LI-NING

LI NING COMPANY LIMITED
李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

2022
ANNUAL REPORT

Core Values

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

Mission

Let Sports Light Your Passion

Vision

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

ABOUT LI NING GROUP

Li Ning Company Limited is one of the leading sports brand companies in China, mainly operating professional and leisure footwear, apparel, equipment and accessories under the LI-NING brand. 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 be the most prominent, stylish, world-leading sports brand from China.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. LI Ning
Ms. WANG Ya Fei

COMPANY SECRETARY

Ms. TAI Kar Lei

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Suite 3204, Unit 2A, Block 3
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Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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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
Bank of China Limited

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

FIVE-YEAR FINANCIAL HIGHLIGHTS

	2022	2021	2020	2019	2018
Operating results (in RMB thousands):					
Turnover	25,803,383	22,572,281	14,456,971	13,869,630	10,510,898
Operating profit	4,886,758	5,136,376	2,195,969	1,543,209	777,177
Profit before taxation	5,415,100	5,328,237	2,247,865	1,856,546	850,321
Profit attributable to equity holders	4,063,834	4,010,881	1,698,484	1,499,139	715,263
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6,541,707	6,436,060	3,292,272	2,707,649	1,252,222
Assets and liabilities (in RMB thousands):					
Total non-current assets	21,251,624	11,602,962	4,817,309	4,008,158	2,341,051
Total current assets	12,394,895	18,671,854	9,776,556	8,539,316	6,386,254
Total current liabilities	7,240,833	7,703,848	5,015,057	4,716,620	2,777,471
Net current assets	5,154,062	10,968,006	4,761,499	3,822,696	3,608,783
Total assets	33,646,519	30,274,816	14,593,865	12,547,474	8,727,305
Total assets less current liabilities	26,405,686	22,570,968	9,578,808	7,830,854	5,949,834
Capital and reserves attributable to equity holders	24,329,430	21,101,546	8,686,863	7,121,639	5,817,040
Key financial indicators:					
Gross profit margin	48.4%	53.0%	49.1%	49.1%	48.1%
Margin of profit attributable to equity holders	15.7%	17.8%	11.7%	10.8%	6.8%
EBITDA ratio	25.4%	28.5%	22.8%	19.5%	11.9%
Earnings per share					
– basic (RMB cents)	155.38	160.10	69.21	61.94	29.63
– diluted (RMB cents)	154.34	157.97	67.62	60.13	29.19
Dividend per share (RMB cents)	46.27	45.97	20.46	15.47	8.78
Return on equity attributable to equity holders	17.9%	26.9%	21.5%	23.2%	13.1%
Net tangible assets per share (RMB cents)	911.92	794.44	336.80	299.55	254.87
Debt-to-Equity ratio	38.3%	43.5%	68.0%	76.2%	50.0%


LI-NING

STANDING OUT

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2022, the increasingly complex and severe international environment and the recurring pandemic imposed multiple challenges to the macroeconomy. Throughout the year, despite domestic and external pressures, the national economy maintained a recovery momentum and operated within a reasonable range as a whole. Affected by the recurrent and widespread pandemic outbreak, the operation of domestic consumption market last year proved volatile as the consumption market was again dampened due to the resurgence of the pandemic in the fourth quarter while showing a gradual recovery trend in the first three quarters. Nonetheless, the growth of the online consumption sector in the consumption market maintained at a healthy level with the consumption of certain upgraded product categories outperformed the overall market, demonstrating a resilient growth of the consumption market. Driven by the implementation of various economic stabilization policies and measures as well as the continuous optimization of pandemic prevention and control measures in China, the market vitality was stimulated and the consumption demand of residents is expected to be further unleashed. During the year, continuing to pursue the core strategy of "Single Brand, Multi-categories, Diversified Channels", the Group optimized the technological research and development of products, enhanced the operating efficiency of retail channels and improved the stability and flexibility of the supply chain while consolidating the brand and product competitiveness and maximizing LI-NING's experience value.

According to the National Bureau of Statistics, China's GDP in 2022 registered a year-on-year growth of 3.0% and the effective growth rate of residents' per capita disposable income in China reached 2.9%. Driven by the continuously improving household living standard, consumption structure was further optimized. In 2022, the Beijing Winter Olympics was successfully held. Chinese athletes achieved breakthroughs and remarkable results during the Winter Olympics, further encouraging the general public to participate in sports games. The Outline for the Strategic Plan for Expanding Domestic Demand (2022-2035) promulgated by the government during the year, which clearly proposed to promote public consumption of sports products, was expected to bring new opportunities for the growth of the sports industry. With the gradual relaxation of the pandemic control measures in China since the end of the year, we believe that it will further support the robust growth of China's sports product consumption market.

Looking back to 2022, despite the challenging operating environment resulting from the impacts of various factors such as the recurring COVID-19 pandemic, rising raw material costs and weak consumption sentiment, the Group's revenue and profit remained healthy. In particular, the Group's revenue increased from RMB22,572 million in 2021 to RMB25,803 million. During the year, the Group continued to focus on LI-NING's experience value and implemented precise marketing strategies to satisfy the individual needs of consumers, at the same time enhancing interaction with customers in innovative ways, thereby providing diversified and comprehensive services. Leveraging LI-NING brand's innate sports DNA, we have always been putting emphasis on the professional and functional features of products. Meanwhile, we were also committed to integrating professional and functional features of sports products with elements of popular fashion and cultural creativity, striving to accurately capture market and fashion trends as well as consumers' preferences in a bid to attract more young consumers and convey our brand value to consumers effectively.

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

In 2022, the Group's revenue increased by 14.3% to RMB25,803 million, and the net profit margin was 15.7%. Achieving net operating cash inflow of RMB3,914 million, working capital was at a healthy level and cash conversion cycle was 30 days, which increased by 10 days year on year.

In order to satisfy consumers' increasingly diversified demand for sports consumption, we improved LI-NING's experience value comprehensively by enhancing professional performance of our products, improving channel and retail operation efficiency and strengthening supply chain capabilities. We improved product performance by devoting greater efforts in product research and development on an ongoing basis, and kept abreast of the popular fashion and cultural creativity trends, with a view to providing stylish and artistic sports products with professional functions to consumers. At the same time, we continued to optimize the channel structure and pushed forward the transformation of retail operation models while actively exploring development potential of new retail model, hence further increasing channel efficiency. We strengthened the supply chain management system and ensured that it was centered on business needs so as to enhance the responsiveness and flexibility 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 ENHANCE LI-NING'S EXPERIENCE VALUE

During the year, we continued to implement the strategy of "Single Brand, Multi-categories, Diversified Channels" and enhanced the professional and functional features of our products. Leveraging our unremitting efforts on product research and development, and in pursuit of technological breakthroughs for improvement of product performance, we promoted product upgrade, introduced new products continuously and optimized user experience of our products, thus strengthening the core competitiveness of both our products and brand.

During the year, we launched the brand-new "BOOM FIBER" (䨻絲) technology for shoe uppers by applying "LI-NING BOOM" (李寧䨻) materials on shoe uppers in an innovative manner, marking an important milestone of the expansion and upgrade of "LI-NING BOOM" (李寧䨻) technology platform and a breakthrough of technological research and development of our products. Meanwhile, in addition to refinement of products' professional function for excellence, we strived to improve the fashionable design of products under LI-NING brand. "LI-NING 1990", a high-class fashionable sporty styled sub-brand, continued to explore high-end market by launching distinctive and fashionable products through successive crossover cooperation with luxury fashion brands, PIERRE HARDY and Moose Knuckles, with an aim to enhance LI-NING brand value and further develop the youth market.

The successful Beijing Winter Olympics further enhanced the public awareness and interest in winter sports. Keeping abreast of sports consumption trend, we launched the "LI-NING SNOWBOARDING" series for snowboarding products such as ski suit and pants during the year. Such products were developed and produced based on the scenario of extreme sports with a design emphasizing professional features and Chinese characteristics, and tested by athletes in various top events. We also collaborated with national and foreign top-notch snowboarders, including Canadian snowboarder Max Parrot and Chinese snowboarder Zhang Jiahao (張嘉豪), to further expand the market segment of winter sports.

REINFORCE RETAIL OPERATION CAPABILITY BY ENHANCING CHANNEL EFFICIENCY AND OPTIMIZING SUPPLY CHAIN SYSTEM

In 2022, we continued to push forward the transformation of retail operation models to support channel upgrade and optimization, and reinforced product management and retail sales capabilities to enhance channel efficiency. We also continued to develop an efficient and replicable business model for single store to boost retail-end performance centering on key retail data. In addition, we created an assortment and operation management system that embodies the sporty and trendy image of LI-NING brand while enhancing the organization and cultural development of retail talent team.

In recent years, upholding the strategy of "expanding high-quality profitable stores" for channel development, LI-NING accelerated the addition of quality stores and opened landmark flagship stores in core cities to strengthen the channel layout planning at core business districts. Meanwhile, we closed loss-making and low-efficiency stores to optimize structure of channels and improve channel efficiency. 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 strengthen recognition of and loyalty to our brand.

We have established flagship stores in various key cities across China and delivered LI-NING's experience value based on "sports experience", "product experience" and "purchase experience", to consumers by offering an access to all-new retail experiences. At the end of 2022, we launched our first flagship store in Hong Kong, namely the LI-NING flagship store on Canton Road, Hong Kong. It is envisaged to be positioned as the front-edge store of our brand in the Hong Kong market with huge consumption potential, thereby allowing consumers to fully experience the professional sports products and services of LI-NING and appreciate the brand spirit and culture of "Anything is Possible".

Meanwhile, we are committed to exploring new store models, with a view to further tapping the consumption potential in market segments. In order to render more diversified and innovative experiences for sports enthusiasts, we launched a brand-new type of stores under the LI-NING brand, i.e. the LI-NING basketball main court store, in 5 cities such as Chengdu, Kunming, Xian, Beijing and Shenyang. These stores enabled consumers to get access to the latest and most complete collection of basketball products under the LI-NING brand and offered them unique and personalized services.

In respect of the supply chain, we placed business development needs as our top priority and improved our supply chain management system, aiming to develop our own supply chain system with cost-effectiveness and reliability. We also actively pushed forward the transformation of the supply chain system from a passive production mode to a proactive production mode with more flexibility, hence enhancing the flexibility and fast response capability of the supply chain system. During the year, the Company established a more secure, reliable and synergistic regional supply system with flexible deployment and abundant production capacity, which has enhanced its resilience against supply risks. Meanwhile, the Company continued to strengthen the control over product quality so as to provide consumers with high-quality products and improve users' experience and satisfaction.

OUTLOOK

Stepping into 2023, the consumer market foresees a gradual recovery, which is underpinned by further optimization of pandemic containment policies. As such, we are cautiously optimistic about the macroeconomic outlook. We will eagerly seize the market opportunities arising from the post-pandemic recovery with 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, place emphasis on enhancing LI-NING's experience value and strengthen 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:

– We will continuously adopt the strategy of "Single Brand, Multi-categories, Diversified Channels" and maintain sustainable development of businesses with a focus on operation efficiency improvement, so as to enhance product and brand competitiveness, steadily improve profitability and further expand business scale;

– Pursuing improvement in product functions, we will strive for innovation breakthroughs in product technologies with enhanced research and development capabilities. We will also keep abreast of fashion trends and market development to accurately identify the changes in consumer demand and further optimize their product experience. Furthermore, we will develop diversified marketing approaches and propel the implementation of digitalized marketing strategies in an effort to expand our brand influence;

– We will optimize our diversified channel layout and expand the profitable stores with high quality. Besides, we will reinforce the online and offline integrated operation model to push forward omni-channel development with enhanced online and offline synergy, at the same time capturing the actual demand of consumers through application of big data analysis and information technology. In the meantime, our efforts in the development of supply chain management system and our own supply chain will continue to be scaled up;

– In respect of new business, enhancing single store profitability and store efficiency will remain as our core development goals. We will make reasonable use of resources to explore market potential and create new business opportunities 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. While always upholding its Chinese characteristics, we aim to establish the LI-NING brand as Chinese consumers' first-choice sports brand and a world-class professional sports brand with fashion attributes. It was with this vision that we determined the brand strategy of "Single Brand, Multi-categories, Diversified Channels", which also supported our efforts in building the unique competitiveness of the LI-NING brand, making us one of the top players in the market.

