2021 to support needy students in remote areas and spread warmth and love to them. It also carried out charity donation activities for needy students in Nanyang Village, Zhengcheng Town, Linyi City, Shandong Province, Mabian Yi Autonomous County, Sichuan Province, Long'an Town, Yiliang County, Yunnan Province, and Nanning area, Guangxi. The Group helped students spend a warm winter by donating clothes to local areas.

Donate clothes to needy students

Cherish Care and Love

The Group has always attached great importance to caring for people with mental disabilities. It calls on the public to pay attention to special groups through various forms of public welfare activities, aiming to deliver humanistic care and spread agapy love of equality and inclusiveness.

➢ *"Love Breeds Happiness" – Charity care for people with mental disabilities*

In 2021, the Group continued to cooperate with World of Art Brut Culture (WABC) to carry out public welfare activities to care for people with mental disabilities such as autism. In April, on the 14th "World Autism Day", the Group worked with WABC to launch a public welfare activity themed "Love Breeds Happiness". The Group collected the paintings of people with mental disabilities such as autism and printed them on specially customized public welfare T-shirts, which reflect the colors, vitality and dreams of special groups. Taking this activity as an opportunity, we aim to enhance social understanding and awareness of autism, arouse public attention to people with mental disabilities, call on society to create an inclusive, equal and free world for people with mental disabilities and their families, and add more hopes, happiness and beauty to the harmonious and diversified society.

Public welfare T-shirts printed with the paintings made by children with autism

Focusing on Sports and Strengthening Education

The Group aims to help teenagers improve their basic sports ability and professional sports performance, and pays attention to the physical education of teenagers. It gives full play to the Group's resource advantages to provide professional sports training for teenagers, enhance their physical fitness and cultivate their sports hobbies and sportsmanship.

➢ *Set up Li Ning Sports School to Focus on Teenager Physical Education*

In November 2021, the Group founded Li Ning Sports School. We will cooperate with well-known sports clubs, sports associations and many industry leading institutions and experts at home and abroad to concern the development of teenager sports training in the long run. At this stage, the school set up winter camps adopting centralized and closed-off management, including four special training camps for comprehensive fitness, basketball, table tennis and badminton, to deliver professional sports training methods to teenagers and the children of employees of the Company, with a view to cultivating good sports habits of teenagers.

ESG INDICATORS INDEX

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

Aspect	Content	Section
A. Environmental		
A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.* *Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.* *Hazardous wastes are those defined by national regulations.*	Environmental Management
	A1.1 The types of emissions and respective emissions data.	2021 Environmental Performance
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2021 Environmental Performance
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2021 Environmental Performance
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2021 Environmental Performance
	A1.5 Description of emissions target(s) set and steps taken to achieve them.	Environmental goals, Environmental Management Measures
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental goals, Environmental Management Measures

Aspect	Content	Section
A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	Environmental Management
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	2021 Environmental Performance
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2021 Environmental Performance
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental goals, Environmental Management Measures
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental goals, Environmental Management Measures, 2021 Environmental Performance
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	2021 Environmental Performance
A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources	Environmental Management
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management
A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

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

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

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

Aspect	Content	Section
B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption Management
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption Management
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption Management
	B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption Management
Community		
B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment Management
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment Management
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Investment Management

INVESTOR RELATIONS REPORT

In 2021, alongside the stabilisation of the pandemic, the economy is on track to recovery, which contributed to the recovery of sports-related consumption to pre-pandemic level. The "new normal" lifestyle resulted from the pandemic continued to prevail, hence consumers' demand for sports products remained robust. Meanwhile, prompted by the rise of China-chic trend, domestic brands have been gaining awareness and recognition from consumers, which also led to gradual changes in both the industry landscape and consumption pattern. 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 reinforced the professional image of its brand by continuously upgrading its product technology and design. At the same time, the Group launched innovative and special activities such as fashion weeks and cross-sector crossover collaborations to attract the attention of consumers and enrich its brand image and influence. During the year, the Group saw significant improvements in its revenue and profit margin with further improvements in major financial and operational indicators.

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	2021	2020	2019
Roadshows (including reverse roadshows)	**2 times**	2 times	2 times
	(68 meetings in total)	(65 meetings in total)	(64 meetings in total)
Forum	**8 times**	8 times	8 times
	(63 meetings in total)	(61 meetings in total)	(64 meetings in total)
Meeting	**26 times**	21 times	110 times
Conference call/online conference	**308 times**	312 times	236 times

Note:
Affected by the COVID-19 pandemic, investor meetings were mainly conducted by way of online or telephone conference in 2021.

OUTLOOK

In 2022, 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.

INVESTOR RELATIONS REPORT

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 2021: 2,616,545,825
Market capitalisation as at 31 December 2021: approximately HK$223,322,186,164

Dividend for 2021

Interim dividend: Nil
Final dividend: RMB45.97 cents per share

Financial Calendar

Announcement of annual results: 17 March 2022
Annual General Meeting: 15 June 2022

Corporate Websites

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

Contact for Investor Relations

Unit 3301, 33/F., BEA Tower
Millennium City 5, 418 Kwun Tong Road
Kowloon, Hong Kong
Investor Relations Department, Li Ning Company Limited

Telephone: +852 3541 6000
Fax: +852 3102 0927
Email: investor@li-ning.com.cn

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 59, is the founder of the LI-NING brand and the Group's Executive Chairman, Joint Chief Executive Officer and an executive Director, he is also the chairman of the nomination committee of the Company. Mr. Li served as an Interim Chief Executive Officer of the Company from 18 March 2015 to 1 September 2019, and has been re-designated as the Joint Chief Executive Officer of the Company with effect from 2 September 2019 with his focus on the overall control and strategic planning of the Group. Mr. Li is one of the most outstanding athletes in the 20th century. In the 6th World Cup Gymnastics Competition in 1982, Mr. Li unprecedentedly won six gold medals in men's artistic gymnastics events and was named the "Prince of Gymnastics" (體操王子) in the PRC. In the 23rd Los Angeles Olympic Games in 1984, Mr. Li won three gold, two silver and one bronze medals, making him the athlete winning the most medals of that Olympic Games. In 1987, Mr. Li became the 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 31 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 has supported educational development in impoverished and remote areas in China. In October 2009, Mr. Li was appointed by The United Nations World Food Programme (WFP) as "WFP Goodwill Ambassador against Hunger". Mr. Li is an honorary president of the Hong Kong Association of Youth Development and a life member of The Chinese General Chamber of Commerce, Hong Kong. Mr. Li is the uncle of Mr. Li Qilin, an executive Director of the Company, and he is also the brother of Mr. Li Chun, a substantial shareholder of the Company as defined in the SFO.

Mr. Kosaka Takeshi, aged 51, a Japanese-Chinese whose former Chinese name was Qian Wei (錢煒), is an executive Director and the Joint Chief Executive Officer of the Company. Mr. Kosaka joined the Group in September 2019 and focus on the operations of the Group. Mr. Kosaka graduated from Kwansei Gakuin University in Japan. Prior to joining the Company, he was the chief executive officer of South Korea Uniqlo. Mr. Kosaka joined Fast Retailing Co., Limited ("Fast Retailing") in 1996 and worked in various divisions and Asian regions gaining extensive experience in supply chain, products and merchandising as well as retail management. Fast Retailing is the holding company of Uniqlo and its securities are secondary listed as depositary receipts on the Hong Kong Stock Exchange (Stock Code: 6288). He served as the vice general manager and the chief operating officer of the PRC Uniqlo in 2001 and 2005 respectively. Mr. Kosaka has over 18 years' experience in the development and management of the PRC market.

Mr. Li Qilin, aged 35, 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 65, is an independent non-executive Director and chairman of the audit committee of the Company. Mr. Koo joined the Group in June 2004, and has many years of experience in corporate finance and professional accounting. Mr. Koo served as the managing director and the head of corporate finance department of a major international bank, and a director and chief executive officer of a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Koo serves as an independent non-executive director of Xingda International Holdings Limited and Winfull Group Holdings Limited, both of which are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Koo resigned as an independent non-executive director of Good Friend International Holdings Inc. in January 2022, which was delisted from the Main Board of the Hong Kong Stock Exchange in December 2021. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley in the United States.

Ms. Wang Ya Fei, aged 66, is an independent non-executive Director, chairperson of the remuneration committee and a member of the audit committee of the Company, and was appointed as a member of the nomination committee of the Company with effect from 5 July 2021. Ms. Wang joined the Group in January 2003, she has over 28 years of experience in management and corporate investment and finance matters. Ms. Wang was the co-founder of Caelum Asset Management Company and has been appointed as a chairperson of the company with effect from September 2011. She served as a director of Xueda Education from 2006 to 2010, and an independent director of Xueda Education Group, a company listed on the New York Stock Exchange, from 2010 to 2016, and was the partner, director and deputy general manager of Beijing Investment Consultants Inc. from 1996 to September 2011, and was a professor and dean assistant in Guanghua School of Management of Peking University (北京大學光華管理學院) from 1995 to September 2011. Ms. Wang holds a bachelor's degree in international politics from Fudan University (復旦大學) in Shanghai and was an exchange scholar in Maryland University, College Park in the United States. Ms. Wang also holds a M.B.A. degree from University of Lancaster in the United Kingdom.

Dr. Chan Chung Bun, Bunny, *GBM, GBS, JP*, aged 64, 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 35 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 a member of the Council for Sustainable Development from 1 March 2015 to 28 February 2021. He is a member of the Court of Hong Kong Metropolitan University whose former name was The Open University of Hong Kong from 2012. Dr. Chan was appointed as Justice of Peace in 2002 and was awarded the Bronze Bauhinia Star medal in 2004, Silver Bauhinia Star medal in 2009, Gold Bauhinia Star medal in 2014 and Grand Bauhinia Medal in July 2021 by the Government of the Hong Kong Special Administrative Region. In December 2013, Dr. Chan was conferred Doctor of Business Administration, honoris causa, by Hong Kong Metropolitan University.

SENIOR MANAGEMENT

Mr. Tsang, Terence Wah-Fung, aged 60, 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 30 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. Hong Yu Ru, aged 56, 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 47, 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 19 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 44, 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 19 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. Wang Nan, aged 39, vice president of the Group, joined the Group in October 2021, and is responsible for wholesale business of the Group. Mr. Wang has over 16 years of working experience in sales of fast-moving consumer goods and sports products. He worked at internationally renowned sports goods brand enterprises. In his career, Mr. Wang held senior management positions in well-known multinational enterprises. Mr. Wang holds a bachelor's degree from Beijing University of Technology and a master degree from NEOMA Business School in France.

Mr. Feng Ye, aged 42, vice president of the Group, joined the Group in August 2008, and is responsible for the e-commerce and new retail business of the Group. Mr. Fung has over 18 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. Zhang Xiang Du, aged 66, 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 40 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. He Can Yu, aged 52, 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 28 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 53, 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 29 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 56, 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 29 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 44, 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 21 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 2021.

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 an internationally-renowned enterprise of Chinese origin featuring world-class professional sports brand with fashion attributes.

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

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's subsidiaries and its investments in associates and joint ventures as at 31 December 2021 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 2021 are set out in the consolidated income statement on page 140 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 2021 (2020: nil).

The Board has recommended the payment of a final dividend of RMB45.97 cents per Share issued or to be issued upon conversion of CS for the year ended 31 December 2021 (2020: RMB20.46 cents). The proposed dividend payment is subject to approval by the Shareholders at the 2022 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 15 June 2022. Such dividend will not be subject to any withholding tax. Upon Shareholders' approval, the proposed final dividend will be paid:

(i) on 30 June 2022 to Shareholders whose names shall appear on the register of members of the Company on 22 June 2022;

(ii) on 30 June 2022 to holders of CS issued under the 2015 Open Offer and remain outstanding on 22 June 2022; and

(iii) on 6 July 2022 (i.e. the third business day after 30 June 2022) to holders of CS issued under the 2013 Open Offer and remain outstanding on 22 June 2022.

For the avoidance of doubt, any CS subject to a conversion notice completed, executed and deposited on or before the final dividend record date (being 22 June 2022) 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 2022 AGM and Shareholders and CS Holders qualifying for the proposed final dividend to be approved at the 2022 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 2022 AGM:

Latest time to lodge transfer documents	4:30 p.m. on 9 June 2022 (Thursday)
Period of closure of register of members	10 June 2022 (Friday) to 15 June 2022 (Wednesday) (both days inclusive)
Record date	15 June 2022 (Wednesday)
2022 AGM date	15 June 2022 (Wednesday)

In order to qualify for attending and voting at the 2022 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 Thursday, 9 June 2022.