Looking ahead, we will continue to enhance our retail operation capability and further promote the upgrade of our digitalized system. In tandem with our constant focus on the investment for research and development, we will further keep abreast of the fashion trends in a bid to further incorporate the brand with creativity and vitality. As the founder and operator of the Company, I always place much emphasis on the long-term interests of all shareholders and stakeholders, whose loyalty to the LI-NING brand is extremely significant, and be deeply grateful for their long-standing support to the Company. With continuous efforts in promoting corporate governance and corporate social responsibility, we are devoted to making contributions to the society. In the meantime, I would like to express my sincere gratitude to our dedicated and hardworking staff. The management and I will spare no efforts in steering the Company forward towards further development in the future, all the while unleashing the potential 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, 16 March 2023

SPORTMANSHIP

MANAGEMENT DISCUSSION AND ANALYSIS

NATIONWIDE DISTRIBUTION OF FRANCHISED AND RETAIL POS

(As at 31 December 2022)

	Franchised	Directly-operated retail	Total
Northern region (Note 1)	3,344	626	3,970
Southern region (Note 2)	2,719	914	3,633
Total	**6,063**	**1,540**	**7,603**

Notes:

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

FINANCIAL OVERVIEW

The key operating and financial performance indicators of the Group for the year ended 31 December 2022 are set out below:

	Year ended 31 December		Change
	2022	2021	(%)
Income statement items			
(All amounts in RMB thousands unless otherwise stated)			
Revenue *(Note 1)*	**25,803,383**	22,572,281	14.3
Gross profit	**12,484,793**	11,969,098	4.3
Operating profit	**4,886,758**	5,136,376	(4.9)
Earnings before interest, tax, depreciation and amortisation (EBITDA) *(Note 2)*	**6,541,707**	6,436,060	1.6
Profit attributable to equity holders *(Note 3)*	**4,063,834**	4,010,881	1.3
Basic earnings per share *(RMB cents) (Note 4)*	**155.38**	160.10	(2.9)
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	**48.4**	53.0	(4.6)
Operating profit margin *(%)*	**18.9**	22.8	(3.9)
Effective tax rate *(%)*	**25.0**	24.7	0.3
Margin of profit attributable to equity holders (%)	**15.7**	17.8	(2.1)
Return on equity attributable to equity holders *(%) (Note 5)*	**17.9**	26.9	(9.0)
Expenses to revenue ratios			
Staff costs *(%)*	**7.7**	8.0	(0.3)
Advertising and marketing expenses *(%)*	**8.8**	7.9	0.9
Research and product development expenses *(%)*	**2.1**	1.8	0.3

	31 December 2022	31 December 2021
Balance sheet items		
(All amounts in RMB thousands unless otherwise stated)		
Total assets *(Note 6)*	**33,646,519**	30,274,816
Capital and reserves attributable to equity holders *(Note 7)*	**24,329,430**	21,101,546
Key financial ratios		
Asset efficiency		
Average inventory turnover (days) *(Note 8)*	**58**	54
Average trade receivables turnover (days) *(Note 9)*	**14**	13
Average trade payables turnover (days) *(Note 10)*	**42**	47
Asset ratios		
Debt-to-equity ratio (%) *(Note 11)*	**38.3**	43.5
Net asset value per share *(RMB cents) (Note 12)*	**926.23**	807.85

Notes:

1. Including revenue for the period from 1 January to 30 September 2022: RMB18,943,193,000.
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 – 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 2022: RMB3,209,757,000.
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. The calculation of return on equity attributable to equity holders is based on the profit attributable to equity holders of the Company for the year, divided by the average of opening and closing balances of capital and reserves attributable to equity holders of the Company of the year.
6. Total assets as at 30 September 2022: RMB34,197,824,000.
7. Capital and reserves attributable to equity holders as at 30 September 2022: RMB23,278,850,000.
8. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances for the year, divided by cost of sales and multiplied by the total number of days in the year.
9. The calculation of average trade receivables turnover (days) is based on the average of opening and closing balances of trade receivables for the year, divided by revenue and multiplied by the total number of days in the year.
10. The calculation of average trade payables turnover (days) is based on the average of opening and closing balances of trade payables for the year, divided by total purchases and multiplied by the total number of days in the year.
11. The calculation of debt-to-equity ratio is based on total liabilities divided by capital and reserves attributable to equity holders of the Company at the end of the year.
12. The calculation of net asset value per share is based on the net asset value, divided by the number of shares in issue less shares held for Restricted Share Award Scheme at the end of the year.

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

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

Revenue

The Group's revenue for the year ended 31 December 2022 amounted to RMB25,803,383,000 (2021: RMB22,572,281,000), representing an increase of 14.3% as compared to that of 2021. In the face of the repeated yet sporadic outbreak of domestic pandemic during the year, local governments of many regions put in place lockdown and pandemic control measures at different periods of time, which weakened the immediate consumption power of consumers. Maintaining its focus on the needs of the end-consumers, the Group sought for world-class professional sports technology to enhance the competitiveness of its products and brand. Despite a lower growth rate as compared with the previous year, revenue growth remained steady: (1) for direct operation channel, as affected by the closure of directly-operated stores, which are mainly located in urban areas, during the pandemic, sell-through of stores declined and the pace of revenue growth slowed down with a year-on-year growth rate of 6.4%. The Group continued to strengthen the management of retail channels by stepping up its effort in developing big stores with high efficiency and consolidating low-efficiency stores during the year. Retail stores were developed as a space for direct communication with consumers and providing in-depth sports products experiences. The Group strived to elevate the sports experience, product experience and shopping experience of consumers and enhance its brand influence, with a view to addressing the increasing demand of consumers for product quality, functional features and fashionable style; (2) the local restrictive policies in the post-pandemic era also impacted the e-commerce channel. Revenue growth was challenged by the slowdown of logistics. During the year, the Group placed more emphasis on efficient and precise advertisement placement and channel promotion, and adequately improved both the online and offline membership systems, contributing to a growth in revenue by 16.4%; and (3) revenue from sales to franchised distributors grew by 15.7%, which was underpinned by the strengthened business integration and channel management of the franchised distributors. Following the adjustment to the pandemic control policies, the development prospect of the sports products market will be promising. The Group will further strengthen the cooperation with franchised distributors so as to facilitate the recovery of sell-through as soon as possible.

Revenue breakdown by product category

	Year ended 31 December				
	2022		2021		
	RMB'000	**% of total revenue**	RMB'000	% of total revenue	Revenue Change (%)
Footwear	**13,478,630**	**52.2**	9,505,994	42.1	41.8
Apparel	**10,708,594**	**41.5**	11,823,798	52.4	(9.4)
Equipment and accessories	**1,616,159**	**6.3**	1,242,489	5.5	30.1
Total	**25,803,383**	**100.0**	22,572,281	100.0	14.3

Revenue breakdown (in %) by sales channel

	Year ended 31 December		
	2022	2021	**Change**
	% of revenue	% of revenue	**(%)**
PRC market			
Sales to franchised distributors	**48.5**	48.1	0.4
Sales from direct operation	**20.7**	22.2	(1.5)
Sales from e-commerce channel	**29.0**	28.4	0.6
International markets	**1.8**	1.3	0.5
Total	**100.0**	100.0	

Revenue breakdown by geographical location

	Note	Year ended 31 December				Revenue
		2022		2021		Change
		RMB'000	% of revenue	RMB'000	% of revenue	(%)
PRC market						
Northern region	2	11,987,993	46.4	10,939,495	48.5	9.6
Southern region	3	13,359,600	51.8	11,336,583	50.2	17.8
International markets		455,790	1.8	296,203	1.3	53.9
Total		25,803,383	100.0	22,572,281	100.0	14.3

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

Cost of Sales and Gross Profit

For the year ended 31 December 2022, the overall cost of sales of the Group amounted to RMB13,318,590,000 (2021: RMB10,603,183,000), and the overall gross profit margin was 48.4% (2021: 53.0%), dropped by 4.6 percentage points as compared with the previous year. During the year, in view of the prominent trend of weak consumer demand in the market due to the impact of the pandemic, the Group increased the discount at retail stores and online channel. With the upgrade of domestic supply chain and industries, the raw material prices and labor costs have also risen, resulting in the increase of purchase costs. Adopting a prudent inventory management policy, the Group not only actively destocked inventories, but also optimized the inventory ageing structure and boosted the reserve of new products to meet the post-pandemic market growth and sell-through demand.

Selling and Distribution Expenses

For the year ended 31 December 2022, the Group's overall selling and distribution expenses amounted to RMB7,314,303,000 (2021: RMB6,138,077,000), representing a year-on-year increase of 19.2%; the selling and distribution expenses accounted for 28.3% (2021: 27.2%) of the Group's total revenue with a year-on-year increase of 1.1 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, and thus higher overall selling and distribution expenses incurred as compared to last year. As certain fixed fees, including depreciation on store fittings and fixed rental charges for retail stores, may not be adjusted in line with the sluggish revenue growth, the percentage of selling and distribution expenses to revenue also increased.

Administrative Expenses

For the year ended 31 December 2022, the Group's overall administrative expenses amounted to RMB1,113,218,000 (2021: RMB1,110,675,000), accounting for 4.3% (2021: 4.9%) of the Group's total revenue with a year-on-year decrease of 0.6 percentage points. Administrative expenses mainly comprised staff costs, management consulting fees, office rental, depreciation and amortisation charges, technological development fees, taxes and other miscellaneous daily expenses. During the year, the Group continued to strengthen the effective management of daily expenses and comprehensively enhance the efficiency of operation management, with a view to lowering the percentage of administrative expenses to revenue while maintaining the growth in revenue.

Share of Profit of Investments Accounted for Using the Equity Method

For the year ended 31 December 2022, the Group's share of profit of investments accounted for using the equity method amounted to RMB201,155,000 (2021: RMB159,222,000).

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

For the year ended 31 December 2022, the Group's EBITDA amounted to RMB6,541,707,000 (2021: RMB6,436,060,000), representing a year-on-year increase of 1.6%.

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

	2022 RMB'000	2021 RMB'000
Reconciliation of profit for the year to EBITDA:		
Profit for the year	4,063,771	4,010,888
Income tax expense	1,351,329	1,317,349
Finance income	(447,748)	(145,097)
Finance expenses (including amortisation of discount on lease liabilities)	120,561	112,458
Depreciation on property, plant and equipment	732,178	589,373
Amortisation of land use rights and intangible assets	49,343	40,868
Depreciation on right-of-use assets	611,447	461,172
Depreciation on investment properties not under operating leases	–	2,024
Depreciation on investment properties under operating leases	60,826	47,025
EBITDA	6,541,707	6,436,060

Finance Income – Net

For the year ended 31 December 2022, the Group's net finance income amounted to RMB327,187,000 (2021: RMB32,639,000). The significant increase in net finance income was attributable to the significant increase in the average cash balance (including cash and cash equivalents, short-term bank deposits and long-term bank deposits) of the Group for the year as compared to last year and substantial exchange gains as a result of the change in exchange rate, 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, 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 2022, the income tax expense of the Group amounted to RMB1,351,329,000 (2021: RMB1,317,349,000) and the effective tax rate was 25.0% (2021: 24.7%). Currently, the Group's income tax expense is in line with the standard level.

Overall Profitability Indicators

Affected by the pandemic, the Group's revenue growth for the year has slowed down and the gross profit margin decreased year-on-year, while the gross profit increased slightly. Given that certain fixed expenses failed to be adjusted along with the slowdown in revenue growth, there was also a slight increase in expense ratio. During the year, the Group's profit attributable to equity holders amounted to RMB4,063,834,000 (2021: RMB4,010,881,000), representing a year-on-year increase of 1.3%. The margin of profit attributable to equity holders was 15.7% (2021: 17.8%). The return on equity attributable to equity holders was 17.9% (2021: 26.9%).

Provision for Inventories

The Group's policy in respect of provision for inventories for 2022 was the same as that in 2021. 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 2022, the accumulated provision for inventories was RMB120,531,000 (31 December 2021: RMB93,679,000). During the year, the Group continued to optimize the inventory structure and maintained the inventory ageing structure at a reasonable level through effective inventory management. Due to the relaxation of pandemic-related policies in China at the end of the year and the arrival of the Chinese New Year, the Group increased its inventory balance in order to meet the demand of channel orders and underpin the growth trend of sell-through of stores, so as to meet market demands.

Expected Credit Loss Allowance

The Group's policy in respect of provision of doubtful debts for 2022 was the same as that in 2021. 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 2022, the accumulated expected credit loss allowance was RMB159,200,000 (31 December 2021: RMB216,190,000), among which the accumulated expected credit loss allowance for trade receivables was RMB152,511,000 (31 December 2021: RMB208,281,000) and the accumulated expected credit loss allowance for other receivables was RMB6,689,000 (31 December 2021: RMB7,909,000). The trade receivables and other receivables written off during the year as uncollectible and the effect of change in exchange rate amounted to RMB32,669,000 (2021: RMB55,472,000). During the year, the ageing structure improved, and the expected credit loss allowance decreased as compared to the beginning of the year due to the decrease in the balance of long ageing trade receivables. The Group will continue to strengthen its cooperation with franchised distributors and facilitate the growth in orders and the channel development while focusing 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 2022 amounted to RMB3,913,604,000 (2021: RMB6,525,335,000). As at 31 December 2022, cash and cash equivalents (including cash at banks and in hand, and fixed term deposits with original maturity of no more than three months) amounted to RMB7,382,218,000, representing a net decrease of RMB7,362,681,000 as compared with the position as at 31 December 2021. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB19,048,838,000, representing a net increase of RMB567,752,000 as compared to 31 December 2021. The increase was due to the following items:

Item	Year ended 31 December 2022 RMB'000
Net cash generated from operating activities	3,913,604
Net cash used in investing activities (including placement and redemption of short-term and long-term bank deposits)	(9,481,433)
Net cash used in financing activities	(1,887,435)
Add: Exchange gains on cash and cash equivalents	92,583
Net decrease in cash and cash equivalents	(7,362,681)
Add: Net increase in long-term and short-term bank deposits	7,930,433
Net increase in cash balance	567,752

During the year, the Group shortened the payment cycle to help suppliers accelerate turnover of capital and improve production and operational efficiency, resulting in a significant decrease in net cash generated from operating activities. The Group will continue to place extra emphasis on its cash flow management to ensure stable development of the Company in the long run.

On 27 October 2021, the Company, a wholly owned subsidiary of Viva China Holdings Limited 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). The top-up placing and subscription were carried out to provide a good opportunity for the Company to raise additional funds to strengthen the financial position, to broaden the Company's shareholder base and capital base to facilitate the future growth and development of its business as well as to increase the liquidity of its shares. Please refer to the announcements of the Company dated 28 October 2021 and 3 November 2021 respectively for further details.

For the year ended 31 December 2022, RMB2,148,208,000 of the net proceeds have been used. As at 31 December 2022, RMB6,423,579,000 were unutilised. The unutilised net proceeds from the top-up placing of shares are intended to be used as follows:

Intended use of net proceeds	Percentage of total net proceeds (approximately)	Unutilised net proceeds as at 31 December 2021 (approximately RMB'000)	Amount used during the year ended 31 December 2022 (approximately RMB'000)	Unutilised net proceeds as at 31 December 2022 (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	797,862	2,630,853	Before 31 December 2026
Investment in reengineered infrastructure and further improvement of the supply chain system	30%	2,571,536	434,155	2,137,381	Before 31 December 2026
Development of the brand and IT system	20%	1,714,357	719,946	994,411	Before 31 December 2024
General working capital	10%	857,179	196,245	660,934	Before 31 December 2024
Total	**100%**	**8,571,787**	**2,148,208**	**6,423,579**	**Before 31 December 2026**

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

As at 31 December 2022, the Group's banking facilities amounted to RMB4,100,000,000, 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, Hong Kong and Macau use South Korean Won, Hong Kong Dollars and Macau Pataca, respectively, as their functional currencies. The Group has a partial amount of cash and bank deposits denominated in Hong Kong Dollars, United States Dollars, Euros, South Korean Won and Pound Sterling. 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 2022 and 31 December 2021, the Group had no pledged assets.