(ii) For ascertaining entitlement to the proposed final dividend to be approved at the 2022 AGM:

Latest time to lodge transfer documents	4:30 p.m. on 20 June 2022 (Monday)
Period of closure of register of members and register of CS Holders	21 June 2022 (Tuesday) to 22 June 2022 (Wednesday) (both days inclusive)
Final dividend record date	22 June 2022 (Wednesday)

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 Monday, 20 June 2022.

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

SHARE CAPITAL AND SHARES ISSUED

On 1 November 2021, the Company completed a placing of a total of 120,000,000 placing shares at HK$87.50 for each placing share to not less than six independent placees and, on 3 November 2021, the Company allotted and issued 120,000,000 subscription shares at HK$87.50 per subscription share under the general mandate to a wholly owned subsidiary of Viva China Holdings Limited. For further details, please refer to the Company's announcements dated 28 October 2021 and 3 November 2021.

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 17 to the consolidated financial statements.

RESERVES

As at 31 December 2021, reserves of the Company amounted to RMB12,910,651,000 (2020: RMB5,062,340,000). Details of movements in reserves of the Company during the year are set out in note 36 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 2021 were as follows:

	Year ended 31 December	
	2021	2020
	% of total revenue	% of total revenue
The largest customer	**3.9**	3.0
Five largest customers	**13.1**	12.1
	% of total purchases	% of total purchases
The largest supplier	**9.5**	7.2
Five largest suppliers	**29.5**	29.9

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 2021 was nil (2020: nil).

DONATIONS

During the year, the Group has implemented cash and material donations with value of RMB28,909,000 (2020: RMB15,702,000). In addition, materials with value of RMB15,834,000 have been prepared and will be put in place batch by batch according to the local actual situation and under the guidance of China Women's Development Foundation.

PROPERTY, PLANT AND EQUIPMENT

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

CONVERTIBLE SECURITIES

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

After the 2013 Open Offer became unconditional, the Company issued the 2013 Convertible Securities with an aggregate principal amount of HK$1,847,838,349 which is convertible into a total of 527,953,814 Shares on 22 April 2013. Please refer to the announcement of the Company dated 18 April 2013 for details.

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

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

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

During the year ended 31 December 2021, the 2013 Convertible Securities in an aggregate principal amount of approximately HK$480,349.71 had been converted into 150,911 Shares and no 2015 Convertible Securities were converted into Shares. As at 31 December 2021, the outstanding 2013 Convertible Securities amounted to approximately HK$3,464,050.99 and the outstanding 2015 Convertible Securities amounted to HK$200.20 which are convertible into a total of 1,088,297 Shares and 77 Shares respectively.

Assuming all outstanding CS were converted into Shares as at 31 December 2021, 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	274,780,351 *(Note 2)*	10.50%	–	274,780,351	10.50%
Public	2,341,765,474	89.50%	1,088,374	2,342,853,848	89.50%
Total	2,616,545,825	100.00%	1,088,374	2,617,634,199	100.00%

Notes:

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

2. Mr. Li Ning is interested in 274,780,351 Shares, among which:

   – 3,578,808 Shares are held as personal interest; and

   – 271,201,543 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 271,201,543 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 271,201,543 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.

REPORT OF THE DIRECTORS

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) (re-elected on 11 June 2021)*
Mr. Kosaka Takeshi	*(Joint Chief Executive Officer)*
Mr. Li Qilin	*(re-elected on 11 June 2021)*

Independent non-executive Directors

Mr. Koo Fook Sun, Louis	
Ms. Wang Ya Fei	
Dr. Chan Chung Bun, Bunny, *GBM, GBS, JP*	
Mr. Su Jing Shyh, Samuel	*(re-elected on 11 June 2021 and ceased on 5 July 2021)*

In accordance with article 87 of the Company's Articles of Association and the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules, Mr. Kosaka Takeshi and Mr. Koo Fook Sun, Louis shall retire from the office by rotation and, being eligible, offer themselves for re-election as Directors at the 2022 AGM.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2022 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:

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

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

PERMITTED INDEMNITY PROVISIONS

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

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 2021 were RMB97,722,000 (2020: RMB54,467,000).

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2021, save for the CS, the 2014 Share Option Scheme and the 2016 Restricted Share Award Scheme of the Company (as set out in the sections headed "Convertible Securities", "Share Option Scheme" and "Restricted Share Award Scheme" respectively in this Report of the Directors), the Company has not entered into any equity linked agreement, nor did any equity linked agreement subsist at the end of the year.

MANAGEMENT CONTRACTS

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

LONG-TERM INCENTIVE SCHEMES

Share Option Scheme

At the annual general meeting of the Company held on 30 May 2014, the Shareholders approved the adoption of 2014 Share Option Scheme. The 2014 Share Option Scheme will be valid and effective for a period of 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 53,122,959 Shares, representing approximately 2.03% 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.

Details of movements of the options granted under the 2014 Share Option Scheme for the year ended 31 December 2021 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 01/01/2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31/12/2021	Vesting period	Exercise period
Executive Director										
Kosaka Takeshi	19/09/2019	22.52	2,840,300	–	–	–	–	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	250,000	–	–	–	–	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	–	200,000 *(Note 1(a))*	–	–	100,000	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	–	200,000 *(Note 1(b))*	–	–	100,000	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Su Jing Shyh, Samuel *(Note 3)*	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	08/06/2016	3.30	2,600,000	–	–	–	–	2,600,000	08/06/2017 to 08/06/2019	08/06/2017 to 07/06/2026
In aggregate	20/12/2017	6.12	23,531,000	–	6,166,280 *(Note 1(c))*	883,880	–	16,480,840	01/09/2019 to 01/04/2021 *(Note 2)*	01/09/2019 to 31/12/2022
In aggregate	30/05/2018	9.09	193,400	–	193,400 *(Note 1(d))*	–	–	–	01/09/2019 to 01/04/2021 *(Note 2)*	01/09/2019 to 31/12/2023
In aggregate	13/09/2018	7.07	412,000	–	412,000 *(Note 1(e))*	–	–	–	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	–	90,000 *(Note 1(f))*	–	–	317,400	01/04/2020 to 01/04/2021 *(Note 2)*	01/04/2020 to 31/12/2024
			31,134,100	–	7,261,680	883,880	–	22,988,540		

Notes:

1. (a) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$91.00.

   (b) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$99.60.

   (c) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$69.15.

   (d) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$82.95.

   (e) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$74.53.

   (f) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$95.62.

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.

3. Mr. Su Jing Shyh, Samuel ceased to be a Director on 5 July 2021.

Details of valuation of the share options granted during the year ended 31 December 2021 under the 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 administration committee and the trustee of the scheme.

Pursuant to the 2016 Restricted Share Award Scheme, the Company shall transfer cash to the trustee from time to time for the acquisition of Shares to be held upon trust for the benefit of the selected participants (the "RS Transaction(s)"). Shares granted to the selected participants are subject to restrictions and limitations and will become unrestricted upon vesting at the end of each vesting period and/or satisfaction of specified vesting criteria set out in the grant letters issued to such selected participants. No 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 would exceed 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 2021, the number of issued Shares of the Company is 2,616,545,825 Shares and the maximum number of Shares which may be administered under the 2016 Restricted Share Award Scheme is 130,827,291 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 2021 are set out below and in note 32 to the consolidated financial statements.

		Number of Restricted Shares					
Date of grant	Fair value per Restricted Share *HK$* *(Note 1)*	As at 01/01/2021	Granted during the year	Vested during the year	Lapsed during the year	As at 31/12/2021	Vesting period
06/09/2017	5.74	2,233,160	–	2,162,200	70,960	–	06/09/2019 – 01/04/2021 *(Note 2)*
23/11/2017	6.18	45,920	–	45,920	–	–	06/09/2019 – 01/04/2021 *(Note 2)*
20/12/2017	6.12	7,541,400	–	7,309,360	232,040	–	01/09/2019 – 01/04/2021 *(Note 2)*
29/05/2018	8.80	65,200	–	65,200	–	–	01/09/2019 – 01/04/2021 *(Note 2)*
04/07/2018	8.21	430,400	–	430,400	–	–	01/09/2019 – 01/04/2021 *(Note 2)*
12/09/2018	6.69	95,840	–	95,840	–	–	01/09/2019 – 01/04/2021 *(Note 2)*
02/04/2019	12.48	131,134	–	121,766	–	9,368	01/04/2020 – 01/09/2022 *(Note 2)*
14/05/2019	12.52	12,200	–	6,100	–	6,100	01/04/2020 – 15/06/2022 *(Note 2)*
19/09/2019	22.40	790,734	–	395,366	–	395,368	01/09/2020 – 01/09/2022
19/09/2019	22.40	1,111,950	–	247,100	–	864,850	01/09/2020 – 01/09/2024
29/11/2019	25.10	31,068	–	15,532	–	15,536	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	–	44,999	–	90,001	01/04/2021 – 01/04/2023
02/12/2020	42.05	109,800	–	36,598	–	73,202	01/09/2021 – 01/09/2023
31/03/2021	50.50	–	14,100	4,700	–	9,400	01/09/2021 – 01/09/2023
31/03/2021	50.50	–	62,800	–	–	62,800	01/04/2022 – 01/04/2024
17/08/2021	91.00	–	52,900	35,263	–	17,637	01/09/2021 – 01/09/2022
20/08/2021	89.20	–	16,126	–	–	16,126	01/09/2022 – 01/09/2024
11/10/2021	79.35	–	54,800	–	–	54,800	01/09/2022 – 01/09/2024
02/11/2021	81.85	–	6,700	–	–	6,700	01/09/2022 – 01/09/2024
20/12/2021	79.95	–	22,500	–	–	22,500	01/09/2022 – 01/09/2024
		12,734,806	229,926	11,016,344	303,000	1,645,388	

Notes:

1. The fair values of the Restricted Shares were based on the closing price per Share as 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 RS Transactions shall constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

For details of the annual caps applicable to the RS Transactions for the years ending 31 December 2021 and 2022, please refer to the section headed "Adoption of Annual Caps for Continuing Connected Transactions under the 2016 Restricted Share Award Scheme" in this Report of the Directors and the announcements of the Company dated 19 September 2019, 23 December 2020 and 14 December 2021.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares	Total (Long Position)	Approximate % of total issued Shares*
Li Ning	Personal interest & Interest of controlled corporations	274,780,351	413,005	275,193,356 *(Note 1)*	10.52%
Kosaka Takeshi	Personal interest	247,250	3,705,150 *(Note 2)*	3,952,400	0.15%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	272,277,543	–	272,277,543 *(Note 3)*	10.41%
Koo Fook Sun, Louis	Personal interest	–	250,000 *(Note 4)*	250,000	0.01%
Wang Ya Fei	Personal interest	270,145	100,000 *(Note 4)*	370,145	0.01%
Chan Chung Bun, Bunny	Personal interest	3,130	100,000 *(Note 4)*	103,130	0.00%

* The percentage has been calculated based on 2,616,545,825 Shares in issue as at 31 December 2021.

Notes:

1. Mr. Li Ning is interested in 274,780,351 Shares, among which 3,578,808 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China Development Limited ("Viva China BVI"). Moreover, Mr. Li Ning is interested in 413,005 underlying Shares. Details are as follows:

   (a) Viva China BVI, a wholly-owned subsidiary of Viva China, is interested in 271,201,543 Shares. As at 31 December 2021, Viva China is owned as to approximately 17.46% by Victory Mind Assets Limited ("Victory Mind"), approximately 22.16% by Lead Ahead Limited ("Lead Ahead"), approximately 20.79% by Dragon City Management (PTC) Limited ("Dragon City") and approximately 0.62% by Mr. Li Chun, the brother of Mr. Li Ning and a substantial shareholder of the Company, respectively. Mr. Li Ning has personal interest of approximately 0.22% shareholding in Viva China. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li Ning is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settlor). Dragon City is the trustee of a unit trust, the units of which are owned as to 60% by a discretionary trust of which Mr. Li Ning is a settlor and 40% by a discretionary trust of which Mr. Li Chun is a settlor. As a result, by virtue of the SFO, Mr. Li Ning is deemed to be interested in the 271,201,543 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 413,005 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 864,850 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

3. Mr. Li Qilin is interested in 272,277,543 Shares, among which 1,076,000 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China by virtue of the SFO. 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 2021, 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 2021, 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 & Interest of controlled corporations	274,780,351	413,005	275,193,356 (L) *(Note 1)*	10.52%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	272,277,543	–	272,277,543 (L) *(Note 2)*	10.41%
Li Chun	Interest of controlled corporations	271,201,543	–	271,201,543 (L) *(Note 3)*	10.37%
Viva China Holdings Limited	Interest of controlled corporation	271,201,543	–	271,201,543 (L) *(Note 1(a))*	10.37%
BlackRock, Inc.	Investment manager	156,584,737	–	156,584,737 (L)	5.98%
	Investment manager	14,000	–	14,000 (S)	0.00%
Brown Brothers Harriman & Co.	Investment manager	131,794,783	–	131,794,783 (L)	5.04%

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

* The percentage has been calculated based on 2,616,545,825 Shares in issue as at 31 December 2021.

Notes:

1. Mr. Li Ning is interested in 274,780,351 Shares, among which 3,578,808 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China BVI. Moreover, Mr. Li Ning is deemed to be interested in 413,005 underlying Shares. Details are as follows:

   (a) Viva China BVI, a wholly-owned subsidiary of Viva China, is interested in 271,201,543 Shares. As at 31 December 2021, Viva China is owned as to approximately 17.46% by Victory Mind, approximately 22.16% by Lead Ahead, approximately 20.79% by Dragon City and approximately 0.62% by Mr. Li Chun, the brother of Mr. Li Ning and a substantial shareholder of the Company, respectively. Mr. Li Ning has personal interest of approximately 0.22% shareholding in Viva China. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li Ning is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settlor). Dragon City is the trustee of a unit trust, the units of which are owned as to 60% by a discretionary trust of which Mr. Li Ning is a settlor and 40% by a discretionary trust of which Mr. Li Chun is a settlor. As a result, by virtue of the SFO, Mr. Li Ning is deemed to be interested in the 271,201,543 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 413,005 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.

2. Mr. Li Qilin is interested in 272,277,543 Shares, among which 1,076,000 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China by virtue of the SFO. 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 271,201,543 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 2021, 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.

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

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

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

For the period 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 announcement of the Company dated 23 December 2020 for details. Since the reserve of Restricted Shares maintained by the Company is sufficient for vesting purpose in the year, the Company did not pay any amount to the trustee for purchasing Restricted Shares from the open market during the year ended 31 December 2021. Therefore, no RS Transaction or relevant continuing connected transaction took place in the year ended 31 December 2021.

For the period from 1 January 2022 to 31 December 2022, the maximum amount of annual cap of the amount to be paid by the Company to the trustee during the period is HK$815,580,000 and the maximum number of annual cap of Restricted Shares to be purchased is 9,000,000 Shares (whichever is smaller in terms of value). Please refer to the announcement of the Company dated 14 December 2021 for details.

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

CONTINUING CONNECTED TRANSACTIONS WITH VIVA CHINA

Master Agreement

The Company and Viva China 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 three financial years ended 31 December 2019, 2020 and 2021 were 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. The 2019 Renewed Master Agreement expired on 31 December 2021.

Master Sales Agreement

The Company and Viva China entered into an agreement on 28 December 2018 ("2019 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 2019 Master Sales Agreement, the annual caps for the Sales Transactions payable by Viva China Group to the Group for the three financial years ended 31 December 2019, 2020 and 2021 were RMB10,000,000, RMB22,000,000 and RMB40,000,000 respectively.

As the applicable percentage ratios for the annual caps under the 2019 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 2019 Master Sales Agreement for details. The 2019 Master Sales Agreement expired on 31 December 2021.

Processing and Customization Agreement

On 1 January 2021, 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd. ("Li Ning China", an indirect wholly owned subsidiary of the Company) and 來賓寧聚力鞋業有限公司 ("Laibin Ningjuli Shoes Co., Ltd.") ("Ningjuli", an indirect non-wholly owned subsidiary of Viva China) entered into a processing and customization agreement ("Processing and Customization Agreement") with effect from 1 January 2021 to 31 December 2021 unless terminated earlier in accordance with the terms of the Processing and Customization Agreement. Pursuant to the Processing and Customization Agreement, Li Ning China agreed to engage Ningjuili to manufacture, process and customize footwear products ordered by Li Ning China at price to be determined and agreed upon by Li Ning China and Ningjuli on an arm's length basis ("Ningjuli Transactions"), and set up an annual cap of RMB10,000,000 for Ningjuli Transactions (the "Budget"). As the Budget is insufficient to meet the demand of the Group in terms of the sales performance, the Board resolved to increase the annual cap to RMB69,000,000 (the "New Annual Cap").

As the applicable percentage ratios for the New Annual Cap were less than 5%, the Ningjuli Transactions are subject to the reporting, announcement and annual review requirements and are exempt from approval by the independent shareholders under the Listing Rules. Please refer to the announcements of the Company dated 13 September 2021 and 16 September 2021 in regard to the Processing and Customization Agreement for details. The Processing and Customization Agreement expired on 31 December 2021.

New Framework Agreement

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

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

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

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

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

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

(6) collaboration in designing, producing, manufacturing, selling, marketing and promoting cobranded products between the Group and Viva China Group.

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

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

Annual review for the year ended 31 December 2021

As at 31 December 2021, Viva China, who indirectly holds approximately 10.37% of the Shares in issue, is a substantial Shareholder and thus a connected person of the Company.

For the year ended 31 December 2021, there was an aggregate contracted amount of approximately RMB189,791,000 for the Viva China Transactions under the 2019 Renewed Master Agreement, there was an aggregate contracted amount of approximately RMB7,932,000 for Sales Transactions under the 2019 Master Sales Agreement, and there was an aggregate contracted amount of approximately RMB45,107,000 for Ningjuli Transactions under the Processing and Customization 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, the Sales Transactions and the Ningjuli Transactions, and confirmed that these transactions were entered into:

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

(2) on normal commercial terms; and

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

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

(1) have been approved by the Board;

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

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

(4) have not exceeded the annual cap disclosed in the announcements of the Company dated 28 December 2018 and 13 September 2021 respectively.

RELATED-PARTY TRANSACTIONS

The Viva China Transactions, the Sales Transactions and the Ningjuli Transactions, being continuing connected transactions of the Company, also constituted related-party transactions of the Company which, among others, are set out in note 35 to the consolidated financial statements.

Apart from the Viva China Transactions, the Sales Transactions and the Ningjuli Transactions, other related-party transactions set out in note 35 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its Shares during the year ended 31 December 2021.

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 2021 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 2021, the Company has applied all the principles and complied with the code provisions of the CG Code, except for certain deviations specified with considered reason as explained in the Corporate Governance Report of this annual report.

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

BUSINESS REVIEW

A fair review of the business of the Company and further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, important events affecting the Group that have occurred since the end of the financial year 2021, 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 53 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 53 and pages 54 to 103 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 2022 AGM.

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

Hong Kong, 17 March 2022

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of Li Ning Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 138 to 223, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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.

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 2021, the Group's balance of gross trade receivables was RMB1,111 million, against which an expected credit loss allowance of RMB208 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 compared 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 • 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 2021 to be supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Inventory provision Refer to Note 4 and Note 12 to the consolidated financial statements As at 31 December 2021, the Group's balance of gross inventories was RMB1,866 million, against which a provision of RMB94 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 assessment of net realisable value of inventories and inventory provision was an area of focus for us given the inherent uncertainties that involved future events and the significant amount of the related balances.	Our audit procedures relating to inventory provision included: • Obtained an understanding of the management's internal control and assessment process of the estimation of inventory provisions and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated and validated key controls over the 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 examining inventory ageing schedule, testing inventory movements to confirm that they were assigned to the correct ageing category by the system, and performing mathematic recalculation, and (4) comparing the selling price used in the determination of net realisable value to actual selling price subsequent to year end; and • On a sample basis, observed physical condition of inventories during stocktake to identify slow moving, damaged, or obsolete inventories, and inquired management if appropriate inventory provision had been provided for those inventories. Based on the results of the procedures above, we found that management's judgements in estimating the inventory provision at 31 December 2021 to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Brian Ming Yan Choi.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2022

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,625,887	1,065,058
Right-of-use assets	6	1,332,765	1,065,979
Investment properties	7	1,850,045	115,200
Land use rights	8	162,579	166,377
Intangible assets	9	187,680	190,746
Deferred income tax assets	22	707,575	590,635
Other assets	13	775,531	138,518
Investments accounted for using the equity method	11	1,267,071	1,101,116
Investments measured at fair value through profit or loss	3.3	169,671	–
Other receivables	15	188,833	128,714
Long-term bank deposits	16	3,335,325	254,966
Total non-current assets		11,602,962	4,817,309
Current assets			
Inventories	12	1,772,803	1,345,539
Other assets – current portion	13	770,628	518,902
Trade receivables	14	902,857	658,796
Other receivables – current portion	15	78,744	65,196
Restricted bank deposits	16	1,061	1,084
Short-term bank deposits	16	400,862	–
Cash and cash equivalents	16	14,744,899	7,187,039
Total current assets		18,671,854	9,776,556
Total assets		30,274,816	14,593,865
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	17	238,759	228,285
Share premium	17	12,637,277	4,037,767
Shares held for Restricted Share Award Scheme	17	(37,840)	(148,995)
Other reserves	18	1,241,767	874,574
Retained earnings	18	7,021,583	3,695,232
		21,101,546	8,686,863
Non-controlling interests in equity		2,561	2,554
Total equity		21,104,107	8,689,417

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2021** **RMB'000**	2020 RMB'000
LIABILITIES			
Non-current liabilities			
License fees payable	*21*	**20,996**	23,395
Derivative financial instruments	*3.3*	**–**	10,181
Lease liabilities	*6*	**956,475**	688,642
Deferred income tax liabilities	*22*	**426,873**	102,738
Deferred income	*23*	**62,517**	64,435
Total non-current liabilities		**1,466,861**	889,391
Current liabilities			
Trade payables	*19*	**1,599,282**	1,227,129
Contract liabilities	*5*	**345,835**	286,134
Lease liabilities - current portion	*6*	**366,968**	360,895
Other payables and accruals	*20*	**4,024,662**	2,500,991
License fees payable - current portion	*21*	**50,106**	39,494
Current income tax liabilities		**1,307,776**	591,860
Derivative financial instruments – current portion	*3.3*	**9,219**	8,554
Total current liabilities		**7,703,848**	5,015,057
Total liabilities		**9,170,709**	5,904,448
Total equity and liabilities		**30,274,816**	14,593,865

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

The financial statements on pages 138 to 223 were approved by the Board of Directors on 17 March 2022 and were signed on its behalf.

Li Ning
Joint Chief Executive Officer & Chairman

Kosaka Takeshi
Joint Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	**22,572,281**	14,456,971
Cost of sales	24	**(10,603,183)**	(7,362,627)
Gross profit		**11,969,098**	7,094,344
Distribution expenses	24	**(6,138,077)**	(4,424,718)
Administrative expenses	24	**(1,110,675)**	(805,058)
Reversal of/(provision for) expected credit loss allowance for financial assets – net		**15,682**	(30,466)
Other income and other gains – net	25	**400,348**	361,867
Operating profit		**5,136,376**	2,195,969
Finance income	27	**145,097**	34,658
Finance expenses	27	**(112,458)**	(66,249)
Finance income/(expenses)– net	27	**32,639**	(31,591)
Share of profit of investments accounted for using the equity method	11	**159,222**	83,487
Profit before income tax		**5,328,237**	2,247,865
Income tax expense	28	**(1,317,349)**	(549,381)
Profit for the year		**4,010,888**	1,698,484
Profit is attributable to:			
Equity holders of the Company		**4,010,881**	1,698,484
Non-controlling interests		**7**	–
		4,010,888	1,698,484
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	**160.10**	69.21
Diluted earnings per share	29	**157.97**	67.62

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2021 RMB'000**	2020 RMB'000
Profit for the year		**4,010,888**	1,698,484
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences	*18*	**(2,562)**	(25,273)
Total comprehensive income for the year		**4,008,326**	1,673,211
Attributable to:			
Equity holders of the Company		**4,008,319**	1,673,211
Non-controlling interests		**7**	–
Total comprehensive income for the year		**4,008,326**	1,673,211

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 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

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 2021	228,285	4,037,767	(148,995)	874,574	3,695,232	8,686,863	2,554	8,689,417
Total comprehensive income for the year	–	–	–	(2,562)	4,010,881	4,008,319	7	4,008,326
Transactions with owners:								
Net proceeds from share issuance pursuant to share option schemes *(Note 32)*	603	39,967	–	–	–	40,570	–	40,570
Net proceeds from placing and subscription of new shares *(Note 17)*	9,859	8,561,928	–	–	–	8,571,787	–	8,571,787
Value of services provided under share option schemes and Restricted Share Award Scheme *(Note 32)*	–	–	–	33,064	–	33,064	–	33,064
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium *(Note 32)*	–	(2,708)	–	2,708	–	–	–	–
Shares vested under Restricted Share Award Scheme *(Note 32)*	–	–	111,155	(111,155)	–	–	–	–
Appropriations to statutory reserves	–	–	–	169,328	(169,328)	–	–	–
Shares converted from convertible securities *(Note 17, 18)*	12	323	–	(335)	–	–	–	–
Dividends paid *(Note 30)*	–	–	–	–	(515,202)	(515,202)	–	(515,202)
Tax impact of employee share-based compensation scheme	–	–	–	276,145	–	276,145	–	276,145
As at 31 December 2021	238,759	12,637,277	(37,840)	1,241,767	7,021,583	21,101,546	2,561	21,104,107