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

BUSINESS REVIEW

In 2022, the spread of the COVID-19 variant triggered a new wave of pandemic outbreak, which imposed economic and social impacts on various regions. The macroeconomic environment was confronted with increased uncertainties, yet the impact was temporary. In the second half of the year, owing to the optimization of pandemic prevention and control measures by the Chinese government, the domestic consumption demand gradually rebounded as a whole and the long-term positive fundamentals of China's economy remained unchanged. With the promising prospect of reopening and resumption of sports events, combined with the support of government policies relating to national fitness, the public awareness of health has increased significantly, which is conducive to promoting sports consumption, and hence the market outlook for consumption of sports products remained optimistic. During the year, we continued to step up our efforts in building the LI-NING's experience value by upgrading product technology and adopting multi-dimensional marketing strategies, with a view to enhancing the influence of both our brand and products. Besides, we continued to devote great efforts in the research and development of product technology in a bid to enhance product competitiveness, reinforce our professional image and promote brand recognition. Staying in tune with the times, we also kept abreast of market trend and consumer preference, in order to further delve into the fashionable element of sportswear. Meanwhile, the Group strengthened cost and efficiency management, aiming to grasp business development opportunities while coping with the pandemic. In 2022, with steady revenue and profits, the fundamentals of the Group remained solid and resilient.

During the year, we implemented the strategy of "Single Brand, Multi-categories, Diversified Channels" to improve our layout for professional sports products and further enhance both retail operation capability and channel efficiency, while perfecting the supply chain management system at the same time. In terms of products, we further strengthened the development of the professional sports segment with a focus on the research, development and upgrade of sports technology based on the professional sports attributes of our products so as to improve product performance and optimize our product matrix. On the other hand, we kept abreast of the trend of sports fashion and culture to provide consumers with a more diversified consumption experience and enhance our brand value. For channel development, while optimization of channel structure and efficiency remained our focus, we strengthened the cooperation with quality retailers to improve the quality of our market coverage. In respect of retail operation, centering on the replicable single-store operation model and strategy, we established the standards and model for retail operation management and strictly monitored and implemented the same to facilitate the implementation of retail standards and hence enhance retail efficiency. In terms of supply chain, we placed business development needs as our top priority consistently and established a flexible supply chain management system, aiming to further improve the productivity and business support capability of the supply chain.

Latest operational update for the fourth quarter of 2022

For the fourth quarter ended 31 December 2022, 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 high-teens decline on a year-on-year basis. In terms of channels, retail (direct operation) channel registered a high-twenties decline and wholesale (franchised distributors) channel registered a low-twenties decline, while the e-commerce virtual stores business registered a low-single-digit decline on a year-on-year basis.

For the fourth quarter ended 31 December 2022, the retail sell-through of LI-NING POS (excluding LI-NING YOUNG) for the overall platform registered a low-teens decline on a year-on-year basis. In terms of channels, offline channel (including retail and wholesale) registered a high-teens decline, with retail channel decreased by mid-teens and wholesale channel decreased by low-twenties while the e-commerce virtual stores business registered a mid-single-digit increase.

As at 31 December 2022, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 6,295, representing a net increase of 194 POS since the end of the previous quarter and a net increase of 360 POS since the beginning of this year. Among the net increase of 360 POS, direct retail accounts for a net increase of 265 POS, and wholesale accounts for a net increase of 95 POS. As at 31 December 2022, the total number of LI-NING YOUNG POS in China amounted to 1,308, representing a net increase of 70 POS since the end of the previous quarter and a net increase of 106 POS since the beginning of this year.

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

Continue to optimize the professional product matrix and strengthen core brand competitiveness with technology

During the year, we persisted in developing our five core categories, namely basketball, running, fitness, badminton and sports casual. Focusing on innovative sports technology, we expedited the release of functional products and demonstrated the sports DNA of the brand. We complemented our core brand proposition with Chinese and sports fashion culture to create a new image of professional and chic sports products.

In terms of professional products, we remained focused on product technology upgrades to seek breakthroughs. We further refined the professional product matrix and highlighted the professional nature of sports products under the LI-NING brand, with a view to tapping into the growing consumer demand for sports products.

– Comprehensive technological transformation was driven by product technology upgrades in the running category. Leveraging the innovative "BOOM FIBER" (䨻絲) technology for shoe uppers, "Feidian 2.0 Elite" (飛電2.0 Elite) under the Racing Series became the first of its kind to achieve innovative breakthroughs in shoe upper technology and helped top athletes to improve their sports performance. Based on the needs of general joggers, Li Ning designed the unique High Resilience Series. Combining the "LI-NING BOOM" (李寧䨻) technology and the exclusive "LI-NING JIANG" (李寧弜) technology, "Shadow" (絕影) and "Shadow Essential" (絕影Essential) created an unparalleled technological barrier for the market. Supported by the "LI-NING BOOM" (李寧䨻) technology, "Super Light 19th" (超輕19) adopted differentiated designs for the midsoles and double jacquard fabric for the uppers. Hence, it could cater not only to the needs of daily joggers for professional functions, but also to the demands of consumers for daily outfits and commuting wear. Throughout the year, the product generated a total sales of more than 3 million pairs of shoes and caused a sensation in the running shoe market.

– For the basketball category, we achieved breakthroughs successively and further optimized the product matrix. Leveraging our technology platform and the lineup of sports stars, we offered consumers the total experience of our basketball culture. The "Yushuai 16" (馭帥 16) series applied the "LI-NING BOOM" (李寧䨻) technology on the entire foot area and came with the most popular South Coast color option from "Yushuai 14 – BOOM" (馭帥14 – 䨻), which helped extend the reach of our leading technology platform and sneaker culture. The "Speed" (閃擊) series also rolled out the Ultra edition for professional sports settings, which enhanced the sports experience of consumers with its lighter design and greater starting performance. During the year, the first generation of signature shoes of NBA star Jimmy Butler came to the market and adopted the new Honeycomb Cellular LOC outsoles for the first time. This outsole material was designed specifically to suit Jimmy Butler's NBA game style and worked well on the wooden courts for professional indoor basketball matches. We also made use of the latest "BOOM FIBER" (䨻絲) technology on shoe uppers for a lighter wearing experience and better sports performance, so that our shoe features matched the playing style of the sports star.

– We continued to introduce professional products to the badminton category and gained wide recognition in the market. During the year, the control-oriented "Halberd 8000" (戰戟 8000) racket series joined our existing selection of the speed-oriented "Shadow" (鋒影) series and the attack-oriented "Thunderstorm" (雷霆) series. Apart from establishing these three main racket lines, we filed patent applications for our racket technology during the year. We also released the iconic "Blade PRO" (刀鋒PRO) badminton shoes with an emphasis on professional functions. This, coupled with the current "Thunderstorm Protection" (保護雷霆) series for stable performance and "Rapid Start Blast" (快速啟動疾風) series, formed our three major badminton shoes categories. In terms of apparel products, we rolled out the "Wave Breaker" (破浪) jersey. This jersey was made of one-way wicking fabric to help moisture dissipation and aeration during exercise, thereby giving it a quick-dry and cooling effect. The "Wave Breaker" (破浪) series was worn by many international champions and sports stars in competitions to boost their on-court performance. As a result, we gained a good reputation among consumers and enhanced the technology-based image and professional influence of LI-NING's badminton apparel.

– The fitness category continued to optimize the sports experience and youthful design for consumers. Based on functional technology, we explored exclusive fabric to create high-quality and high-functioning sports equipment. During the year, the "AIRSHELL Air Movement Technology" (AIRSHELL氣動科技) was put into use as our latest invention in functional technology. We adopted an innovative approach and took into account the properties of air to develop sports outfits for different settings. From the perspective of consumer experience, we performed new upgrades of our technology and fabrics on the LI-NING AT technology platform, so as to strengthen the functional and technological attributes of products. During the year, we also launched the brand new "AT DRY ULTRA" quick-dry technology and revamped the "AT DRY FREEZE" cooling technology to deliver significantly better functions than the national standards, thus offering a more comfortable wearing experience to consumers. Furthermore, we established the women's product matrix for professional sports and all scenarios. With a focus on close-fitting wear, we developed "Qiaoqiao Pants" (翹俏褲) as our key offerings for fitness settings. "Qiaoqiao Pants" (翹俏褲) adopted the innovative INNOLOCK™ shape-enhancing fabric technology to provide a stronger sense of wrapping and support for the body. With kinematics and ergonomics design, it optimized the contour lines and ensured flexibility during exercises.

In respect of the sport casual category, we remained focused on Chinese and sports fashion culture. We devoted intense efforts to exploring the traditional culture and sportswear fashion trends to enrich the cultural value of the brand and drive business growth. To increase product matrix efficiency, the sports casual product matrix was developed for diversified consumers across all market tiers.

– The WADE series continued to evolve and upgraded professional performance while keeping the original style. It combined pop cultural elements and the functional design for basketball games to build a unique sneaker culture. During the year, the WADE series released the brand new "Way of Wade 10" (韋德之道10). With an enhanced focus on basketball sports, this new series boosted game performance on all fronts. Its first batch of shoes came with the Dawn color option, which was a classic for the Wade series. This set off a boom among young consumers and helped sustain the distinctive sneaker culture of the WADE series. Building on the success of "All City 10" (全城10), the "All City 10V2" (全城10V2) series offered better game performance and exceptional sports experience to consumers. It also came with classic story themes and color options including the Dawn theme and others, which contributed to the outstanding sales results of the "All City" (全城) series.

– The "BADFIVE" street basketball series continued to highlight its streetstyle and fashion attributes. By launching city-themed story packs for its apparel collections, the series established a young, trendy and fashionable brand image among consumers. On the other hand, our "BADFIVE" series basketball shoes also earned consumers' recognition for its functions. The crossover city-themed version of "Rookie II" (新秀Rookie II) was launched in the second half of the year. Having integrated city culture with basketball elements, the product adopted new techniques and designs to enrich the structure of the uppers, and created an exclusive basketball culture of LI-NING. During the year, we debuted two limited city series, namely "Road to the Final" (問鼎中原) and "See You Later" (得閒飲茶). Meanwhile, the synergy between "Chang An Young n Rich" (長安少年) and "Changsha City" (惟楚有材), our two established IPs, has laid a solid foundation for the future development of the city series.

– The Chinese culture remained the main theme of our sports casual products. During the year, we launched themed product series such as "Rich Everyday" (日進斗金), "Enlightened by the Works of Nature" (天工開悟) and "Gifted Works of Zhuang" (妙筆生花) to attract consumers with our unique products. In the second half of the year, we participated in the "Genius Mom" (天才媽媽) charity project. In collaboration with China Women's Development Foundation, we helped revive the traditional technique of Qiang embroidery, an intangible cultural heritage, by working with women from ethnic minority groups in northwestern Sichuan and applying their Qiang embroidery works in our cooperation products, which is conducive to the promotion of this intangible cultural heritage.

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 strengthened 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 trendy topics 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.

– LI-NING basketball continued to enhance its influence and attract consumers' attention through brand marketing and product marketing. During the year, the Company entered into a basketball strategic cooperation with China School Sports Federation, pursuant to which the Company commenced a 10-year strategic cooperation in relation to nationwide primary and secondary school basketball leagues, where LI-NING brand will become the strategic partner and the sole designated sports equipment sponsor for junior secondary school basketball league and secondary school basketball championships (junior) in China. The Company will also coordinate with the basketball teams of secondary schools in the country so as to provide professional basketball equipment for the teenage players and their coaches. Meanwhile, the LI-NING brand will also become the exclusive organizer and promoter as well as the sole sports equipment sponsor for primary school basketball leagues in China.

– For our running products, we carried out the long-cycle promotion plan for our "Super Light 19th" (超輕19) throughout the year under the promotional theme of "Just Wanna Run" (忍不住想跑). Greater efforts have been devoted in the development of products under the "Super Light" (超輕) series with multiple professional elements adopted. Meanwhile, the goal-setting challenge campaign was held at retail stores to pave way for building initial reputation. In the meantime, we also collaborated with hundreds of running groups across the country to foster full-scale experience and result of word-of-mouth marketing of the "Super Light 19th" (超 輕19) running shoes by directly reaching out to the core runner population. In addition to expanding our presence among the professional consumer groups, we precisely accessed the young community by focusing on two major promotion platforms, namely Xiaohongshu (小紅書) and Dewu (得物), which facilitated the effective conversion of sales. Furthermore, we conducted "fast" marketing activities for featured color options such as marshmallow, energy and ice-cream in pace with product launches to constantly create new interests in the Super Light running shoes, hence upkeeping the novelty of products to our consumers. Leveraging elements such as story-based color options and "light sportswear for light sports", our promotion campaigns successfully went beyond the involution and reached a wider audience.

– As to our badminton products, professional functions remained the focus of LI-NING badminton's marketing. Continuing with the promotional theme of "We match better with you" (羽你更合拍), we promoted our badminton products via self-media platforms such as Weibo, WeChat public account, Douyin (抖音) and WeChat video channel, and synchronously on platforms including cooperation channel, vertical platforms, industry media and public channels so as to continuously enhance brand awareness among consumers. We focused on sponsorship resources, key international sporting events and brand campaigns for publicity and promotion of product launch. In tandem with the integration of media platforms, we proactively developed hot-selling products. During the year, LI-NING badminton signed up with star athlete Goh Jin Wei (吳堇溦), who won the girl's singles title at the BWF World Junior Championships and the Youth Olympic Games in order to continue expanding the pipeline of sponsorship resources of Li Ning badminton. These athletes were contracted to endorse our latest products, including the "Thunderstorm 90" (雷霆90), "Blade PRO" (刀鋒PRO) and "Thundercloud" (雲霆) series, which helped to garner attention of the industry.

– For women fitness, it is our objective to rapidly gain market recognition and reinforce the professional sports image of the LI-NING women brand. We formulated popular marketing strategies featuring "Rourou Pants" (揉柔褲) and "Qiaoqiao Pants" (翹俏褲) as core products and launched product promotion campaigns under the theme of "Your Greater You" (讓你的俏更翹), with a view to better demonstrate the products' body-shaping features for women by highlighting their sports attributes. Meanwhile, the collaboration with the sports-fashion community and KOLs allowed us to precisely reach our target consumers and develop our product and brand awareness. Following the opening of official accounts on Weibo, Xiaohongshu (小紅書) and WeChat mini program, we continuously published contents in relation to product launch articles, analysis of product technologies, specialist's recommendation, fashion tips and offline activities, with a focus on Xiaohongshu (小紅書) platform to capitalize on its strong capability in nurturing sales. Besides, we leveraged the influence of Elaine Zhong (鍾楚曦), our spokesperson, Wang Run (王潤), a contracted street dancer, as well as other partnering artists and KOLs for promotion and established a platform for direct communication with female consumers, through which we offered more professional information and activities guides to the LI-NING women community. These efforts were dedicated to further ramp up product sales by enhancing user's recognition and loyalty to the brand and boosting the competitiveness of LI-NING's women fitness brand.

– For sports casual, we continued to push forward the "Rich Everyday" (日進斗金) series and further promoted the cultural connotation in the series. The "Rich Everyday" (日進斗金) series embodied the precious emotional connections underlying the rituals of Lunar New Year and encompassed the good wishes and blessings of people, hence evoking emotional resonance among consumers. On the basis of the design inspiration of the products, a series of avant-garde videos was launched in collaboration with Huang Xiao (黃瀟), a contracted street dancer. The flexibility and magnificence of the Zhuang culture was portrayed in the videos through the "One Dance" (一支舞) performance. Furthermore, we invited a successor of Zhuang's intangible cultural heritage to engage in our themed activities, enabling consumers to have a deeper understanding of the Chinese culture series and a better experience with our product storyline. To reinforce the core competitiveness of our female products, we used Xiaohongshu (小紅書), which has a high proportion of female users, as the major platform to lay out content matrix for product promotion. We also leveraged the benefits of cross-sector brand collaboration, entertainment marketing resources and media influence to arouse discussions on and bolster popularity of our women products.

Accelerate the development of quality channel and establish a new channel image with a focus on expansion and optimization of channels

In 2022, the Company remained focused on optimizing the structure and efficiency of channels and strengthened the cooperation with high-quality retailers, which enhanced the efficiency of retail channel and the quality of market coverage. During the year, the Company optimized the development 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 upgrade the visual image of its stores and developed and implemented the latest 9th generation image, at the same time focusing on facilitating the development of the 8th generation image store. As of 31 December 2022, the percentage of 8th generation image stores has increased to 60%, while old image stores such as the 6th generation ones were phased out. The Company introduced new types of stores, namely the basketball home court store and premium outlet, which were complemented with all-new store images. As of 31 December 2022, 5 basketball home court stores and 2 premium outlets have opened for business.

As of 31 December 2022, 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 7,603, representing a net increase of 466 POS as compared to 31 December 2021. The number of distributors was 52 (including sales channels of China LI-NING stores), representing a net decrease of 13 as compared to 31 December 2021. The number of POS breakdown as of 31 December 2022 is as follows:

LI-NING Brand	31 December 2022	31 December 2021	Change
Franchised	4,865	4,770	2.0%
Directly-operated retail	1,430	1,165	22.7%
LI-NING YOUNG	1,308	1,202	8.8%
Total	7,603	7,137	6.5%

Number of LI-NING Brand POS by geographical location

	31 December 2022			31 December 2021			
Regions	LI-NING Core Brand	LI-NING YOUNG	Total	LI-NING Core Brand	LI-NING YOUNG	Total	Change
Northern Region *(Note 1)*	3,184	786	3,970	3,034	756	3,790	4.7%
Southern Region *(Note 2)*	3,111	522	3,633	2,901	446	3,347	8.5%
Total	6,295	1,308	7,603	5,935	1,202	7,137	6.5%

Notes:

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

Reinforce the product management mechanism and optimize the management of the overall inventory with an increasing focus on the professional product category

In 2022, the product management department continued to reinforce the product management mechanism and optimize customers' shopping experience. With key products as the core, the Company continuously enhanced the product operation efficiency by maintaining a reasonable inventory level and lowering the out-of-stock ratio. Meanwhile, the Company purposefully raised the proportion of professional products and shoes products to strengthen the focus on the professional product category.

– Continuously pushing forward product planning and optimizing the operating mechanism with the synergy of merchandise planning, promotion and marketing planning and consignment site planning, it enhanced the precision of sales and management, and achieved maximum efficiency of core products. With a focus on story packs, the Company rigorously implemented the sales plan as well as the promotion and marketing plan. In the meantime, it expanded the product display area at consignment sites for a better display of promotional materials, at the same time strengthening in-store communication with consumers and improving in-store presentation to promote the standard of stores. The Company also built up the order depth of core products and controlled the breadth of product offering, hence fostering focused attraction on core products.

- Based on the targets of annual business volume and inventory control, the Company established the management mechanism for the monthly target inventory and analyzed the soundness of inventory on a weekly basis so as to identify inventory risks, formulate and implement inventory control strategies. At the same time, based on the quarterly and annual target inventory ageing structure, the Company accelerated destocking of old inventories. Under the impact of the COVID-19 pandemic and other external uncertainties, store traffic dropped drastically. Therefore, higher requirements were put forward on refined management over inventories. In addition to rigorously monitoring and managing the inventories on a weekly basis, the Company also controlled the movement of inventory on a full-year basis, with a view to maintaining a generally reasonable inventory turnover and inventory ageing structure.

- The Company continued to focus on the research and development of functional products. With professional running and professional basketball as the core, it expanded the product matrix of its core technology platform "LI-NING BOOM" (李寧䨻) and extended the depth of its professional products to prevent from being short-in-color and short-in-size. With a sufficient inventory in place to meet consumers' demand, the Company may avoid loss of business opportunities. Besides, the Company focused on showcasing the product matrix of the core technology platform to boost the sales promotion in stores. It carried out display and promotion of overall matching outfits with professional shoes and apparel products to highlight the professional sports attributes of its products and elevate the sports experience of customers. Taking the "Super Light 19th" (超輕19) running shoes as an example, the Company integrated the marketing and sales efforts by combining the inventories for the e-commerce channel and physical stores offline. It also performed timely and dynamic management over the ordering, sales and inventory of the products, and further increased orders for products with spectacular sales performance to prevent out-of-stock situations. Eventually, this product yielded a substantially higher sales volume as compared to the "Super Light 18th" (超輕18) running shoes, setting a new record high for sales of a single shoe product.

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

Throughout 2022, the Company carried on the exploration of a profitable single-store operation model as its core business and further developed the headquarters' functions and the store business. Combined with the Company's channel planning for the future, the implementation of the standards at stores was pressed ahead and retail efficiency was enhanced.

- During the year, the Company refined its model stores to hone its operation model for big stores with consistent efforts devoted to the development in four aspects, i.e. the implementation of sales plans, the improvement of operating performance indicators of stores, the development of the operation model for big stores, and the consolidation of resources under the "100 stores with sales over RMB1 million" project (百店百萬項目), aiming to propel more business ventures in its store business. Meanwhile, the Company further strengthened the daily management of stores, including the organizational structure of stores, store operation standards, management of new retail businesses, operation management during peak seasons, etc., thereby establishing the basic standards and models for big stores management, which were verified upon implementation.

- In the first half of 2022, adhering to the LI-NING Retail Operation Manual, the Company completed the training and evaluation for all employees at retail front. In the second half of the year, the Company promoted and implemented the internal supervision mechanism of operation standards, and fostered an atmosphere of "Learning, Highly Valuing and Strictly Implementing the Standards" among the retail stores team through the supervision over and feedback from all core stores. In the meantime, the second edition of the LI-NING Retail Operation Manual was also completed, which served as a foundation for the development of a standardized system for retail business in 2023.

- The Company strengthened the management over its retail business portfolio by consolidating the individual business guidelines issued to retail stores by the headquarters' functions, hence establishing a closed-loop management mechanism for release of information and confirmation of feedback to realize unified two-way management over sending and receiving of information. Looking forward, the Company will track and provide feedback on the execution rate and passing rate of the business on a weekly basis by making use of the retail operation platform, which will further enhance the quality and execution efficiency of the business portfolio and empower the business continuously.

– Based on the development needs of the retail business in the next three years, the Company has stepped up its efforts in nurturing retail talents internally. In 2022, the Company remained committed to the establishment of a talent system for sustainable development. Centering on the capability model of retail talents, it strictly implemented the mentor mechanism and talent cultivation scheme at retail stores with a view to creating a sustainable environment for talent development and nurturing fresh talents for its retail transformation.

– To comprehensively reshape the management models and approaches of the new retail businesses, the Company optimized the business system and communication mechanism that are empowered by the headquarters and applied to new retail businesses carried out by retail stores, which has in turn realized regulated and standardized communication between the retail team and the consumers, hence maximizing the sales opportunities of the retail stores.

Continue to improve quality of the logistics network and press on with logistics informatization

In 2022, the Company continued to propel the reform of logistics network with an aim to enhance both the logistics capability and service quality in key regions. It also edged up its effort in reinforcing logistics informatization so as to ensure transparency throughout the logistic information chain, which has in turn provided strong logistics support for retail management.

– The Company continued to further optimize the logistics network. Following the development of the East China Central Warehouse in 2021, the Company gradually established a logistic warehouse network comprised of central warehouses in North China, South China and Central China in 2022, thereby attaining the goal of building up its warehouse and distribution capability in key retail regions. During the year, the Company initiated a logistics network co-construction project in collaboration with its strategic customers, aiming to bring into play the strategies of strengthening logistics capability and optimizing costs through the sharing of resources and businesses among the parties.

– With consistent focus on increasing the proportion of direct delivery of products at stores and improving sorting and distribution quality, the proportion of direct delivery of the year exceeded 70%. In the meantime, the proportion of the use of same packaging box for the same product was increased to 71%, thereby further enhancing the efficiency of delivery acceptance at retail stores.

– During the year, the Company launched a logistic management platform with full coverage of the entire logistics business from warehousing appointment, delivery planning, transportation management to fee settlement. After the introduction of the warehousing appointment segment in the first half of the year, the Company launched the logistic management platform in the second half of the year with SAP (Systems, Applications and Products in data processing), OMS (Order Management System) and the logistic management platform being put into operation in phase 1. Another seven segments and four structures, including S&OP (Sales & Operations Planning), BMS (Billing and management system), special delivery and electronic receipt confirmation, will be launched gradually in the later phases.

– The Company entered into automated logistics operation in full stream in 2022. Upon the launch of retail-oriented sorting automation in the East China Warehouse during the first half of the year, logistic warehouses in North China, Central China and South China also started to implement the retail-oriented sorting automation solutions successively. During the year, the consolidated efficiency of retail-oriented sorting has been improved to over 80%, while the storage efficiency has been improved to 100%.

Adhering to the core strategies of e-commerce to maintain high operation efficiency and create core competitiveness of the brand

In 2022, the e-commerce sector was confronted with challenges brought by frequent and sporadic outbreaks of the pandemic. Despite the weak consumption environment, the e-commerce of Li Ning Company still managed to maintain a stable performance. Benefitted from the advanced preparation and deployment by the team, as well as their long-running digitalization operation, all operation activities were carried out steadily and orderly. During the year, the e-commerce of Li Ning Company remained focused on functional products and greatly enhanced the efficiency of professional products. Based on the core strategies, the e-commerce team of Li Ning Company gained in-depth customer insights and promoted consumer education. To build core competitiveness for the brand, it maintained highly efficient operations and secured stable and sustainable growth as well.

At the same time, 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 and is dedicated to original designs. 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, the Company pushed forward the development, restructuring and optimization of the membership and omni-channel systems in a steady and orderly manner. The turnover from cross-channel transactions through diversion of registered members online to offline transactions almost doubled from that of the previous year, 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 for experience in respect of our products and services.

In 2023, the e-commerce of Li Ning Company will strive to adjust its retail operation and return to the normal pace in the post-pandemic world. To this end, it will continue to strengthen the product synergy in key technology pipelines for online and offline business systems. With a focus on professional and functional products, it will continue to achieve breakthroughs in terms of market share and maintain its industry-leading position. Meanwhile, the development of universal distribution system for offline stores will be further strengthened. The business synergy strategy will also be constantly optimized and strictly implemented for online and offline operations.

Continuous optimization of the supplier matrix for the stable allocation of supply resources and the best-in-class flexible supply system

In 2022, the supply chain underwent ongoing enhancement and improvement in areas such as the supplier matrix, procedure optimization, quality standards, supply cycle, strategic cost and operating model. As a result, the Company established an agile and flexible supply mechanism with the capability to safeguard its business. While the Company offered integrated ancillary facilities from earlier to later stages of production, it also implemented the strategic partnership mechanism for dual production sites. During the year, the Company focused on developing the fundamental capabilities and upgrading the specific capabilities of the supply chain, thereby further increasing its fundamental strengths in production capacity and quality assurance. In parallel with that, it reviewed the capability and potential of suppliers so that it could continue to optimize the supplier matrix.

– The business growth of the Company was driven by the research and development of innovation technology. To increase the proportion of functional products in the business, the Company extended the application of the technology platform steadily and offered industry-leading functional materials for the professional sports segment. The innovation, research and development as well as application of professional sports products with technological attributes were prioritized, and the focus was kept on five core categories, namely running, basketball, fitness, indoor sports and women fitness. On top of that, the Company fostered closer collaboration with high-quality supply resources and professional research institutions to upgrade core materials, so as to provide a more comprehensive sports experience to consumers in professional sports and leisure settings. At the same time, the Company put professional products and environmentally-friendly products into wider use, which helped increase the mix of professional products under its brand and incorporated environmental and social responsibilities into its products.