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 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	*31*	**6,981,667**	3,352,676
Income tax paid		**(456,332)**	(589,340)
Net cash generated from operating activities		**6,525,335**	2,763,336
Cash flows from investing activities			
– acquisition of subsidiaries, net of cash acquired	*34(b)*	**(1,297,958)**	–
– prepayments for consideration for acquisition of subsidiaries	*34(b)*	**–**	(47,904)
– payments for investments in joint ventures and an associate		**(83,148)**	(19,580)
– purchases of property, plant and equipment		**(985,000)**	(593,976)
– prepayments for purchases of properties		**(775,531)**	–
– purchases of investment properties		**(137,774)**	–
– payments for an investment measured at fair value through profit or loss		**(39,486)**	(90,614)
– purchases of intangible assets		**(42,754)**	(52,945)
– purchases of land use rights		**–**	(98,713)
– proceeds on disposal of property, plant and equipment	*31*	**6,019**	7,639
– purchases of wealth management products	*3.3*	**(9,072,000)**	(10,429,000)
– redemption of the principal amounts of wealth management products	*3.3*	**9,072,000**	10,429,000
– 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
– placement of long-term bank deposits		**(3,270,000)**	(254,966)
– placement of short-term bank deposits		**(820,000)**	–
– redemption of long-term bank deposits		**34,966**	–
– redemption of short-term bank deposits		**640,000**	–
– investment income from wealth management products	*25*	**77,902**	108,905
– interest received from bank deposits	*27*	**78,910**	33,750
– dividends from associates and a joint venture		**67,595**	51,016
– loan repayments from a joint venture		**15,000**	–
– loans granted to a joint venture		**–**	(25,167)
– net cash used in other investing activities		**(7,441)**	(9,000)
Net cash used in investing activities		**(6,538,700)**	(991,555)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
– proceeds from placing and subscription of new shares	17	8,626,800	–
– transaction costs in relation to placing and subscription of new shares	17	(55,013)	–
– proceeds from share issuance pursuant to share option schemes	17	40,570	189,446
– payment of lease liabilities		(501,005)	(325,116)
– dividends paid		(515,202)	(377,821)
Net cash generated from/(used in) financing activities		7,596,150	(513,491)
Net increase in cash and cash equivalents		7,582,785	1,258,290
Cash and cash equivalents at beginning of year		7,187,039	5,961,445
Exchange losses on cash and cash equivalents		(24,925)	(32,696)
Cash and cash equivalents at end of year		14,744,899	7,187,039

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 17 March 2022.

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 amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*

The Group also elected to adopt the following amendments early:

Amendment to IFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*

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.

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, amendments to accounting standards and interpretations have been published but are not mandatory for 31 December 2021 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations 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 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 2.3).

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.

(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.

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

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

(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 2.11.

(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 holders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to equity holders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable 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. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

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

2.4 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.

2.5 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.

2.6 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 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

- 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.

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

2.6 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 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	30-40 years	0% – 10%	2.25%-3.33%

When an investment property is transferred to owner-occupied properties, it is reclassified as property, plant and equipment at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the property, plant and equipment is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each year end.

An investment property is derecognised when it is disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2.11).

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

2.8 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 2.11).

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.

2.9 Land use rights

Land use rights, which are accounted for in accordance with the accounting policies for right-of-use assets (Note 2.26), 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. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

2.10 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)*

2.11 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.

2.12 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)*

2.12 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)*

2.12 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.

2.13 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.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises costs of merchandise, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount approximates their fair value.

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

2.16 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)*

2.17 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.

2.18 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.

2.19 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.

2.20 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)*

2.21 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.

2.22 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 and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable 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)*

2.22 Current and deferred income tax *(Continued)*

(c) Current and deferred income tax arising from share-based compensation

For the Group's shared-based compensation (Note 2.23(b)), the amount of tax deduction may differ from the related cumulative remuneration expense, and may arise in a later accounting period. If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, this indicates that the tax deduction relates not only to remuneration expense but also to an equity item. In this situation, the excess of the associated current or deferred income tax is recognised directly in equity and included in "tax impact of employee share-based compensation scheme" in the consolidated statement of changes in equity.

2.23 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-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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

2.23 Employee benefits *(Continued)*

(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.

2.24 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.

2.25 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.

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

2.25 Revenue recognition *(Continued)*

(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.

(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 deferred and 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.

2.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

2.26 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.

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

2.26 Leases *(Continued)*

The Group has adopted Amendment to IFRS 16 – 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 COVID19 is a lease modification. Lessees adopting this election may account for qualifying 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: a. 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; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The Group has early adopted Amendment to IFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the practical expedient to lease payments that were due on or before 30 June 2022.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

2.27 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.

2.28 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.

2.29 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(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 2021 and 2020.

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risks (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2021, 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 2021				
	RMB	HK$	US$	EUR	GBP
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank deposits	3,413,038	681,690	45,705	1,758	–
Trade and other receivables	–	740	6,255	1,392	684
Investments measured at FVPL	–	–	38,255	–	131,416
Trade and other payables	–	(2,989)	(17,086)	–	–
License fees payables	–	–	(23,547)	–	–

	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)	–	–

For the year ended 31 December 2021, if RMB had weakened/strengthened by 5% (2020: 5%) with all other variables held constant, post-tax profit would have been RMB113,427,000 (2020: RMB22,559,000) lower/higher.

(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.

3. *FINANCIAL RISK MANAGEMENT* (CONTINUED)

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, other receivables, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

(i) Risk management

For banks and financial institutions, only parties with good credit ratings are accepted. For other receivables, the Group makes periodic collective assessment and individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. In view of good cooperation in history with debtors and sound collection history of receivables, the credit risk of other receivables is generally considered to be low. For wholesale customers, the Group assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management. The utilisation of credit limits is regularly monitored. All of these major customers are generally with good credit history. Sales to retail customers are settled in cash, using major credit or payment cards or through on-line payment platforms operated by reputable companies.

The table below shows the cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits balances with the three major banks as at the end of the reporting period.

	2021 **RMB'000**	2020 RMB'000
Banks*		
Bank A	**5,893,908**	2,758,779
Bank B	**3,459,761**	564,753
Bank C	**3,176,724**	207,901
	12,530,393	3,531,433

* 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.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables, and
- other receivables.

While cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

3. *FINANCIAL RISK MANAGEMENT* (CONTINUED)

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing analysis.

The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables:

31 December 2021	**0 – 90 days RMB'000**	**91 – 365 days RMB'000**	**Over 365 days RMB'000**	**Total RMB'000**
Lifetime expected credit loss rate	**4%**	**32%**	**100%**	
Gross carrying amount	**923,658**	**26,248**	**161,232**	**1,111,138**
Loss allowance	**(38,727)**	**(8,322)**	**(161,232)**	**(208,281)**

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)

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.

In view of the history of cooperation with the debtors and collection from them, Management believes that no significant increase in credit risk is identified for the Group's other receivables as at 31 December 2021 and 2020, and the credit risk inherent in the Group's outstanding other receivables is not significant. The average loss rate applied to other receivables as at 31 December 2021 and 2020 were 2.9% and 3.4% respectively.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Net impairment losses on financial assets

	2021 RMB'000	2020 RMB'000
(Reversal of)/provision for expected credit loss allowance for trade receivables	(19,900)	31,856
Provision for/(reversal of) expected credit loss allowance for other receivables	4,218	(1,390)
(Reversal of)/provision for expected credit loss allowance for financial assets	(15,682)	30,466

(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 2021				
License fees payable	50,391	8,000	19,000	–
Trade payables	1,599,282	–	–	–
Other payables (excluding refunds liabilities, wages and welfare payables, and other tax payables)	2,124,940	–	–	–
Lease liabilities	433,660	363,214	532,236	185,945
	4,208,273	371,214	551,236	185,945
As at 31 December 2020				
License fees payable	39,779	5,000	27,000	–
Trade payables	1,227,129	–	–	–
Other payables (excluding refunds liabilities, wages and welfare payables, and other tax payables)	1,334,808	–	–	–
Lease liabilities	411,074	287,285	363,706	120,214
	3,012,790	292,285	390,706	120,214

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 2021 and 2020, the Group's gearing ratio was nil as it did not have any borrowings.

3.3 Fair value estimation

(a) Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value for the years ended 31 December 2021 and 2020 on a recurring basis:

At 31 December 2021	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Private equity fund investments, measured at FVPL	–	–	169,671	169,671
Financial liabilities				
Derivative financial instruments	–	–	9,219	9,219

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

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

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

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.3 Fair value estimation *(Continued)*

(a) Fair value hierarchy (Continued)

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

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for private equity fund investments and derivative financial instruments.

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2021:

	Wealth management products RMB'000	Bank deposits measured at FVOCI RMB'000	Investments measured at FVPL RMB'000	Derivative financial instruments RMB'000	Total RMB'000
As at 1 January 2020	–	–	–	(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)
Additions	9,072,000	–	130,100	–	9,202,100
Settlements/transfer	(9,149,902)	–	–	8,820	(9,141,082)
Changes in fair value	77,902	–	42,468	696	121,066
Exchange loss	–	–	(2,897)	–	(2,897)
As at 31 December 2021	–	–	169,671	(9,219)	160,452
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					
2021	–	–	39,571	696	40,267
2020	–	–	–	1,246	1,246

3. *FINANCIAL RISK MANAGEMENT* *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

(b) Fair value measurements using significant unobservable inputs (level 3) (Continued)

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

(c) Valuation techniques used to determine fair values

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value as at 31 December 2021 RMB'000	2020 RMB'000	Valuation Technique	Significant unobservable inputs*	Value of inputs as at 31 December 2021	2020	Relationship of unobservable inputs to fair value
Financial assets							
Private equity fund investments (*Note a*)	169,671	–	Net asset value	N/A as quantitative unobservable inputs are not developed by the Group	N/A	N/A	N/A
Financial liabilities							
Derivative financial instruments (*Note b*)	9,219	18,735	Binomial model	Volatility rate	42.30%	46.75%	The higher the volatility rate, the higher the fair value of the derivative financial liability
				Risk-free rate	0.15%	0.09%	The higher the risk-free rate, the lower the fair value of the derivative financial liability
				Dividend yield	13.93%	0.00%	The higher the dividend yield, the higher the fair value of the derivative financial liability

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Note a:

The Group determines the fair value of its private equity fund investments as at the reporting date based on the net asset values of the private equity funds with underlying assets and liabilities measured at fair value as reported by the general partners of the funds.

Note b:

Derivative financial instruments represented a forward contract and a purchase option for the Group to acquire certain additional equity interests of an associate. 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, risk-free rate and dividend yield. 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 2021.

4. *CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS*

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Expected credit loss allowance for trade receivables and other receivables

The expected credit loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past historical data, existing market conditions as well as forward-looking information at the end of each reporting period. Further details are included in Note 3.1.

(b) Net realisable value of inventories

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition 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 other non-financial assets

The Group tests whether goodwill, intangible assets and other non-financial assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.10 and Note 2.11 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.

The Group's principal market is the PRC (including the Hong Kong Special Administrative Region and the Macau Special Administrative Region) and its sales to overseas customers contributed to less than 10% of revenue. Also, none of the Group's non-current assets is located outside the PRC. Accordingly, no geographical information is presented.

(a) Revenue from contracts with customers

The Group derives revenue in the following major product categories and sales channels:

Revenue breakdown by product category

	2021 RMB'000	2020 RMB'000
Footwear	**9,505,994**	6,338,157
Apparel	**11,823,798**	7,365,173
Equipment and accessories	**1,242,489**	753,641
Total	**22,572,281**	14,456,971

Revenue breakdown by sales channel

	2021 RMB'000	2020 RMB'000
The PRC market		
Sales to franchised distributors	**10,852,750**	6,923,876
Sales from direct operation	**5,010,408**	3,264,742
Sales from e-commerce channel	**6,412,920**	4,048,810
Other regions	**296,203**	219,543
Total	**22,572,281**	14,456,971

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

The Group has a large number of customers. For the years ended 31 December 2021 and 2020, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

5. *SEGMENT INFORMATION AND REVENUE (CONTINUED)*

(b) Liabilities related to contracts with customers

	2021 RMB'000	2020 RMB'000
Contract liabilities – advances from customers	258,265	256,119
Contract liabilities – customer loyalty programme	87,570	30,015
Total	345,835	286,134

The Group applied the practical expedient of not to disclose the transaction price allocated to the unsatisfied performance obligations as contract terms less than 12 months.

Significant changes in contract liabilities

As at 31 December 2021, contract liabilities for customer loyalty programme have increased by RMB57,555,000 as compared to 31 December 2020, which was mainly due to the increase of loyalty points rewarded to the Group's customers during the year as well as the lower expected breakage as at 31 December 2021 based on Management's estimates. As at 31 December 2020, there was no significant increase in contract liabilities as compared to 31 December 2019.