- With a focus on achieving better supplier competitiveness, suppliers were invited to engage in synchronized development and mass production. This encouraged them to compete in a constructive manner, improve supply capabilities more actively and create a positive atmosphere for cooperation along the supply chain. During the year, the Company continued to advance supplier and brand digitalization. It promoted the use of the information sharing platform across all business units, which included the production department, cost department and quality control center. Thus, production efficiency and information accuracy were significantly boosted. Looking forward, the Company will remain focused on developing the supplier selection and elimination mechanism. The technological capabilities of factories will be closely scrutinized and evaluated, and development outcomes will be quantified and digitalized to optimize the production line matrix for suppliers. In addition, the Company will strengthen and implement the quality management system throughout the supply chain. It will adopt product quality control measures at earlier stages, improve the quality control system at factories, and facilitate better control over the production process for higher supplier quality and efficiency. The Company set up a quality control system for factories and supported its effective operation by developing and enhancing standardized procedures. In constant pursuit of zero defect product in production, it proposed more stringent requirements for quality standards and set up comprehensive quality standards that covered product "quality, appearance and taste". Apart from meeting the requirements for product launch, the Company raised its product standards in line with consumer experience and preference. It also applied product quality, responsibility and management standards to all business functions. Through comprehensive quality control practices, it ensured the production efficiency and accuracy of suppliers.

- The Company continued to optimize supplier resources. It further consolidated the production capacity of main suppliers and eliminated low efficient suppliers. Moreover, it assigned production tasks to factories more reasonably based on their capacity. To enhance the cost performance of products, it upgraded production materials and techniques, strengthened resource sharing and controlled the rise of bulk purchasing cost effectively. The Company accelerated the expansion of business scale and pushed forward the transition from "passive production" to "proactive production". Leveraging product optimization, it maintained control over production costs. Besides, it strengthened the digitalization system and optimized the production process to better facilitate fast decision-making with digital analysis.

- The Company continued to step up its efforts in promoting corporate social responsibility along the supply chain. The use of forced labor by suppliers was prohibited in the course of operation, and proactive measures were adopted to mitigate the risk of forced labor in the supply chain. The Company will enhance its due diligence process to determine whether forced labor practices exist in the supply chain, and evaluate suppliers' performance regarding corporate social responsibility, including anti-forced labor measures, annually by way of questionnaire and internal and external audits. Where an instance of forced labor by any supplier comes to light, the Company adopts a zero-tolerance policy and has the right to terminate the cooperation relationship or suspend the introduction procedure of the supplier until the completion of the relevant rectification measures and upon confirmation by the Company.

NEW BUSINESS

LI-NING YOUNG

In 2022, LI-NING YOUNG set clear mid-to-long term business plans and strategic goals with a focus on the sports-centric strategy. The Group scaled up its efforts in the development of professional sports product lines and continued to enhance channel efficiency, with a view to promoting business growth on an ongoing basis.

- In respect of products, the Group continued to raise the proportion of the professional sports product category with a strong emphasis on the development of three major categories of sports products, namely basketball, running and football. Establishing a sports technology-based platform and product matrix targeting teenagers, the Group expanded the application of technological platform for children sports products. During the year, it launched professional products such as the teenager version of "Super Light 19th" (超輕19) and "All City 10" (全城10) that integrated the "LI-NING BOOM" (李寧䨻) technology, in a bid to build a professional sports brand for teenagers. In order to enhance the technology attributes of professional products, the Group upgraded its fabric technology, created design features and collaborated with authoritative institutions. In addition to optimizing the product layout in campuses, the Group enhanced the technological features of its products and improved the experience of end-consumers.

- For channel development, we continued to increase the proportion of stores in high-tier markets, improve store planning and consolidate the resources of low-efficiency stores. More efforts have been devoted to the development of direct operation business and channels, consolidation of distributors' resources and optimization of channel structure. The Group has put in place channel development strategies to further tap into the high-tier markets, at the same time paying attention to its outlets system. These initiatives have contributed to a higher proportion of high-tier market channels, thereby further optimizing the channel structure. The Group has expedited the development of high-efficiency stores and model stores with store efficiency enhancement as the main business focus. It has also perfected the digitalized system to strengthen its management capability of retail stores.

- For marketing, after merging the professional sports marketing department, the Company re-planned and re-defined the marketing functions and opened up the entire marketing chain that covers the conversion of professional sports resources into brand marketing and store promotion. The Company also increased the number of official sponsorships and cooperations. Such efforts included brand promotion and interactive activities in collaboration with the Group's marathon events and gymnastics academy, and ongoing joint promotion with external resources related to children sports and children's well-being, such as the National Library, Walmonos and Chimelong, all being powerful endorsement for its professional sports kidswear brand. Starting with retail stores, the Company steadily established a store membership marketing system, which laid a foundation for effective membership marketing in the future.

As of 31 December 2022, LI-NING YOUNG business covered 31 provinces, municipalities and autonomous regions with a total of 1,308 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

Based on the strategic goal of the Company, the human resources department continued to develop the internal operation system and fostered a four-in-one management model that covers organization, talent, incentive, culture and staff relationship.

- Regarding organisational development, combined with a strategic consumer-oriented approach, the Company streamlined and re-developed the processes throughout the product chain, and facilitated the automation transformation and optimization of the overall process of the Group by establishing an organizational risk control model. Meanwhile, the Company promoted the integrated development of its retail units and innovative businesses with adjustments made to the management and control model for business structures of various brands including China LI-NING and LI-NING 1990.

- In terms of talent management, staying committed to the principle of building teams of hand-picked elites, the Company devoted consistent efforts in both external recruitment and internal development, contributing to a solid growth in internal talent population, which ensured both the introduction of core talents and development of talent teams at the same time. The Company also developed a talent cultivation system for its headquarters and retail business, through which it has provided systematic training to outstanding management talents with high potential with a view to enriching the reserve of its talent supply chain on a continuous basis. The Company remained keen on identifying young talents, aiming to further inject young blood into its talent pool by means of diverse approaches, such as deploying more key resources in this regard.

– In terms of remuneration and performance management, on the premise of improving the efficiency of human resources, the Company optimized the position-based compensation structure and system in an effort to enhance its competitiveness in terms of remuneration relating to front-line staff and outperformers. In the meantime, from the performance perspective, the Company strengthened the use of performance results as well as in-process data and indicators as a guiding reference with strong emphasis placed on the evaluation of organizational capacity and efficiency, striving to motivate its staff to embrace higher objectives by offering them encouraging incentives.

– Regarding culture and staff relationship, the Company further strengthened the code of conduct for employee based on its core values. By organizing various honorary incentive projects, the Company aimed to build a sound corporate culture atmosphere, and increased the sense of honor and mission among its staff. It also constantly optimized the staff welfare system so as to improve staff satisfaction and engagement. In the midst of severe local outbreak of the pandemic, the Company provided its staff with pandemic prevention materials, as well as organized and conducted special pandemic-related mental health training, activities that offer sports-related physical rehabilitation experience, and physical health-related emergency rescue trainings in a bid to further enhance the health awareness of staff, helping them to master the necessary protection and psychological counseling methods in relation to occupational health. Meanwhile, the Company continued to improve its employee feedback and communication mechanism, which allowed them to put forward suggestions, express appeals and feedback in a timely and efficient manner. Furthermore, having placed much emphasis on the education of labor rights protection, the Company strengthened the compliance trainings on anti-forced labor for all employees in an endeavor to achieve continuous improvements in terms of corporate social responsibilities.

In the future, the Company will invariably focus on business strategies, pursue the highest organisational efficiency at the least cost with persistent efforts in building a "muscular organization". It will also remain committed to sustainable development of the talent supply chain system and optimization of the internal incentive mechanism. On the basis of reasonable investments in and allocation of human resources, the Company will continuously foster and iterate on its organisational capacity and competencies of its employees so that they will be able to adapt to the Company's business development and efficiently support the realization of the Company's strategic goals.

As at 31 December 2022, the Group had 4,610 employees (31 December 2021: 4,019 employees), among which 4,422 employees were at the Group's headquarters and retail subsidiaries (31 December 2021: 3,838 employees), and 188 employees were at other subsidiaries (31 December 2021: 181 employees).

OUTLOOK

In 2023, continuing to pursue the strategy of "Single Brand, Multi-categories, Diversified Channels", we will push forward the business development, enhance retail operation capability, further promote LI-NING's experience value and the sustainable growth of the Company's results constantly:

– In respect of products, we will continue to put greater efforts in research and development of product functions and technological innovation. We will provide consumers with more professional and functional sports products integrated with fashionable elements, which will better showcase sports fashion and culture and provide consumers with diversified consumption experience, so as to expand our brand influence;

– In respect of channel development, we will remain focused on expansion and optimization of channels. We will speed up the development of shopping mall channels, launch big stores with high efficiency, such as flagship stores, and achieve the synergistic operation of the omni-channel by developing diversified channel network, thereby further enhancing the efficiency of our channels;

- In respect of retail operation and supply chain, we will continue to enhance both product and consumption experience, and optimize the standardized retail operation system and internal monitoring system to drive retail transformation. The supply chain system will be further consolidated and optimized to boost our capabilities in terms of our own supply chain management and the application of technology and expertise resulted from the research and development;

- In respect of marketing, we will leverage big data and information technology to strengthen our marketing layout through digitalized technology in order to reach a wider range of consumer groups at different levels. We will also apply diversified marketing means based on consumer demands to increase the product appeal and brand awareness;

- In respect of new business, focusing on enhancing single store profitability as well as store efficiency and performance, we will continue to utilize resources flexibly, explore business opportunities and market potential in order to boost the sustainable business growth of the Company.

With the optimization of the overall pandemic prevention policies, the steady recovery of China's economy has facilitated the growth of domestic consumption demand, as well as driven the sports consumption, which is conducive to promoting the development of sports industry and developing public awareness of healthy lifestyle. Coupled with the national policies that support sports activities and promote public awareness of physical fitness, the sports product industry will be provided with a strong impetus for growth. Based on its own advantages, the sports industry will seek further breakthroughs to expand beyond the professional field and become widely accepted by the general public in a more diversified and refined manner. We strongly believe that the sports market 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, and strive for exploration and innovation. We will pursue the brand philosophy of "Anything is Possible" in a bid to establish a more professional, fashionable and unique image for LI-NING brand.

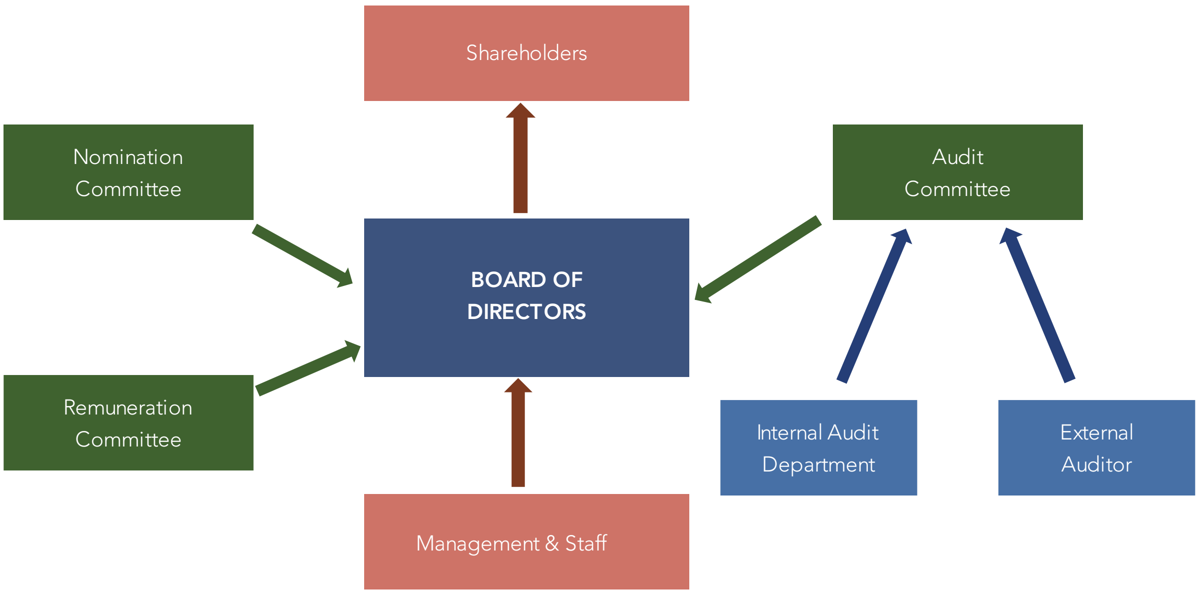
CORPORATE GOVERNANCE REPORT

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

Throughout the year ended 31 December 2022, 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 2022, the Board has performed the following duties in respect of its corporate governance functions:

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

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

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

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

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

THE BOARD OF DIRECTORS

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

Composition of the Board

The Board currently comprises seven Directors, of which three are executive Directors and four are independent non-executive Directors. During the year of 2022 and up to the date of this report, the composition of the Board and its changes are as follows:

Name of Directors

Executive Directors

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

Independent non-executive Directors

Mr. Koo Fook Sun, Louis	
Ms. Wang Ya Fei	
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	
Ms. Wang Yajuan	*(appointed on 21 December 2022)*

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.

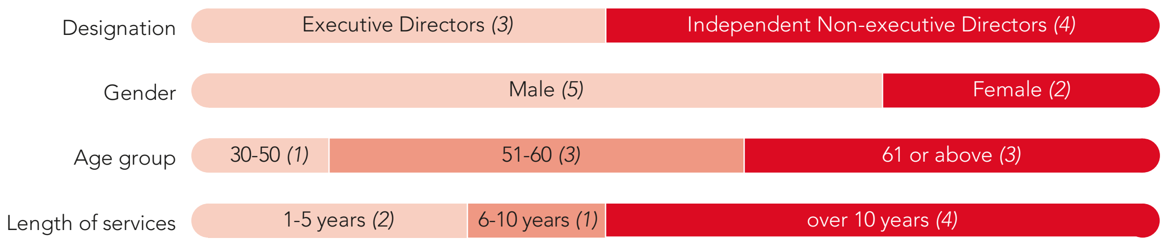
All Directors have disclosed to the Company the number and nature of offices they held in other public companies or organisations and other significant commitments, with the identity of the public companies or organisations, and an indication of the time involved. They are also reminded to notify the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

The Group also continues to adopt employee diversity measures to promote the diversity at all levels of its workforce. All eligible employees enjoy the equal opportunities for employment, training and career development without discrimination. Currently, the male to female ratio in the workforce of the Group (including Senior Management) is approximately 2:3, which is in line with the distribution in the same industry and the Board considers that the gender diversity in workforce is currently achieved.