Revenue recognised in relation to contract liabilities

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Contract liabilities – advances from customers	256,119	263,030
Contract liabilities – customer loyalty programme	30,015	30,896
Total	286,134	293,926

6 (a) PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Office equipment and motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
As at 1 January 2020							
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
Year ended 31 December 2021							
Opening net book amount	**311,636**	**565,396**	**53,725**	**43,695**	**47,428**	**43,178**	**1,065,058**
Additions	**9,868**	**682,060**	**88,576**	**26,344**	**28,712**	**228,190**	**1,063,750**
Transfers	**177,748**	**–**	**–**	**–**	**–**	**(177,748)**	**–**
Acquisition of subsidiaries (Note 34)	**–**	**–**	**–**	**–**	**16**	**–**	**16**
Transfers from investment properties upon change of use (Note 7)	**113,316**	**–**	**–**	**–**	**–**	**–**	**113,316**
Disposals	**–**	**(24,860)**	**(434)**	**(281)**	**(1,279)**	**(26)**	**(26,880)**
Depreciation charge	**(20,188)**	**(483,507)**	**(59,090)**	**(10,809)**	**(15,779)**	**–**	**(589,373)**
Closing net book amount	**592,380**	**739,089**	**82,777**	**58,949**	**59,098**	**93,594**	**1,625,887**
As at 31 December 2021							
Cost	**831,539**	**1,924,158**	**372,862**	**153,776**	**205,351**	**93,594**	**3,581,280**
Accumulated depreciation	**(239,159)**	**(1,185,069)**	**(290,085)**	**(94,827)**	**(146,253)**	**–**	**(1,955,393)**
Net book amount	**592,380**	**739,089**	**82,777**	**58,949**	**59,098**	**93,594**	**1,625,887**

Depreciation expenses of RMB68,190,000 (2020: RMB72,318,000) has been charged to cost of sales, RMB502,071,000 (2020: RMB453,042,000) to distribution expenses and RMB19,112,000 (2020: RMB8,542,000) 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:

	2021 RMB'000	2020 RMB'000
Right-of-use assets		
Properties	**1,332,765**	1,065,979

	2021 RMB'000	2020 RMB'000
Lease liabilities		
Current	**366,968**	360,895
Non-current	**956,475**	688,642
	1,323,443	1,049,537

Additions to the right-of-use assets during the 2021 financial year were RMB803,946,000 (2020: RMB600,246,000).

(ii) Amounts recognised in the consolidated income statement

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

	Note	2021 RMB'000	2020 RMB'000
Depreciation on right-of-use assets	24	**461,172**	432,717
Amortisation of discount – lease liabilities (included in finance expenses)	27	**64,449**	53,972
Expense relating to short-term leases (included in distribution expenses and administrative expenses)	24	**246,702**	157,668
Expense relating to variable lease payments not included in lease liabilities (included in distribution expenses)	24	**447,989**	324,709

The total cash outflow for leases in 2021 was RMB1,231,014,000 (2020: RMB908,529,000).

(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

	Construction in progress RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2020			
Cost	–	119,278	119,278
Accumulated depreciation	–	–	–
Net book amount	–	119,278	119,278
Year ended 31 December 2020			
Opening net book amount	–	119,278	119,278
Depreciation charge	–	(4,078)	(4,078)
Closing net book amount	–	115,200	115,200
As at 31 December 2020			
Cost	–	119,278	119,278
Accumulated depreciation	–	(4,078)	(4,078)
Net book amount	–	115,200	115,200
Year ended 31 December 2021			
Opening net book amount	**–**	**115,200**	**115,200**
Acquisition of subsidiaries (Note 34)	**158,197**	**1,640,113**	**1,798,310**
Additions	**98,900**	**–**	**98,900**
Transfers	**(257,097)**	**257,097**	**–**
Depreciation charge (a)	**–**	**(49,049)**	**(49,049)**
Transfers to property, plant and equipment upon change of use (b)	**–**	**(113,316)**	**(113,316)**
Closing net book amount	**–**	**1,850,045**	**1,850,045**
As at 31 December 2021			
Cost	**–**	**1,897,070**	**1,897,070**
Accumulated depreciation	**–**	**(47,025)**	**(47,025)**
Net book amount	**–**	**1,850,045**	**1,850,045**

Notes:

(a) Depreciation expenses of RMB47,025,000 (2020: nil) has been recorded as a debit to other income and other gains – net, and RMB2,024,000 (2020: RMB4,078,000) has been charged to administrative expenses.

(b) In June 2021, the Group changed the use of certain properties to owner-occupied properties, and such properties were transferred from investment properties to property, plant and equipment at the carrying amount of RMB113,316,000 (Note 6(a)).

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 RMB1,911,724,000. 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 for disclosure purpose:

At 31 December 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement for				
Investment properties	–	–	1,911,724	1,911,724

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

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 2021, the fair value of investment properties is estimated using the income approach which takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the properties.

7. *INVESTMENT PROPERTIES (CONTINUED)*

Information about fair value measurements using significant unobservable inputs

Property category	Fair value as at 31 December 2021 RMB'000	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office buildings	1,642,430	Income approach	Term yield	3.50%	The higher the term yield, the lower the fair value
			Reversionary yield	3.75%	The higher the reversionary yield, the lower the fair value
			Monthly rental (RMB/ square meter/month)	152.40 – 305.56	The higher the monthly rental, the higher the fair value
Apartments	269,294	Income approach	Term yield	4.75%	The higher the term yield, the lower the fair value
			Reversionary yield	5.00%	The higher the reversionary yield, the lower the fair value
			Monthly rental (RMB/ square meter/month)	21.93 – 104.77	The higher the monthly rental, the higher the fair value

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 2020	
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
Year ended 31 December 2021	
Opening net book amount	**166,377**
Amortisation charge	**(3,798)**
Closing net book amount	**162,579**
As at 31 December 2021	
Cost	**194,271**
Accumulated amortisation	**(31,692)**
Net book amount	**162,579**

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

Amortisation of RMB3,798,000 (2020: RMB4,569,000) 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 2020						
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
Year ended 31 December 2021						
Opening net book amount	103,080	10,414	65,253	11,999	–	190,746
Additions	–	865	25,849	3,000	–	29,714
Acquisition of subsidiaries *(Note 34)*	4,304	–	–	–	–	4,304
Amortisation charge	–	(1,494)	(22,576)	(13,000)	–	(37,070)
Disposal	–	–	(14)	–	–	(14)
Closing net book amount	107,384	9,785	68,512	1,999	–	187,680
As at 31 December 2021						
Cost	143,778	28,724	328,600	366,657	61,279	929,038
Accumulated amortisation and impairment	(36,394)	(18,939)	(260,088)	(364,658)	(61,279)	(741,358)
Net book amount	107,384	9,785	68,512	1,999	–	187,680

Amortisation of RMB13,000,000 (2020: RMB14,982,000) has been charged to distribution expenses and RMB24,070,000 (2020: RMB22,568,000) to administrative expenses.

9. *INTANGIBLE ASSETS (CONTINUED)*

Impairment tests for goodwill

As at 31 December 2021, the carrying value of goodwill amounted to RMB107,384,000, including (1) goodwill of RMB72,387,000 arising from the acquisition of the Kason brand in 2009, (2) goodwill of RMB30,693,000 arising from the acquisition of the business of certain distributors of the Li Ning brand in 2014, and (3) goodwill of RMB4,304,000 arising from the acquisition of LI NING Communications (Hong Kong) Ltd. (formerly known as Matsunichi Communications (Hong Kong) Ltd.) in 2021 (Note 34) which, through its wholly-owned subsidiary, owns certain properties located in the Great Bay Area of the PRC.

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

Impairment review on goodwill of the Group has been conducted by Management as at 31 December 2021 according to IAS 36 "Impairment of assets". For the purpose of impairment testing, the recoverable amounts for the CGUs have been determined based on the higher of fair value less cost of disposal ("FVLCOD") and values-in-use ("VIU").

For the groups of certain CGUs of the Li Ning brand and the Kason brand, the recoverable amounts have been determined based on VIU calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Management. The weighted average revenue growth rate used beyond the fifth year for certain CGUs of the Li Ning brand and the CGUs in relation to the Kason brand are 3% and 1% per annum respectively. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGUs operate. The pre-tax discount rates used for certain CGUs of the Li Ning brand range from 12.5% to 13.5% and the pre-tax discount rate used for the CGUs in relation to the Kason brand is 15.3%, which reflect specific risks relating to the respective CGUs.

For the CGUs of LI NING Communications (Hong Kong) Ltd. and its subsidiary, the recoverable amounts have been determined based on the FVLCOD, which is the fair value of the investment properties within the CGUs (Note 7) less estimated cost of disposal.

Based on the above assessment, Management's assessment of the recoverable amounts of the related groups of CGUs exceeds their respective carrying values as at 31 December 2021, therefore no impairment provision was recorded by Management.

10. SUBSIDIARIES

The following is a list of the Group's subsidiaries as at 31 December 2021:

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 and investment holding
李寧體育(上海)有限公司 (Li Ning Sports (Shanghai) Co., Ltd.)	The PRC, 25 August 1997 Limited liability company	US$8,000,000	100%	Investment holding
上海狐步體育用品有限公司 (Shanghai Hubu Sports Goods Co., Ltd.)	The PRC, 20 April 2000 Limited liability company	RMB2,000,000	100%	Investment holding
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%	Sale of sports goods
上海悦奧體育用品有限公司 (Shanghai Yue Ao Sports Goods Co., Ltd.)	The PRC, 5 March 2003 Limited liability company	RMB3,000,000	100%	Investment holding
佛山李寧體操學校服務有限公司 (Foshan Li Ning Gymnastic School Services Co., Ltd.)	The PRC, 31 October 1996 Limited liability company	RMB1,000,000	100%	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 2021: (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 2021: (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
廈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 2021: (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
大連悅奧體育用品銷售有限公司 (Dalian YueAo Sports Goods Sales Co., Ltd.)	The PRC, 13 June 2010 Limited liability company	RMB3,000,000	100%	Sale of sports goods
杭州悅奧體育用品銷售有限公司 (Hangzhou Yue Ao Sports Goods Sales Co., Ltd.)	The PRC, 17 December 2010 Limited liability company	RMB1,000,000	100%	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
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%	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
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

10. SUBSIDIARIES *(CONTINUED)*

The following is a list of the Group's subsidiaries as at 31 December 2021: (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
大慶悅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
重慶悅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
貴陽悅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
深圳悅奧商貿有限公司 (Shenzhen Yue Ao Trading Co., Ltd.)	The PRC, 7 December 2015 Limited liability company	RMB1,000,000	100%	Sale of sports goods
長春悅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
Li Ning Communications (Hong Kong) Ltd. (李寧資訊(香港)有限公司)	Hong Kong, 22 August 2001 Limited liability company	HK$20,000,000	100%	Investment holding
松日高科電子(深圳)有限公司 (Matsunichi High-Tech Electronic (Shenzhen) Co., Ltd.)	The PRC, 28 May 2002 Limited liability company	USD$25,000,000	100%	Property management
李寧體育(廣西)有限公司 (Li Ning Sports (Guangxi) Co., Ltd.)	The PRC, 28 October 2019 Limited liability company	USD$36,000,000	100%	Sale of sports goods
上海少昊體育發展有限公司 (Shanghai Shao Hao Sports Development Co., Ltd.)	The PRC, 20 July 2021 Limited liability company	RMB5,000,000	100%	Property management

10. SUBSIDIARIES *(CONTINUED)*

The following is a list of the Group's subsidiaries as at 31 December 2021: (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
上海少昊伯悅商業管理有限公司 (Shanghai Shao Hao Bo Yue Business Management Co., Ltd.)	The PRC, 20 July 2021 Limited liability company	RMB5,000,000	100%	Property management
上海寧聚體育用品有限公司 (Shanghai Ning Ju Sports Goods Co., Ltd.)	The PRC, 5 August 2021 Limited liability company	RMB5,000,000	100%	Property management

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	2021 RMB'000	2020 RMB'000
Associates	**1,025,398**	965,295
Joint ventures	**241,673**	135,821
As at 31 December	**1,267,071**	1,101,116

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

	2021 RMB'000	2020 RMB'000
Associates	**116,693**	73,085
Joint ventures	**42,529**	10,402
For the year ended 31 December	**159,222**	83,487

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

Investment in associates

The following is a list of the Group's associates as at 31 December 2021:

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 2021	2020	Principal activities	Measurement method
上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.) ("Double Happiness")	The PRC, 26 December 1995 Limited liability company	RMB112,000,000	**47.50%**	47.50%	Manufacture and sale of sports goods	Equity
湖北動能體育用品有限公司 Hubei Dongneng Sports Goods Co., Ltd.) ("Hubei Dong Neng")	The PRC, 29 October 2008 Limited liability company	RMB100,000,000	**20%**	20%	Manufacture and sale of sports goods	Equity
天津市寬貓咪兒童用品有限公司 (Tianjin Kuan Mao Mi Children's Products Co., Ltd.) ("Tianjin Kuan Mao Mi")	The PRC, 24 May 2011 Limited liability company	RMB30,000,000	**10.22%**	10.22%	Sale of sports goods	Equity
天津市越浩拓戶外用品有限公司 (Tianjin Yue Hao Tuo Outdoor Sports Co., Ltd.) ("Tianjin Yue Hao Tuo")	The PRC, 3 August 2011 Limited liability company	RMB20,790,000	**7.89%**	7.89%	Sale of sports goods	Equity
北京悅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%**	40%	Investment	Equity
Danskin China, Ltd. ("Danskin China") (單仕競中國有限公司)	Hong Kong, 28 June 2016 Limited liability company	HK$1,000	**20%**	10%	Intangible asset management	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 2021 and 2020.