Nomination Policy

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

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

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

Chairman and Chief Executive Officer

According to code provision C.2.1 of the CG Code, the roles of the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. During the year of 2022, 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. 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 a training session for the Directors on "Updated Amendments to the CG Code and Listing Rules" and "Proposed Amendments to the Provisions of Share Schemes of Listed Issuers under the Listing Rules".

According to the records maintained by the Company, the Directors received the following trainings and updates in 2022:

Name of Directors	Attending seminars and/or conferences and/or forums relating to rules and regulations or duties of the directors	Reading newspapers, journals and updates relating to the economy and business management and duties of directors
Executive Directors		
Mr. Li Ning *(Executive Chairman and Joint CEO)*	✓	✓
Mr. Kosaka Takeshi *(Joint CEO)*	✓	✓
Mr. Li Qilin	✓	✓
Independent non-executive Directors		
Mr. Koo Fook Sun, Louis	✓	✓
Ms. Wang Ya Fei	✓	✓
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	✓	✓
Ms. Wang Yajuan *(appointed on 21 December 2022)*	N/A	✓

Independent Non-executive Directors

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

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of his or her independence as required under Rule 3.13 of the Listing Rules. 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 and its terms of reference.

Nomination Committee

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

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

The Nomination Committee currently consists of the following three Directors:

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

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

The following is a summary of the major tasks carried out by the Nomination Committee in 2022:

- nomination of Mr. Zhao Dong Sheng to act as the CFO and nomination of Ms. Wang Yajuan to act as an independent non-executive Director;
- assessing the independence of each of the independent non-executive Directors;
- reviewing the structure, size and composition of the Board, the time involvement, work framework, duties and responsibilities of the Directors on an annual basis, and keeping records of the most updated information of each Director pursuant to Rule 13.51B of the Listing Rules;
- reviewing the Nomination Policy and the Diversity Policy; and
- reviewing the Board performance during the year.

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

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

Remuneration Committee

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

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

The Remuneration Committee currently consists of the following three Directors:

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

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

No Directors participated in deciding his or her own remuneration. The emoluments of each Director for the year ended 31 December 2022 are set out in note 37 to the consolidated financial statements. The remuneration of Senior Management for the year ended 31 December 2022 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 2022:

- making recommendations to the Board on the remuneration packages of all the Directors and Senior Management for the year 2022;
- reviewing and approving the bonus plan for the year 2022;
- reviewing and approving the salary adjustment plan for the year 2022;
- reviewing, monitoring and approving the implementation of employee share option program (ESOP) and the 2016 Restricted Share Award Scheme for the year 2022;
- Based on the performance of the Company and considering the post contribution and individual performance of each Director and employee of the Group, reviewing and approving the name list and amount of grants in 2022 under the 2016 Restricted Share Award Scheme, to establish a competitive remuneration system to push the management to take responsibility for achieving the strategic objectives of the Group;
- reviewing and approving the recommendation of short-term and long-term incentives for the year 2022;
- reviewing, monitoring and approving the human resources work plans for the year 2022; and
- approving the budget of human resources expenses for the year 2023.

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

Audit Committee

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

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

The Audit Committee currently consists of the following three Directors:

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

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

During the year of 2022, 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 2022:

- 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 2021 and the interim results announcement and interim financial statements for the six months ended 30 June 2022 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 2022 internal audit findings and recommendations and approving 2023 internal audit plan;

- reviewing the effectiveness of the Company's risk management functions and internal control system, including the financial reporting and compliance functions; and

- approving and adopting the concurrence policy/framework for non-assurance services.

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.

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. Before voting, Directors are given ample time to speak, express their view and raise any concerns. When going through each agenda item, the chairman of the meeting asks the Directors whether they have any objections or any questions to raise for discussion, ensuring that each Director can present his or her independent views.

The 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 2022			
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive Directors				
Mr. Li Ning *(Executive Chairman and Joint CEO)*	5/5	1/1	N/A	N/A
Mr. Kosaka Takeshi *(Joint CEO)*	5/5	N/A	N/A	N/A
Mr. Li Qilin	5/5	N/A	2/2	N/A
Independent non-executive Directors				
Mr. Koo Fook Sun, Louis	5/5	N/A	N/A	3/3
Ms. Wang Ya Fei	5/5	1/1	2/2	3/3
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	5/5	1/1	2/2	3/3
Ms. Wang Yajuan *(appointed on 21 December 2022)*	N/A	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 2022, 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 2022, the fees for the audit services and non-audit services provided by the external auditor are as follows:

Type of Service	2022 (RMB)	2021 (RMB)
Audit fee for the Group	6,220,000	6,500,000
Tax compliance and other advisory services	1,345,000	911,000
Total	7,565,000	7,411,000

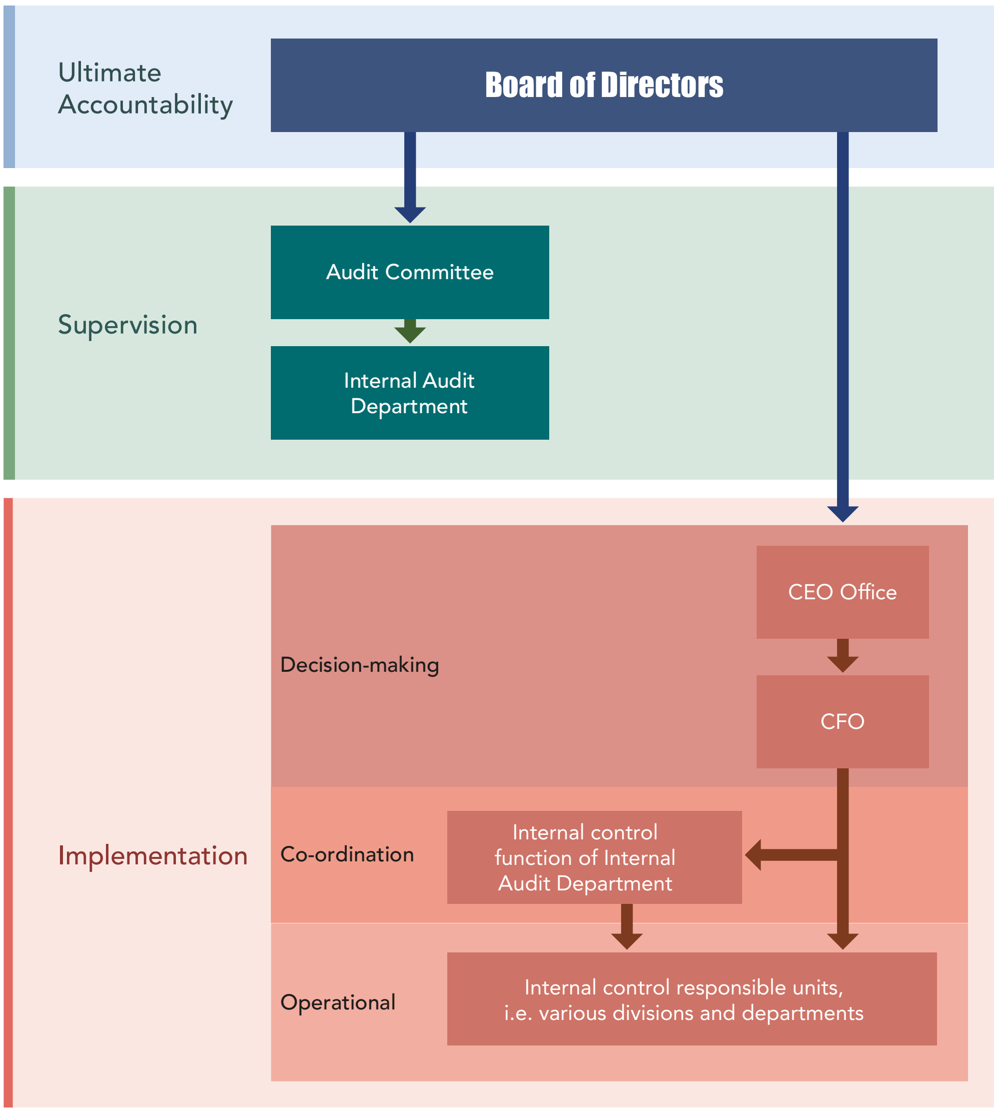
Risk Management and Internal Control

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 2022, 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

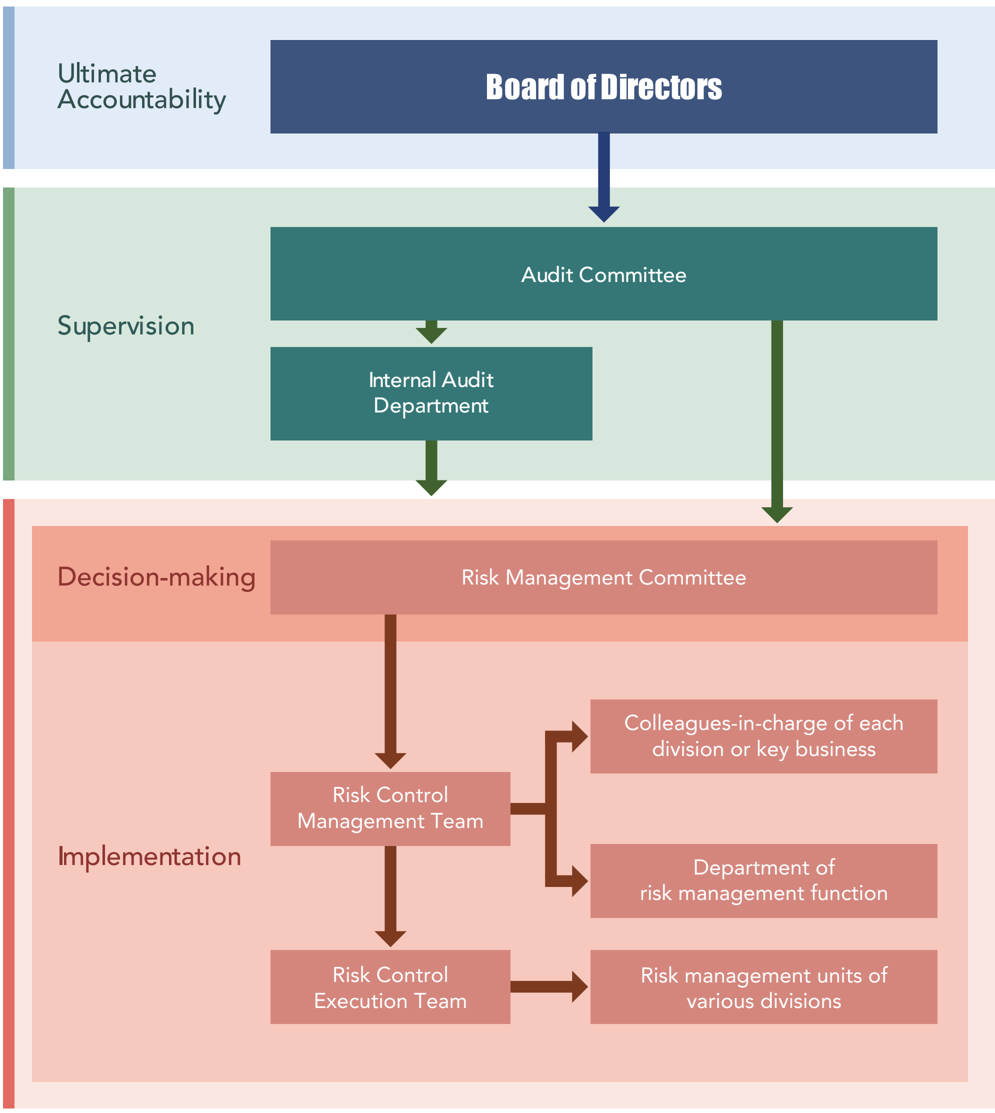
Based on the experience in operation control over the years, the Company has put in place an integrated system of risk management and internal control. The system adopts the globally recognised framework outlined by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"), taking 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 the 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 2022. 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 management and Senior Management to review and comment on whether control targets at corporate level can be achieved, and to identify inadequacy and make improvement in a timely manner;

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

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

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

(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 2022, 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 2022 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 2022.

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 2022. 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 2022, 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 2022, 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 2022, 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 standards set out in the Model Code throughout the year ended 31 December 2022.

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. No incident of non-compliance was noted by the Company in the year of 2022.

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.

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

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 2022, 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 15 June 2022. 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 14 June 2023. Details of the 2023 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 2022 are set out below:

Name of Directors	Number of meetings attended/number of meetings held
Executive Directors	
Mr. Li Ning *(Executive Chairman and Joint CEO)*	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, SBS, BBS, JP*	1/1
Ms. Wang Yajuan *(appointed on 21 December 2022)*	N/A

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, 16 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PARTICULARS OF THE REPORT

Report Summary

This report is prepared to provide stakeholders with an update on the work of Li Ning Company Limited ("the Group") and its subsidiaries (collectively "the Group", "we/our" and "Li-Ning") in the environmental, social and governance ("ESG") fields in 2022. This report was prepared in accordance with"Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") which is set out in Appendix 27 to the Listing Rules. This report should be read in conjunction with the section "Corporate Governance Report" in the 2022 Annual Report of the Group and the column "Corporate Social Responsibility" on the Group's website.

Report Period

The report period is from 1 January 2022 to 31 December 2022. To ensure the consistency of the report, some contents are out of this time period.

Report Scope

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

BOARD STATEMENT

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

The Group actively promotes and deepens its work in ESG field, fully fits the business characteristics in practice, integrates sustainable development vision and strategy into the Group's development operation and overall strategic planning, and its update and optimization are regularly reviewed by the Board. The Board pays close attention to the requirements of stakeholders, continuously participates in the identification, evaluation and management of key ESG issues, actively carries out ESG risk management, and reviews and guides the implementation of relevant risk management strategies.