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

Investment in associates *(Continued)*

Management is of the view that none of the Group's associates is individually material to the Group as at 31 December 2021. The aggregate information of the Group's individually immaterial associates are as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	**965,295**	939,697
Addition	**11,648**	11,330
Share of profit	**116,693**	73,085
Dividends received	**(59,418)**	(51,016)
Impairment	**(8,820)**	(7,801)
As at 31 December	**1,025,398**	965,295

Investment in joint ventures

The following is a list of the Group's joint ventures as at 31 December 2021:

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 2021	Effective equity interest held by the Group 2020	Principal activities
Li-Ning Aigle Ventures Company Limited ("Li-Ning Aigle Ventures") (a) 李寧艾高有限公司	Hong Kong, 3 July 2005 Limited liability company	HK$48,600,000	**50%**	50%	Investment holding
李寧(北京)體育文化有限公司 Li-Ning (Beijing) Sports Culture Co. Ltd ("Li-Ning Sports Culture") (b)	The PRC, 8 August 2018 Limited liability company	RMB1,000,000	**50%**	50%	Organise cultural and art exchange event
廣西寧站體育科技有限公司，前稱來賓成信材料有限公司 Guangxi Ning Zhan Sports Technology Co., Ltd. ("Guangxi Ning Zhan", formerly known as Laibin Cheng Xin Materials Co. Ltd) (c)	The PRC, 12 April 2019 Limited liability company	RMB145,000,000	**55%**	55%	Manufacture and sale of sports goods
廣西寧泰服裝有限公司 Guangxi Ning Tai Garment Co. Ltd ("Guangxi Ning Tai") (c)	The PRC, 8 November 2019 Limited liability company	RMB55,000,000	**55%**	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.

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

Investment in joint ventures *(Continued)*

Notes: (Continued)

Management is of the view that none of the Group's joint ventures is individually material to the Group as at 31 December 2021. The aggregate information of the Group's individually immaterial joint ventures are as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	135,821	117,169
Addition	71,500	8,250
Share of profit	42,529	10,402
Dividends received	(8,177)	–
As at 31 December	241,673	135,821

12. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	16,374	8,078
Work in progress	17,493	9,345
Finished goods	1,832,615	1,441,249
	1,866,482	1,458,672
Less: provision for write-down of inventories to net realisable value	(93,679)	(113,133)
	1,772,803	1,345,539

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB10,340,415,000 for the year ended 31 December 2021 (2020: RMB7,131,928,000). 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 2021 and 2020.

13. OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Prepayment for purchases of properties *(Note 33(b))*	775,531	–
Other assets in relation to refunds *(Note 20(a))*	527,296	354,633
Input value-added tax to be certified	71,233	39,358
Prepaid rentals and other deposits	61,291	36,441
Advances to suppliers	52,881	20,694
Prepayment for advertising expenses	47,925	62,250
Prepayment for an investment measured at FVPL	–	90,614
Prepayment for consideration for acquisition of subsidiaries *(Note 34(b))*	–	47,904
Others	10,002	5,526
	1,546,159	657,420
Less: non-current portion	(775,531)	(138,518)
Current portion	770,628	518,902

14. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Accounts receivable	1,111,138	939,233
Less: expected credit loss allowance for trade receivables	(208,281)	(280,437)
	902,857	658,796

Customers are normally granted credit terms within 90 days. As at 31 December 2021 and 2020, ageing analysis of trade receivables based on invoice date is as follows:

	2021 RMB'000	2020 RMB'000
0 – 30 days	681,627	437,604
31 – 60 days	206,901	193,041
61 – 90 days	35,130	44,213
91 – 180 days	21,697	35,026
Over 180 days	165,783	229,349
	1,111,138	939,233

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

	2021 RMB'000	2020 RMB'000
As at 1 January	280,437	258,193
(Reversal of)/provision for expected credit loss allowance for trade receivables	(19,900)	31,856
Trade receivables written off during the year as uncollectible	(52,087)	(9,260)
Effect of change in exchange rate	(169)	(352)
As at 31 December	208,281	280,437

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the failure of a debtor to engage in a repayment plan with the Group.

Due to the short-term nature of the current receivables, their carrying amount approximates their fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance decreased by RMB72,156,000 to RMB208,281,000 for trade receivables during the current reporting period (2020: increased by RMB22,244,000 to RMB280,437,000). 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

	2021 RMB'000	2020 RMB'000
Rental deposits	225,628	152,180
Loans to a joint venture (a)	11,632	25,167
Staff advances and other payments for employees	848	612
Others	37,378	22,858
Less: expected credit loss allowance for other receivables	(7,909)	(6,907)
	267,577	193,910
Less: non-current portion	(188,833)	(128,714)
Current portion	78,744	65,196

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

	2021 RMB'000	2020 RMB'000
As at 1 January	6,907	9,122
Provision for/(reversal of) expected credit loss allowance for other receivables	4,218	(1,390)
Other receivables written off during the year as uncollectible and exchange rate impact	(3,216)	(825)
As at 31 December	7,909	6,907

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 2021, the loans of RMB10,000,000 to Guangxi Ning Zhan were unsecured, bear 8% interest rate per annum, and have the maturity date within one year.

16. CASH AND BANK BALANCES

(a) Cash and cash equivalents

	2021 RMB'000	2020 RMB'000
Cash at banks and on hand	8,862,267	7,187,039
Short-term bank deposits with initial terms within three months	5,882,632	–
	14,744,899	7,187,039

An analysis of cash and cash equivalents by denomination currency is as follows:

	2021 RMB'000	2020 RMB'000
Denominated in RMB	11,653,196	7,052,155
Denominated in HK$	3,042,558	55,781
Denominated in US$	45,705	74,498
Denominated in EUR	1,758	2,647
Denominated in KRW	1,682	1,958
	14,744,899	7,187,039

(b) Restricted bank deposits

	2021 RMB'000	2020 RMB'000
Restricted bank deposits	1,061	1,084

An analysis of restricted bank deposits by denomination currency is as follows:

	2021 RMB'000	2020 RMB'000
Denominated in RMB	200	200
Denominated in HK$	861	884
	1,061	1,084

16. *CASH AND BANK BALANCES (CONTINUED)*

(c) Short-term bank deposits

	2021 **RMB'000**	2020 RMB'000
Short-term bank deposits – denominated in RMB	**400,862**	–

(d) Long-term bank deposits

	2021 **RMB'000**	2020 RMB'000
Long-term bank deposits – denominated in RMB	**3,335,325**	254,966

At present, Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of the PRC is subject to the rules and regulations of exchange control promulgated by the PRC government.

Cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits are neither past due nor impaired and are deposits with banks which are mainly prominent nationwide state-owned banks or other banks and financial institutions with good reputation in the Mainland China and Hong Kong.

Restricted bank deposits are restricted for certain lease arrangements and other operating purposes. The maximum exposure to credit risk at the reporting date is the carrying amounts of the Group's cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits mentioned above.

17. ORDINARY SHARES 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 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
As at 1 January 2021	**2,473,959**	**228,285**	**4,037,767**	**4,266,052**	**(148,995)**	**4,117,057**
Net proceeds from share issuance pursuant to share option schemes *(Note (a))*	**7,262**	**603**	**39,967**	**40,570**	**–**	**40,570**
Net proceeds from share issuance upon completion of top-up placing and top-up subscription *(Note (b))*	**120,000**	**9,859**	**8,561,928**	**8,571,787**	**–**	**8,571,787**
Shares converted from convertible securities *(Note 18(d))*	**151**	**12**	**323**	**335**	**–**	**335**
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	**–**	**–**	**(2,708)**	**(2,708)**	**–**	**(2,708)**
Shares vested under Restricted Share Award Scheme	**11,016**	**–**	**–**	**–**	**111,155**	**111,155**
As at 31 December 2021	**2,612,388**	**238,759**	**12,637,277**	**12,876,036**	**(37,840)**	**12,838,196**

Notes:

(a) During the year ended 31 December 2021, the Company issued 7,262,000 shares (2020: 35,577,000 shares) to certain directors and employees of the Group at weighted-average issue price of HK$6.73 (2020: HK$5.93) per share pursuant to the Company's 2004 and 2014 Share Option Scheme (see Note 32).

(b) In November 2021, a total of 120,000,000 shares of the Company (the "Top-up Placing Shares") have been successfully placed by Viva China Development Limited (the "Vendor", being a wholly owned subsidiary of Viva China) to certain third party investors at the price of HK$87.50 per share (the "Top-up Placing Price") (the "Top-up Placing"). In addition, a total of 120,000,000 new shares of the Company (which equal to the number of the Top-up Placing Shares successfully placed under the Top-up Placing) were subscribed by the Vendor at the price of HK$87.50 per share (which is the same as the Top-up Placing Price) (the "Top-up Subscription"). Upon the completion of the Top-up Placing and the Top-up Subscription, Viva China remains a substantial shareholder of the Company.

Net proceeds from share issuance upon the completion of the Top-up Placing and the Top-up Subscription (after deducting the related transaction costs) were approximately HK$10.43 billion (equivalent to approximately RMB8.57 billion), with HK$12,000,000 (equivalent to approximately RMB9,859,000) recorded in ordinary shares and HK$10,421,042,000 (equivalent to approximately RMB8,561,928,000) recorded in share premium, respectively.

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 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
As at 1 January 2021	**144,517**	**593,595**	**154,238**	**2,750**	**(20,526)**	**874,574**	**3,695,232**	**4,569,806**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**4,010,881**	**4,010,881**
Value of services provided under share option schemes and Restricted Share Award Scheme	**–**	**–**	**33,064**	**–**	**–**	**33,064**	**–**	**33,064**
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	**–**	**–**	**2,708**	**–**	**–**	**2,708**	**–**	**2,708**
Appropriations to statutory reserves	**–**	**169,328**	**–**	**–**	**–**	**169,328**	**(169,328)**	**–**
Shares vested under Restricted Share Award Scheme	**–**	**–**	**(111,155)**	**–**	**–**	**(111,155)**	**–**	**(111,155)**
Shares converted from convertible securities *(Note)*	**–**	**–**	**–**	**(335)**	**–**	**(335)**	**–**	**(335)**
Translation difference of foreign currency financial statements	**–**	**–**	**–**	**–**	**(2,562)**	**(2,562)**	**–**	**(2,562)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(515,202)**	**(515,202)**
Tax impact of employee share-based compensation scheme	**276,145**	**–**	**–**	**–**	**–**	**276,145**	**–**	**276,145**
As at 31 December 2021	**420,662**	**762,923**	**78,855**	**2,415**	**(23,088)**	**1,241,767**	**7,021,583**	**8,263,350**

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 2021, CS with carrying value of HK$428,000 (equivalent to approximately RMB335,000) were converted into 151,000 ordinary shares of the Company (Note 17).

(e) Up to 31 December 2021, CS with an aggregate carrying value of HK$2,168,181,000 (equivalent to approximately RMB1,732,505,000) had been converted into ordinary shares of the Company. As at 31 December 2021, CS with carrying value of HK$3,085,000 (equivalent to approximately RMB2,415,000) were outstanding, which could be converted into 1,088,000 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 at the respective balance sheet date is as follows:

	2021 **RMB'000**	2020 RMB'000
0 – 30 days	**1,557,849**	967,798
31 – 60 days	**23,275**	241,063
61 – 90 days	**5,769**	9,253
91 – 180 days	**1,065**	3,048
181 – 365 days	**7,094**	1,374
Over 365 days	**4,230**	4,593
	1,599,282	1,227,129

20. *OTHER PAYABLES AND ACCRUALS*

	2021 RMB'000	2020 RMB'000
Refunds liabilities (a)	**1,099,483**	719,543
Accrued sales and marketing expenses	**813,792**	542,839
Sales rebates	**648,940**	356,043
Wages and welfare payables	**612,029**	305,350
Payable for property, plant and equipment	**426,058**	252,234
Other tax payables	**188,210**	141,290
Others	**236,150**	183,692
	4,024,662	2,500,991

(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 2021: RMB1,099,483,000; 31 December 2020: RMB719,543,000). 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 2021: RMB527,296,000; 31 December 2020: RMB354,633,000; 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 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
As at 1 January 2021	**62,889**
Additions	**145,265**
Payment of license fees	**(139,844)**
Amortisation of discount *(Note 27)*	**2,601**
Adjustment for exchange difference	**191**
As at 31 December 2021	**71,102**

21. LICENSE FEES PAYABLE (CONTINUED)

	2021 RMB'000	2020 RMB'000
Analysis of license fees payable:		
Non-current		
– the second to fifth year	20,996	23,395
Current	50,106	39,494
	71,102	62,889

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:

	2021 RMB'000	2020 RMB'000
Less than 1 year	50,391	39,779
Between 1 and 5 years	27,000	32,000
	77,391	71,779

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	Fair value adjustments on identifiable assets acquired in business combination RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets											
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
As at 1 Januarary 2021	60,851	142,597	–	11,587	214,718	19,094	17,566	91,227	–	32,995	590,635
(Charged)/credited to income statement	(12,252)	53,980	–	4,215	49,011	8,164	(8,907)	51,819	–	(29,090)	116,940
As at 31 December 2021	48,599	196,577	–	15,802	263,729	27,258	8,659	143,046	–	3,905	707,575
Deferred income tax liabilities											
As at 1 January 2020	–	–	(42,542)	–	–	–	–	–	–	(2,460)	(45,002)
(Charged)/credited to income statement	–	–	(58,000)	–	–	–	–	–	–	264	(57,736)
As at 31 December 2020	–	–	(100,542)	–	–	–	–	–	–	(2,196)	(102,738)
As at 1 Januarary 2021	–	–	(100,542)	–	–	–	–	–	–	(2,196)	(102,738)
Acquisition of subsidiaries (*Note 34*)	–	–	–	–	–	–	–	–	(351,828)	–	(351,828)
Credited to income statement	–	–	17,298	–	–	–	–	–	10,131	264	27,693
As at 31 December 2021	–	–	(83,244)	–	–	–	–	–	(341,697)	(1,932)	(426,873)

22. DEFERRED INCOME TAX (CONTINUED)

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

	2021 RMB'000	2020 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	693,288	508,627
– to be recovered after more than 12 months	14,287	82,008
	707,575	590,635
Deferred income tax liabilities		
– to be recovered within 12 months	(11,316)	(264)
– to be recovered after more than 12 months	(415,557)	(102,474)
	(426,873)	(102,738)

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 RMB37,805,000 (2020: RMB37,836,000) in respect of tax losses of certain subsidiaries amounting to RMB151,323,000 (2020: RMB151,343,000) that can be carried forward against future taxable income and will expire between 2022 and 2026 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 RMB345,560,000 (2020: RMB95,100,000) have not been recognised for the withholding tax that would be payable on certain portion of the distributable retained profits of the Company's subsidiaries in Mainland China earned after 1 January 2008. Such amounts totaling RMB6,911,200,000 (2020: RMB1,901,991,000) are not currently intended to be distributed to the subsidiaries incorporated outside Mainland China.

23. DEFERRED INCOME

	Government grants RMB'000
As at 1 January 2020	53,821
Addition	14,920
Credited to income statement	(4,306)
As at 31 December 2020	64,435
As at 1 January 2021	64,435
Addition	400
Credited to income statement	(2,318)
As at 31 December 2021	62,517

24. EXPENSES BY NATURE

	2021 RMB'000	2020 RMB'000
Cost of inventories recognised as expenses and included in cost of sales	**10,340,415**	7,131,928
Depreciation on property, plant and equipment (a)	**589,373**	533,902
Amortisation of land use rights and intangible assets	**40,868**	42,119
Depreciation on right-of-use assets	**461,172**	432,717
Depreciation on investment properties not under operating lease	**2,024**	4,078
Impairment of intangible assets	**–**	14,910
Advertising and marketing expenses	**1,779,263**	1,279,541
Commission and trade fair related expenses	**618,590**	351,864
Staff costs, including directors' emoluments (a) *(Note 26)*	**1,811,973**	1,311,123
Short-term lease rentals and variable lease payments not included in lease liabilities and rental related expenses	**694,691**	482,377
Research and product development expenses (a)	**413,949**	322,904
Transportation and logistics expenses	**858,783**	564,009
Auditor's remuneration		
– Audit services	**6,500**	5,660
– Non-audit services	**911**	2,224
Management consulting expenses	**113,362**	97,411

(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

	2021 RMB'000	2020 RMB'000
Government grants	**231,619**	229,684
License fees income	**28,855**	22,032
Fair value gains on wealth management products measured at FVPL	**77,902**	108,905
Rental income	**65,833**	–
Depreciation on investment properties under operating leases	**(47,025)**	–
Fair value gains on investments measured at FVPL	**42,468**	–
Fair value gains on derivative financial instruments measured at FVPL	**696**	1,246
	400,348	361,867

26. STAFF COSTS

	2021 RMB'000	2020 RMB'000
Wages and salaries	993,297	679,570
Contributions to retirement benefit plan (b)	97,722	54,467
Share options and restricted shares granted to directors and employees	33,064	80,388
Housing benefits	30,827	34,717
Outsourcing labour costs	598,664	410,524
Other costs and benefits	58,399	51,457
	1,811,973	1,311,123

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included two (2020: two) directors for the years ended 31 December 2021, and their emoluments are reflected in the analysis shown in Note 37. The aggregate amounts of emoluments paid and payable to the remaining three (2020: three) individuals whose emoluments were the highest in the Group for the years are as follows:

	2021 RMB'000	2020 RMB'000
Salaries	11,549	13,055
Discretionary bonus	21,437	21,793
Other benefits	4,500	11,904
Contributions to retirement benefit scheme	236	244
	37,722	46,996

The emoluments fell within the following bands:

	Number of individuals 2021	2020
Emoluments bands		
HK$10,000,001 to HK$10,500,000	1	–
HK$12,000,001 to HK$12,500,000	1	–
HK$13,000,001 to HK$13,500,000	–	1
HK$16,500,001 to HK$17,000,000	–	1
HK$22,500,001 to HK$23,000,000	1	–
HK$23,000,001 to HK$23,500,000	–	1
	3	3

26. STAFF COSTS *(CONTINUED)*

(b) Pensions – defined contribution plans

The employees of the Group in Mainland China 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

	2021 RMB'000	2020 RMB'000
Interest income on bank balances and deposits	145,097	34,621
Net foreign currency exchange gain	–	37
Finance income	145,097	34,658
Amortisation of discount – license fees payable *(Note 21)*	(2,601)	(2,817)
Amortisation of discount – lease liabilities	(64,449)	(53,972)
Net foreign currency exchange loss	(30,462)	–
Others	(14,946)	(9,460)
Finance expenses	(112,458)	(66,249)
Finance income/(expense) – net	32,639	(31,591)

28. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current income tax		
– Corporate income tax (b)	1,459,094	618,815
– Withholding income tax on dividends from subsidiaries in Mainland China (c)	2,888	31,750
	1,461,982	650,565
Deferred income tax	(144,633)	(101,184)
Income tax expense	1,317,349	549,381

28. *INCOME TAX EXPENSE (CONTINUED)*

(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 2021, provision for the corporate income tax of Mainland China is calculated based on the statutory tax rate of 25% (2020: 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 (2020: 16.5%).

(c) This mainly arose from the dividends due by the Company's subsidiaries in Mainland China to other group companies in Hong Kong during the years ended 31 December 2021 and 2020, which are subject to withholding tax at the rate of 5%.

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:

	2021 RMB'000	2020 RMB'000
Profit before income tax	5,328,237	2,247,865
Tax calculated at a tax rate of 25% (2020: 25%)	1,332,059	561,966
Effects of different overseas tax rates	(9,262)	(3,454)
Temporary differences and tax losses for which no deferred income tax asset is recognised	30,254	27,325
Utilisation of previously unrecognised temporary differences and tax losses	(47,679)	(168,350)
Expenses not deductible for tax purposes	77,296	64,939
Share of results of associates and joint ventures reported net of tax	(39,806)	(20,872)
Income not subject to tax	(11,103)	(1,923)
Withholding tax on dividends	(14,410)	89,750
Tax charge	1,317,349	549,381

29. *EARNINGS PER SHARE*

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue less shares held for 2016 Restricted Share Award Scheme during the year. Such weighted average number of shares outstanding shall be adjusted for events such as bonus issue and stock dividend.

In April 2013, the Company completed the issuance of the 2013 CS. In January 2015, the Company had completed the issuance of Offer Securities which included the issuance of both ordinary shares and the 2015 CS. The below market subscription price of these two events had effectively resulted in 270,000 ordinary shares (31 December 2020: 286,000 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 2021 for the purpose of basic earnings per share. The shares issued for nil consideration arising from the issuance of the CS have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2020.

	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	**4,010,881**	1,698,484
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	**2,505,199**	2,454,086
Basic earnings per share (RMB cents)	**160.10**	69.21

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.

29. *EARNINGS PER SHARE (CONTINUED)*

	2021	2020
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (RMB'000)	4,010,881	1,698,484
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	2,505,199	2,454,086
Adjustment for the restricted shares (in thousands)	9,667	20,632
Adjustment for the share option schemes (in thousands)	24,090	37,029
Deemed weighted average number of shares for diluted earnings per shares (in thousands)	2,538,956	2,511,747
Diluted earnings per share (RMB cents)	157.97	67.62

30. *DIVIDENDS*

	2021 RMB'000	2020 RMB'000
Proposed final dividend of RMB45.97 cents (2020: RMB20.46 cents) per ordinary share	1,203,264	509,545

The total dividends paid during the year ended 31 December 2021 amounted to RMB515,202,000 or RMB20.46 cents per share (2020: RMB377,821,000 or RMB15.47 cents per share) which represented the final dividends for the year ended 31 December 2020.

On 17 March 2022, the Board proposed a final dividend of RMB45.97 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities out of the share premium for the year ended 31 December 2021. The final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 15 June 2022. The proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of share premium in the year ending 31 December 2022.

31. STATEMENT OF CASH FLOWS

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

	2021 RMB'000	2020 RMB'000
Profit before income tax	**5,328,237**	2,247,865
Adjustments for:		
Depreciation on property, plant and equipment	**589,373**	533,902
Depreciation on right-of-use assets	**461,172**	432,717
Depreciation on investment properties	**49,049**	4,078
Amortisation of land use rights and intangible assets	**40,868**	42,119
Impairment of intangible assets	**–**	14,910
Loss on disposal of property, plant and equipment	**20,861**	24,564
Gain on disposal of right-of-use assets	**(1,779)**	(4,901)
Loss on disposal of intangible assets	**14**	332
(Reversal of provision)/provision for expected credit loss allowance of trade receivables and other receivables	**(15,682)**	30,466
Reversal of provision for write-down of inventories to net realisable value	**(19,454)**	(19,554)
Share options and restricted shares granted to directors and employees	**33,064**	80,388
Finance expenses – net	**(47,585)**	23,831
Fair value gains on wealth management products measured at FVPL	**(77,902)**	(108,905)
Interest income from financial assets at FVOCI	**–**	(1,700)
Amortisation of deferred income	**(2,318)**	(4,306)
Share of profit of investments accounted for using the equity method	**(159,222)**	(83,487)
Fair value adjustment to derivative financial instruments	**(696)**	(1,246)
Fair value adjustment to investments measured at FVPL	**(42,468)**	–
Operating profit before working capital changes	**6,155,532**	3,211,073
(Increase)/decrease in inventories	**(407,810)**	81,272
Increase in trade receivables	**(284,919)**	(4,046)
(Increase)/decrease in other receivables	**(111,759)**	9,520
Increase in other assets	**(233,302)**	(77,509)
Increase/(decrease) in trade payables	**372,153**	(121,077)
Increase in other payables and accruals	**1,432,048**	261,193
Increase/(decrease) in contract liabilities	**59,701**	(7,792)
Decrease in restricted bank deposits	**23**	42
Cash generated from operations	**6,981,667**	3,352,676

The principal non-cash transaction included:

(a) The purchase of property, plant and equipment amounting to RMB426,058,000 and RMB252,234,000 have not been settled as at 31 December 2021 and 2020, respectively;

(b) Refer to Note 6(b) for the addition of right-of-use assets during the years ended 31 December 2021 and 2020.