In 2022, the Group adhered to the 2025 development goals in terms of employee, environment, community and innovation, and firmly promoted the achievement of relevant goals. The progress in achieving each goal is consistent with the overall planning, and breakthroughs and progress have been made in stages, which are reviewed and approved by the Board along with this report.

This report, which discloses the Group's management practices in the above work and other ESG areas, was reviewed and approved by the Board on 16 March 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting principles

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

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

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

I. ESG MANAGEMENT SYSTEM

The Group highly upholds its brand vision of "to be the renowned fashionable world-leading professional sports brand originated from China". With the brand mission of "Let Sports Light Your Passion", the Group has firmly established the brand core values of "serving the public with sports spirit", "surpassing yourself to win the competition", "win-win for individuals and teams", "fairness and transparency are competition principles and enterprise principles" and "harmonious development of employees, enterprises, society and nature". Following the business philosophy of "Anything is Possible", the Group has been deeply involved in the professional sports field, focusing on product experience, sports experience and purchase experience, and creating the Li-Ning's experience value. The Group implements the attitude of a responsible corporate citizenship to all levels of its business development, continuously optimize and improve the ESG management system, and give full play to the public welfare and social education value of sports.

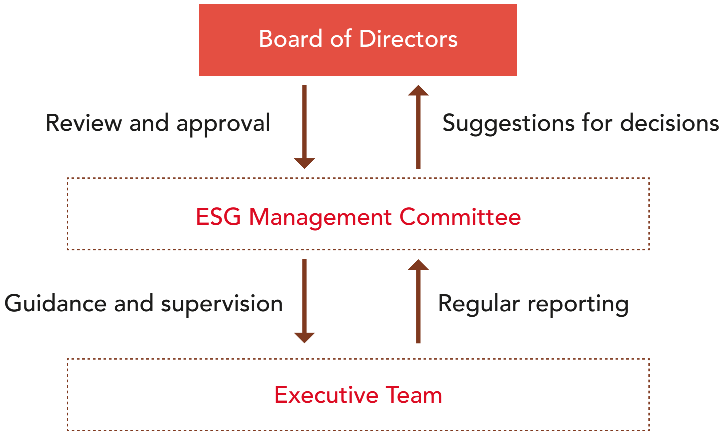
ESG Management Structure

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

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

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

In 2022 and early 2023, the Board reviewed and approved the update of sustainable development vision and strategy, the update of sustainable development goals, the review of the Group's environmental goals, the identification and assessment results of climate change risks and opportunities, and the developed coping strategies.



ESG Management Structure and Flow

ESG Strategy and Management Concept

The Group pays close attention to the practice of ESG management in its business and operation, and constantly explores the organic integration of ESG concept and enterprise development. Following the national "30.60" strategic plan of carbon peak and carbon neutrality, we actively contribute to the goal of carbon peak and carbon neutrality, continuously practice the concept of green operation, gradually improve the management mechanism of climate change risks and opportunities, and carry forward and convey the idea of sustainable development in the overall value chain. In addition, we continue to optimize the stakeholder communication and cooperation mechanism and strive to promote the exploration and innovation of the sustainable development path of the industry; resolutely safeguard the legitimate rights and interests of employees and strengthen the support for employees' career development; strengthen product quality and safety management, optimize product and service quality and details, actively respond to customer requirements, and strive to maintain high customer satisfaction; consolidate and deepen the fight against corruption and promote integrity; and invest in public welfare undertakings and promote the practice of social responsibility.

The Group has prepared and actively followed its sustainable development strategy, that is, "on the basis of ensuring production and operation compliance, we integrate the concept of responsibility into the whole value chain of product design, material procurement, production and processing, marketing and waste disposal, improve the social and environmental management system, and move towards our sustainable development vision by innovation and reform". The Group constantly explores management strategies and better measures in environmental protection, employee care, supply chain management, product liability, anti-corruption and community investment in business practice and expansion. The Group always pursue the vision and expectation of "constantly surpassing ourselves to achieve the sustainability of products and operations, and let employees, enterprises, society and nature develop harmoniously and build a healthier and better world together".

Environmental protection:

- Abide by the national environmental protection laws and regulations, implement the goal of carbon peak and carbon neutrality, actively respond to the challenges of climate change, and seize the opportunities of climate change;

- Implement energy conservation and emission reduction measures, promote the extensive practice of low-carbon operation, and adhere to the concept of green development.

Employee care:

- Abide by national employment laws and regulations, adhere to the "people-oriented" employment concept, put an end to the employment of child labor and forced labor, and protect the legitimate rights and interests of employees;
- Improve the social security and salary and welfare system, optimize the promotion and development path of employees, and build a talent team with equality, unity and harmony;
- Establish and improve the personnel training mechanism, improve the staff training system, and promote the mutual development of enterprise and employees;
- Care for employees, safeguard their health and safety, and practice corporate humanistic care.

Supply chain management:

- Improve the whole process management mechanism of supplier acceptance, evaluation and disqualification, strengthen social compliance audit and supervision, promote its self-inspection on environmental performance and carbon emission management, strengthen the safe and compliant use of chemicals of suppliers, and enhance the construction of a sustainable supply chain;
- Vigorously develop the green supply chain, actively innovate and develop environment-friendly products, and enhance the green attributes of products;
- Continue to promote supplier capacity building, actively participate in industry activities, and jointly improve sustainable development management capabilities.

Product liability:

- Strengthen product quality control, optimize quality control management process, and provide consumers with assured and satisfactory products;
- Improve customer complaint service management, strengthen exchanges and interactions with customers, and protect the legitimate rights and interests of consumers;
- Strictly regulate information security protection, optimize information security protection technology and management mechanism, and ensure customer privacy and data security;
- Strengthen brand protection, protect intellectual property rights, adhere to responsible marketing and improve brand value.

Anti-corruption:

- Uphold the concept of honesty and integrity, and improve the anti-corruption supervision and management mechanism and related systems;
- Improve and optimize the anti-corruption reporting channel, implement the whistleblower protection mechanism, and continuously strengthen the clean construction;
- Continue to advocate the concept of anti-corruption and promote honesty, and enhance the awareness of integrity and compliance.

Community investment:

- Actively participate in charity, help those in need, and practice corporate social responsibility;

- Promote the organic integration of traditional intangible cultural heritage and product innovation and promote cultural rebirth;

- Advocate sports culture and sportsmanship, initiate "sport for all" and cultivate healthy living habits.

Sustainable Development Action

As China attaches great importance to the implementation of the UN "2030 Agenda for Sustainable Development" and 17 Sustainable Development Goals (SDGs), it has issued "China's National Plan on Implementation of the 2030 Agenda for Sustainable Development" (the "National Plan") to implement the development concept of innovation, coordination, green, openness and sharing. The National Plan introduces China's development achievements and experience, identifies the opportunities and challenges for implementing the "2030 Agenda for Sustainable Development", and clarifies the guiding ideology, general principles and overall path of implementation.

In 2022, under the guidance of the National Plan, the Group continuously improved and implemented its action plan to deal with 17 SDGs, and closely combined with the development strategy and business characteristics, continuously optimized the implementation path of SDGs, expanded the Group's diversified sustainable development measures, and contributed to promoting the sustainable development of enterprise and society. The table below sets forth the sustainable development actions related to the Group's strategy, as well as our efforts and specific programs to help achieve the goals.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2022
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 employees with "five social insurances and one housing fund", accident insurance and supplementary medical insurance. • Cooperate with Tencent's charity platform and China Women's Development Foundation to launch a "Walk Together" public welfare activity to help rural mothers in the form of "Mother Parcel". • Donate clothes and other articles of daily use to Nanyangzhuangwan Primary School in Zhengcheng Town, Linyi City, Shandong Province; Mixiang Middle School in Jinping County, Honghe Prefecture, Yunnan Province; Furong Primary School in Madi Township, Longsheng County, Guilin City, Guangxi Province; Banshenqi Primary School in Goumen Town, Tumd Right Banner, Baotou City, Inner Mongolia; Donghui Primary School and Middle School in Donghui Town, Pingding County, Yangquan City, Shanxi Province to help poor students spend the winter. • Cooperate with China Women's Development Foundation to launch the "Genius Mother Dream Workshop" public welfare program, promote the inheritance and promotion of intangible cultural heritage of Qiang Embroidery in China, and empower rural women in distress to develop.
SDG2 Zero hunger	• Ensure that everyone has safe, nutritious and sufficient food throughout the year	• Establish Chinese and Western restaurants for employees, ensure scientific, reasonable and nutritious diet, strictly control the hygiene and food quality of staff canteens, and guarantee food safety.
SDG3 Good health and well-being	• Promote equality of and accessibility to basic medical and healthcare services	• Organize regular physical examination for employees, and divide physical examination types according to posts to reduce occupational disease-related risks. • Set up Physical Rehabilitation Research Center and Health Consultation Rooms to ensure the physical and mental health of employees. • Provide employees with supplementary medical insurance, personal disease and accident insurance and critical illness insurance on the basis of statutory medical insurance.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2022
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	• Organize youth sports training courses, set up daily training classes for sports of high school entrance examination, basketball and badminton, improve the foundation of youth professional sports training, and cultivate good sports 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 staff recruitment, salary, benefits, promotion, training and retirement. • Suppliers are strictly forbidden to have gender discrimination in any form in the staff recruitment, establishment of labor relations, and provision of training, compensation, welfare, and social insurance. • Continue to operate "Staff Home Care Center" and Li Ning Oriental Cambridge Kindergarten to help employees keep balance of work and family.
SDG6 Clean water and sanitation	• Significantly increase the proportion of treated compliant wastewater by strengthening the supervision and monitoring over major water functional zones and river outlets • Comprehensively promote the development of a water-saving society by strengthening the management over water demand and water utilization process	• Regularly check all faucets in office areas and pantries to prevent water dripping, leaking and running out. • Post water conservation publicity signs in public areas such as toilets and pantries. • Strictly review all suppliers' wastewater monitoring reports and pollutant discharge permits, etc., test suppliers' wastewater data, and strengthen supply chain wastewater monitoring. • In 2022, the order volume of the secondary main suppliers carrying out ZDHC wastewater detection was over 95%.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2022
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	• In scorching weather, the temperature control induction awning on the roof of office buildings and venues in Li Ning Central Park is automatically opened, so as to lower the indoor temperature in time and reduce the power consumption of air conditioners. • Set up solar panels on the top of buildings of Li Ning Central Park to actively develop and utilize solar energy. • Install adequate charging piles for electric vehicles in Li Ning Central Park to provide convenient charging conditions for employees and reduce carbon emissions during 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 diversified learning opportunities and all-round development space such as internal course training, on-the-job learning, rotation learning, counseling and feedback, and encourage and guide employees to continuously improve their job skills and comprehensive quality. • Provide special training such as induction training and pre-job training for all employees.
SDG9 Industry, innovation and infrastructure	• Accelerate the upgrading and transformation of traditional industries and promote low-carbon industrial energy use	• Continue to focus on low-carbon transition, gradually improve the Group's low-carbon development actions. The Group was successfully selected into the "Report on Low-carbon Transition and High-quality Development of Chinese Enterprises in 2022". • Participate in the exchange and cooperation event of M SPACE "Sustainability is the New Fashion" in Shanghai Fashion Week.
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 implement the clear institutional processes for employee recruitment, employment and dismissal. • Design a scientific and efficient salary management system, allocate extra rewards to outstanding employees, and fully attract, motivate and retain excellent talents.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2022
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	• Pay close attention to natural disasters and other public health emergencies and social security incidents, actively raise materials, donate money and materials for disaster areas, and help post-disaster reconstruction and resumption of production. In September 2022, the Group donated its products for the earthquake disaster in Luding County, Ganzi Prefecture, Sichuan Province, and reinforced the medical rescue team.
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 protection requirements on suppliers into the whole supplier management process, comprehensively supervise the use of chemicals, control the quality of raw materials, and ensure the health of customers from the source. • Actively promote eco-environmental technology, cooperate with the supply chain to carry out the pilot project of replacing chemical dyes with dyes extracted from natural plants, and promote the use of environment-friendly materials as the sustainable development goal. • Use "BOOM FIBER" from castor oil and grown in a sustainable way as raw materials of vamp. • Introduce environmentally friendly concept shoes, and the vamp is made of recycled yarn from waste materials such as plastic bottles and rags. • Formulate the "Technical Requirements for Product Safety of Li Ning Company Limited", which clearly stipulates the limited requirements for the use of chemicals, sign declarations with suppliers who meet this standard, and supervise suppliers in compliant use of chemicals throughout the whole process.

SDGs	China's National Plan Regarding SDGs	Actions for Sustainable Development taken by the Group in 2022
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 the concept of green operation, and integrate the concept of sustainable development and the awareness of environmental protection into work and life of employees. • Carry out carbon footprint accounting of suppliers regularly, popularize the concept of energy conservation and emission reduction to suppliers, and strengthen carbon emission management in supply chain.
SDG16 Peace, Justice and strong institutions	• Implement the "Law on the Protection of Minors of the People's Republic of China", and crack down, in accordance with the laws, on the unlawful and criminal acts such as use of child and forced labor	• According to the "Employee Handbook", all applicants' valid identity documents are strictly checked before employment to ensure that they are of the legal age and to avoid the employment of child labor. • Safeguard employees' rights and interests of legal leave and reasonable working intention, and put an end to 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	• Participate in PricewaterhouseCoopers "Green Future" event in China International Fair for Trade in Services. • Participate in the Seminar on ESG Governance and Information Disclosure of Listed Companies in China's Textile and Garment Industry. • Participate in the communication and cooperation event of M SPACE "Sustainability is the New Fashion" in Shanghai Fashion Week.