31. STATEMENT OF CASH FLOWS *(CONTINUED)*

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

	2021 RMB'000	2020 RMB'000
Net book amount	26,880	32,203
Loss on disposal of property, plant and equipment	(20,861)	(24,564)
Proceeds from disposal of property, plant and equipment	**6,019**	7,639

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:

	2021		2020	
	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
Exercised	–	–	6.088	(358)
As at 31 December	–	–	–	–
Exercisable as at 31 December	–	–	–	–

As at 31 December 2021 and 31 December 2020, there were no share options outstanding under this scheme.

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 2021 was nil (2020: nil).

(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.

32. *SHARE-BASED COMPENSATION (CONTINUED)*

(b) 2014 Share Option Scheme *(Continued)*

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

	2021		2020	
	Weighted average exercise price (per share) HK$	**Outstanding options (Thousands)**	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	**7.766**	**31,134**	6.782	67,060
Exercised	**6.731**	**(7,262)**	5.924	(35,219)
Lapsed	**6.120**	**(884)**	6.120	(707)
As at 31 December	**8.157**	**22,988**	7.766	31,134
Exercisable as at 31 December	**6.502**	**20,379**	5.578	6,059

Share options outstanding under this scheme as at 31 December 2021 and 31 December 2020 have the following expiry dates and exercise prices:

	2021		2020	
Expiry date	**Exercise price (per share) HK$**	**Share options (Thousands)**	Exercise price (per share) HK$	Share options (Thousands)
7 June 2026	**3.300**	**2,600**	3.300	2,600
31 December 2022	**6.120**	**16,481**	6.120	23,531
31 December 2023	**9.090**	**–**	9.090	193
31 December 2023	**7.070**	**–**	7.070	412
31 December 2024	**13.360**	**316**	13.360	407
16 May 2029	**13.160**	**750**	13.160	1,150
31 December 2027	**22.520**	**2,841**	22.520	2,841
Total		**22,988**		31,134
Weighted average remaining contractual life of options outstanding at end of period		**2.24**		3.02

32. *SHARE-BASED COMPENSATION (CONTINUED)*

(b) 2014 Share Option Scheme *(Continued)*

The fair value of the 2014 Share Option Scheme is charged to the consolidated income statement over the vesting period of the option. The amount charged to the consolidated income statement during the year ended 31 December 2021 was RMB8,405,000 (2020: RMB30,512,000).

(c) 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:

	2021		2020	
	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	**9.386**	**12,735**	8.088	24,050
Granted	**73.204**	**230**	42.045	246
Vested	**7.755**	**(11,016)**	7.370	(11,295)
Lapsed	**6.031**	**(303)**	7.856	(266)
As at 31 December	**29.841**	**1,646**	9.386	12,735

The fair value of the 2016 Restricted Share Award Scheme is charged to the consolidated income statement over the vesting period of the awarded shares. The amount charged to the consolidated income statement was RMB24,659,000 during the year ended 31 December 2021 (2020: RMB49,876,000).

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$61.0 million. 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$61.0 million to approximately US$47.9 million (including both subscription amount and management fees paid and payable by the Group).

As at 31 December 2021, the Group's had paid an aggregate amount of approximately US$9.6 million (including subscription amount and management fees), and the remaining capital commitments in relation to investment in the Limited Partnership was approximately US$38.3 million.

(b) Capital commitments in relation to acquisition of properties

In August 2021, the Group entered into a framework agreement with a third party vendor (the "Property Vendor") pursuant to which the Group agreed to acquire and the Property Vendor agreed to sell the certain properties at the consideration of approximately RMB1,034 million, which is subject to adjustment with reference to the actual gross floor area of the properties.

As at 31 December 2021, the Group's had paid an aggregate amount of RMB776 million (Note 13), and the remaining capital commitments in relation to acquisition of properties was approximately RMB258 million.

34. BUSINESS COMBINATION

(a) Summary of acquisition

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 (collectively, the "Target Group") respectively (collectively, the "Transferred Creditor's Rights"). The Target Company is an investment holding company and its principal asset is the entire equity interest in its subsidiary, which owns certain investment properties located in the Greater Bay Area of the PRC.

The above acquisition of the Target Shares and the Transferred Creditor's Rights was completed on 28 January 2021. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Cash consideration for the Target Shares	495,497
Cash consideration for the Transferred Creditor's Rights	730,770
Total purchase consideration	1,226,267

34. BUSINESS COMBINATION *(CONTINUED)*

(a) Summary of acquisition *(Continued)*

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Current assets	
Cash and cash equivalents	47,587
Other receivables – current portion	389
Other assets – current portion	9,325
Non-current assets	
Property, plant and equipment *(Note 6(a))*	16
Investment properties *(Note 7)*	1,798,310
Current liabilities	
Other payables and accruals	(281,836)
Non-current liabilities	
Deferred tax liabilities *(Note 22)*	(351,828)
Net identifiable assets acquired	1,221,963
Add: goodwill	4,304
	1,226,267

(i) Acquisition-related costs

Acquisition-related costs of RMB2,319,000 are included in administrative expenses in profit or loss.

(ii) Revenue and profit contribution

The acquired business contributed revenues and net profit of nil and RMB10,695,000 respectively to the Group for the period from 29 January 2021 to 31 December 2021. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the year ended 31 December 2021 would have been RMB22,572,281,000 and RMB3,945,287,000 (taking into consideration the one-off expense of RMB70,659,000 incurred by the Target Group in relation to the acquisition), respectively, which are calculated by aggregating the consolidated financial information of the Target Group and the Group.

34. BUSINESS COMBINATION *(CONTINUED)*

(b) Purchase consideration – cash outflow

	2021 RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration	1,226,267
Cash paid to settle the payables of the Target Group in relation to the business combination (which were included in other payables and accruals as at the date of acquisition)	167,182
Less: Cash acquired	(47,587)
Prepayment for consideration for acquisition of subsidiaries *(Note 13)*	(47,904)
	1,297,958

35. 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:

	2021 RMB'000	2020 RMB'000
Subsidiaries of Viva China *(Note i)*	7,932	6,741
Subsidiary of Li-Ning Aigle Ventures	136	–
Others	16	5
	8,084	6,746

(b) Purchases of goods from:

	2021 RMB'000	2020 RMB'000
Hubei Dong Neng (an associate of the Group)	343,144	224,389
Guangxi Ning Tai (a joint venture of the Group)	214,487	65,017
Subsidiaries of Viva China *(Note i)*	56,224	3,552
Guangxi Ning Zhan (a joint venture of the Group)	18,038	15,510
Subsidiary of Li-Ning Aigle Ventures	1,022	–
Double Happiness (an associate of the Group)	49	–
	632,964	308,468

35. RELATED-PARTY TRANSACTIONS *(CONTINUED)*

(c) Provision of services to:

	2021 RMB'000	2020 RMB'000
Subsidiaries of Viva China	**1,598**	1,353
Subsidiary of Li-Ning Aigle Ventures	**656**	687
Guangxi Ning Tai (a joint venture of the Group)	**99**	–
Guangxi Ning Zhan (a joint venture of the Group)	**124**	–
	2,477	2,040

(d) Purchases of services from:

	2021 RMB'000	2020 RMB'000
Subsidiaries of Viva China *(Note i)*	**189,791**	176,233
Double Happiness (an associate of the Group)	**8,493**	7,357
Danskin China (an associate of the Group)	**5,000**	–
	203,284	183,590

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

	2021 RMB'000	2020 RMB'000
Loans to:		
Guangxi Ning Zhan (a joint venture of the Group)	**–**	25,000
Repayment of loans from:		
Guangxi Ning Zhan (a joint venture of the Group)	**15,000**	–
Interests income from:		
Guangxi Ning Zhan (a joint venture of the Group)	**1,465**	167

35. RELATED-PARTY TRANSACTIONS (CONTINUED)

(f) Key management compensation

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	146,378	80,906
Contribution to retirement benefit scheme	1,583	1,779
Employee share schemes for value of services provided	25,541	55,174
	173,502	137,859

Note:

(i) During the year ended 31 December 2021, the above transactions with subsidiaries of Viva China constituted connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that certain purchases of goods from subsidiaries of Viva China amounting to RMB11,117,000 were exempted from reporting, announcement and annual review requirements in accordance with the Listing Rules.

(g) Year-end balances

	2021 RMB'000	2020 RMB'000
Prepayments to related parties:		
Subsidiaries of Viva China	6,000	20,589
Guangxi Ning Tai (a joint venture of the Group)	–	5,292
	6,000	25,881
Trade receivables from related parties:		
Subsidiaries of Viva China	1,083	2,188
Others	7	–
	1,090	2,188
Other receivables from related parties:		
Guangxi Ning Zhan (a joint venture of the Group)	11,632	25,167
Payables to related parties:		
Hubei Dong Neng (an associate of the Group)	38,733	49,794
Guangxi Ning Tai (a joint venture of the Group)	26,543	–
Subsidiaries of Viva China	20,664	2,676
Guangxi Ning Zhan (a joint venture of the Group)	3,331	5,091
	89,271	57,561

35. ***RELATED-PARTY TRANSACTIONS*** *(CONTINUED)*

(g) Year-end balances *(Continued)*

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

The 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 generally due two months after the date of purchase. The payables bear no interest.

36. ***BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY***

		As at 31 December	
	Note	**2021**	2020
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**952**	1,972
Right-of-use assets		**1,645**	–
Investment in subsidiaries		**8,219,160**	3,356,378
Long-term receivables		**845**	–
Deferred income tax assets		**261**	–
Total non-current assets		**8,222,863**	3,358,350
Current assets			
Other receivables and prepayments		**465**	68
Dividends receivable		**1,826,923**	1,856,646
Fixed deposits held at banks		**861**	884
Cash and cash equivalents		**3,148,388**	91,543
Total current assets		**4,976,637**	1,949,141
Total assets		**13,199,500**	5,307,491

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

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		**238,759**	228,285
Share premium		**12,637,277**	4,037,767
Other reserves	(a)	**164,657**	240,375
Retained earnings	(a)	**108,717**	784,198
Total equity		**13,149,410**	5,290,625
LIABILITIES			
Current liabilities			
Other payables and accruals		**48,323**	16,866
Lease liabilities – current portion		**1,767**	–
Total current liabilities		**50,090**	16,866
Total liabilities		**50,090**	16,866
Total equity and liabilities		**13,199,500**	5,307,491

The balance sheet of the Company was approved by the Board of Directors on 17 March 2022 and was signed on its behalf.

Li Ning	**Kosaka Takeshi**
Joint Chief Executive Officer & Chairman	*Joint Chief Executive Officer*

36. *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 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
As at 1 January 2021	**784,198**	**83,387**	**154,238**	**2,750**	**1,024,573**
Total comprehensive income for the year	**(160,279)**	**–**	**–**	**–**	**(160,279)**
Value of services provided under share option schemes and Restricted Share Award Scheme	**–**	**–**	**33,064**	**–**	**33,064**
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	**–**	**–**	**2,708**	**–**	**2,708**
Shares vested under Restricted Share Award Scheme	**–**	**–**	**(111,155)**	**–**	**(111,155)**
Shares converted from convertible securities	**–**	**–**	**–**	**(335)**	**(335)**
Dividends paid	**(515,202)**	**–**	**–**	**–**	**(515,202)**
As at 31 December 2021	**108,717**	**83,387**	**78,855**	**2,415**	**273,374**

37. BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director for the year ended 31 December 2021 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	45,085	9,615	1,191	65,891
Mr. Kosaka Takeshi (ii)	–	10,165	44,074	11,608	156	66,003
Ms. Wang Ya Fei	270	–	–	232	–	502
Mr. Koo Fook Sun, Louis	270	–	–	232	–	502
Mr. Chan Chung Bun, Bunny	250	–	–	232	–	482
Mr. Su Jing Shyh, Samuel (iii)	138	–	–	232	–	370
Mr. Li Qilin	1,700	–	–	331	–	2,031

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 (iii)	270	–	–	569	–	839
Mr. Li Qilin	1,700	–	–	1,606	–	3,306

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

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

(iii) Mr. Su Jing Shyh, Samuel ceased to be a director of the Company on 5 July 2021.

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

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Companies Ordinance Cap. 622 and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

During the year, no director of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group (2020: 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 (2020: nil). No consideration was provided to or receivable by third parties for making available directors' services (2020: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: 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 the Company was or is a party that subsisted at the end of the year or at any time during the year (2020: 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 (2020: none).

GLOSSARY

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

"2013 Open Offer"	the open offer of convertible securities issued by the Company as set out in the listing document of the Company dated 27 March 2013
"2014 Share Option Scheme"	the share option scheme adopted by the Company on 30 May 2014
"2015 Open Offer"	the open offer of offer securities issued by the Company as set out in the listing document of the Company dated 9 January 2015
"2016 Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on 14 July 2016
"2022 AGM"	the annual general meeting of the Company to be held on Wednesday, 15 June 2022
"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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