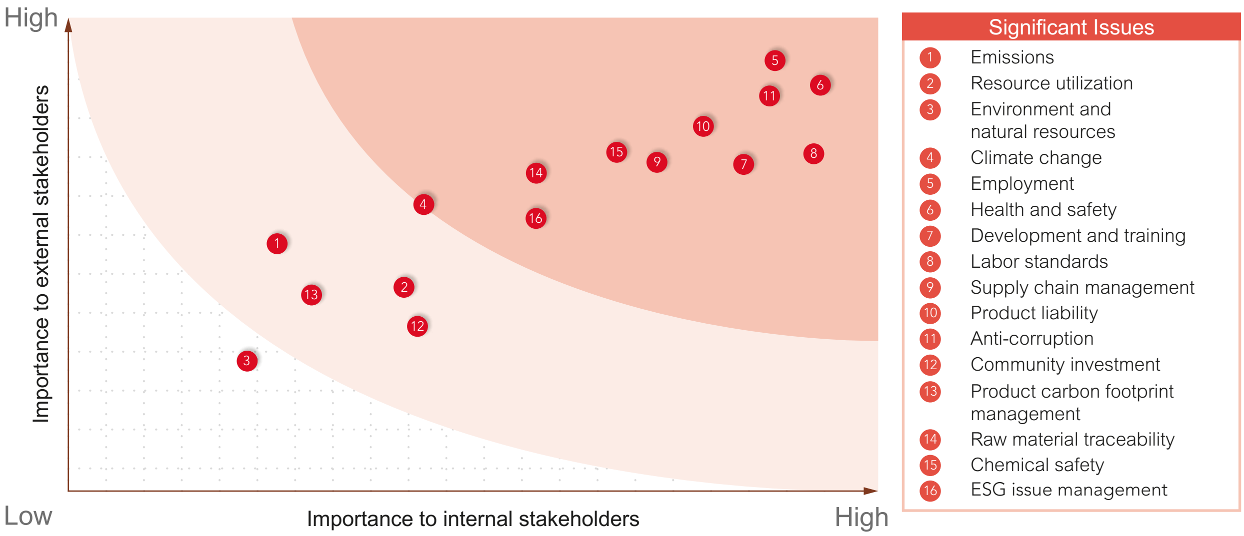
Stakeholder Communication and Identification of Key Issues

The Group attaches great importance to close cooperation and communication with stakeholders, and has established a good communication mechanism and diversified communication channels to fully respond to the concerns and requirements of all interested parties on ESG issues and matters of concern, and improve its own ESG management level. Key stakeholders identified by the Group include government and regulatory authorities, shareholders and investors, consumers, distributors and suppliers, communities and the public, media and non-governmental organizations (NGO), senior management and employees. In the process of communication, we share and exchange ESG concepts with all stakeholders, actively discuss and explore the implementation path and excellent practice of ESG-related work, and continuously optimize ESG management mechanism and work plan according to communication results and feedback, and continuously strengthen the sustainable development capability of enterprises.

Communication with Key Stakeholders and Response

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

The Group's ESG issue framework covers 16 key ESG issues, including 12 disclosure levels under the environmental and social areas in the ESG Reporting Guide of the Hong Kong Stock Exchange, and integrates product carbon footprint management, raw material traceability, chemical safety management and ESG management issues in combination with business characteristics, business models and stakeholders' concerns. After analysing the importance of ESG issues to internal and external stakeholders, we have drawn the importance matrix below:



Matrix of Importance of ESG Issues

II. ENVIRONMENTAL MANAGEMENT

Environmental Management Policy

The Group strictly abides by the "Environmental Protection Law of the People's Republic of China", "Atmospheric Pollution Prevention Law of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", "Measures for the Administration of Municipal Solid Waste", "Energy Conservation Law of the People's Republic of China" and "Renewable Energy Law of the People's Republic of China" and other applicable laws and regulations. The Group actively fulfills its environmental protection responsibility as an enterprise and contributes to the goal of carbon peak and carbon neutrality. Adhering to the concept of sustainable development, we continuously optimize the green operation management system, improve the environmental management system, implement green measures, promote green innovation, identify and respond to the impact of climate change, and keep advancing on the path of sustainable development. At present, Li Ning (China) Sporting Goods Co., Ltd. and Guangxi Supply Base have been certified for ISO 14001 environmental management system. In 2022, the Group did not identify any matters that caused serious pollution or material adverse impact on the environment during production and operation.

Environmental Management System and Measures

The Group has formulated its internal management systems such as "Li Ning Energy Conservation Management Standard", "Li Ning Energy Conservation Work Arrangement" and "Li Ning Energy Conservation Measures". The Group continuously strengthens the management of emissions and resource utilization, strictly implements relevant management regulations on green operation, and integrates the concept of sustainable development and green awareness into employees' work and life. In 2022, we vigorously promoted the expansion, innovation and practice of green operation measures in combination with the defined office operation environment objectives, continuously optimized and adjusted the implementation plan, consolidated the goal realization path, and promoted the Company's environmental management level to a higher level.

Emission Management

In 2022, we further improved the management measures of such emissions as waste and waste gas to relieve the impact of daily office operations on the environment by advocating green travel of employees, implementing low-carbon logistics and transportation, and reducing greenhouse gas emissions. In terms of garbage classification, we have entrusted a third party with professional qualifications to collect, store and transport hazardous wastes and harmless wastes by classification, and dispose and recycle them according to the types of wastes to ensure standard waste disposal.

Compliance management of exhaust gas emissions	• Abide by the "Emission Standard of Air Pollutants for Boiler", strictly control the boiler pollutant emission limit, continuously optimize the boiler use management, and regularly maintain and inspect boilers in use to ensure safe operation; • The waste gas from painting in the painting workshop of badminton factory is led to the top floor via the exhaust funnel through adsorption and settlement of water screen, and then discharged into the atmosphere after photooxidation and purification, thus reducing air pollution.
Reasonable disposal of waste	• Encourage employees to handle daily work through office automation systems and electronic equipment, and recycle the used toner cartridges by replacing chips and filling carbon powder, so as to reduce the use of printing equipment and consumables and reduce the generation of hazardous wastes; • Collect the used toner cartridges and fluorescent tubes produced by the office work in a unified way, store them separately, and entrust a professional third party for recycling; • Advocate paperless office, set up waste paper recycling bins in the office area, recycle single-sided printed paper, and require unified collection and recycling of carton packages in warehouses and stores; • Strictly follow the local garbage classification management policies, cancel personal garbage bins in office areas, set up public garbage classification areas, and urge employees to classify garbage.
Adopt low-carbon logistics transportation	• Actively optimize the warehouse operation plan and transportation plan, improve the carload rate of logistics transportation, and conduct the warehouse transportation test, reduce the frequency of delivery by transporters relying on the scale advantage and reduce the exhaust gas emission during transportation; • Vigorously promote the use of new energy trucks for urban distribution to reduce the greenhouse gases; • By means of fixed delivery to stores, the daily delivery in the past is adjusted to delivery to stores on the agreed date and time, which effectively reduces the delivery frequency of transporters and the utilization rate of vehicles.
Promote green commuting	• Encourage employees to commute by public transport, offer transportation subsidies to employees, and set up shuttle buses in the headquarters office park to provide convenient commuting services and advocate green travel, thus effectively reducing carbon emissions; • Set up electric vehicle charging piles in the headquarters office park to provide convenient charging services for employees who drive environmentally friendly electric vehicles.

Resource Usage Management

The Group puts a high value on resource and energy management, continuously practices the concept of green and low-carbon office, improves resource utilization efficiency, actively develops and utilizes clean energy, and carries out resource utilization management from headquarters to subordinate stores and from office operation to warehousing and logistics, so as to promote sustainable development in production and operation.

- **Promote smart office:** Beijing Headquarters Office Park is equipped with a building automation system, which regularly activates intelligent control of electricity consumption to improve the energy-saving effect of buildings. The service time of air conditioners is strictly controlled by means of regular temperature inspections every day to adjust the temperature in real time and ensure that the room temperature is controlled at 18℃ in winter and 26℃ in summer. All air conditioners are shut down automatically half an hour before leaving work every day, effectively reducing energy consumption. In addition, a temperature-controlled induction awning is installed on the roofs of buildings and venues, which will be automatically opened in case of high temperature, so as to reduce the indoor temperature in time and reduce the energy consumption of air conditioners. For Jingmen Park, we have formulated indoor lighting standards and switching systems in different areas, which can effectively reduce electricity consumption while meeting normal use requirements.

- **Use clean energy:** Solar panels on the building top in Beijing Headquarters Office Park supply part of power for daily office work, with an average monthly energy output of about 100,000 kWh. We regularly clean more than 5,000 solar panels every year to improve the efficiency of environmental photovoltaic power generation.

- **Strengthen water management:** The Group regularly overhauls the water equipment in Beijing Headquarters Office Park to prevent water dripping, leakage and running out; checks all faucets and valves in pantry, toilet and other areas every day to prevent waste caused by faucets always opened; and posts water conservation publicity signs to put an end to long-time running water. Badminton factory also actively advocates water conservation, recycles water for production equipment, and limits a fixed amount of water for staff quarters to improve employees' awareness of water saving.

- **Practice green office:** The Group advocates building a green and low-carbon office environment and strives to cultivate employees' awareness of environmental protection and energy conservation. In 2022, we continued to strengthen the energy consumption management of office space, and more than 90% of the lighting equipment in Beijing Headquarters Office Park has been replaced with LED lighting equipment.

- **Paper saving:** The Group promotes paperless office, advocates employees to handle work through electronic devices and office systems, and internally advocates the use of electronic contracts and electronic resumes in job interviews, thus reducing paper consumption. In addition, offline stores actively reduce the use of paper receipts by allocating electronic receipt items.

- **Packaging management:** The Group actively takes diversified measures to reduce the consumption of packaging materials, disassemble and fold the received cartons and packaging bags, and store them in a unified manner so that they can be reused in future shipments. In addition, we advocate the use of environment-friendly packaging materials. Some clothes are packaged with environment-friendly and recycled plastic bags made of regenerated polyethylene, which effectively reduces the negative impact of plastics on soil.

- **Warehouse energy-saving management:** In 2022, the Group carried out LED lighting replacement and renovation projects in Jingmen Park and Guangzhou Warehouse. The lighting time of wall lamps in Guangzhou Warehouse has been changed from every night to regular lighting, which could effectively reduce the power consumption by about 10 hours every day.

- **Store energy-saving management:** All stores of the Group actively strengthen energy-saving and consumption-reducing management, advocate the use of natural light during the day and eliminate "ever-burning lamps". All air conditioners are shut down one hour before the end of business, and the number of air conditioners used is controlled according to the natural temperature. All power switches of indoor electrical facilities are checked and turned off before leaving work to avoid unnecessary waste. At the same time, we record and compare the energy consumption every day, analyze any abnormal energy consumption according to the store's business operation and equipment operation, find out the reasons in time and make rectification.

Environmental Goals

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

Type of target	Content	Progress
Carbon emission	By the end of 2040, Li Ning Central Park will achieve the carbon neutrality.	We have further investigated the potential of carbon emission reduction, and gradually formed specific plans for future carbon emission reduction, which will be implemented in conjunction with the purchase of carbon offset to finally achieve carbon neutrality.
Waste	By the end of 2022, garbage classification will be fully promoted throughout the Company.100% of the waste generated in Li Ning Central Park will be treated by other enterprises with professional qualifications.	Garbage classification has been strictly implemented, and office waste and kitchen waste have been classified and treated by a third party with professional qualifications.
Energy use	By the end of 2024, 100% of the lamps in Li Ning Central Park will be LED energy-saving. Since 2022, the average annual consumption of purchased power per square meter of floor area in Li Ning Center Park is no more than 66.5 KWH/m^2. In 2022, at least one energy-saving reform project was carried out in Li Ning Central Park.	In 2022, the venue lighting renovation project in Li Ning Central Park was completed, and all lamps were replaced with LED energy-saving lamps. In 2022, the average annual power consumption per square meter of floor area in Li Ning Center Park was 57.99 KWH/m^2.
Water resources use	Since 2022, the average annual daily water consumption per square meter of floor area in Li Ning Center Park is no more than 0.62 ton/m^2.	In 2022, the average annual daily water consumption per square meter of floor area in Li Ning Center Park was 0.42 ton/m^2.

2022 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. We are gradually starting the work of carbon emission sorting and analysis, and will extend the scope of statistic as and when appropriate in the future.

1. EMISSION[1]

Indicator	Performance
Total emission of greenhouse gases (Scope 1, Scope 2 and Scope 3) (tons)[2]	6,512.80
Emission of greenhouse gases per square meter of floor area (Scope 1, Scope 2 and Scope 3) (tons/square meter)	0.03
Direct emission (Scope 1) (tons)	506.18
Company car oil consumption	3.30
Natural gas	502.88
Indirect emission (Scope 2) (tons)	5,900.32
Purchased electricity	5,900.32
Indirect emission (Scope 3) (tons)	106.30
Company bus oil consumption	106.30
Total amount of hazardous waste (tons)[3]	1.47
Weight of hazardous waste per square meter of floor area (tons/square meter)	0.000007
Total amount of non-hazardous waste (tons)[4]	783.71
Weight of non-hazardous waste per square meter of floor area (tons/square meter)	0.0038

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, Chengdu, Wuhan, Chongqing and Shanghai and Foshan office areas were centrally processed by the respective property management firms at the premises where they are located, which cannot be measured separately. However, we have estimated according to the "Coefficient Manual of the First National Census on Pollution Sources for the Pollutant Generation and Discharge from Urban Living" 《(第一次全國污染源普查城鎮生活源產排污系數手冊》) issued by the State Council.

2. ENERGY AND RESOURCES CONSUMPTION

Indicator	Performance
Total energy consumption (MWh)[1]	13,031.71
Energy consumption per square meter of floor area (MWh/square meter)	0.06
Direct energy consumption (MWh)	3,889.81
Gasoline	13.47
Natural gas	2,571.83
Solar energy	1,304.51
Indirect energy consumption (MWh)	9,141.90
Purchased electricity	9,141.90
Daily water consumption (tons)[2]	57,068.08
Daily water consumption per square meter of floor area (tons/square meter)	0.28
Total amount of paper used (tons)[3]	13.40
Total amount of packaging material used for finished products (tons)[4]	27,289.77
Amount of packaging material for finished products consumed per million revenue (tons/ million revenue)[5]	1.06

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, Chongqing, 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

The Group keeps an eye on the impact of climate change on its business mode and business development. It actively responds to the call of "30.60" carbon peak and carbon neutrality goals, strictly abides by relevant policies and regulations and takes management measures, and further responds to the concerns of capital markets and investors on climate change.

The Board is ultimately responsible for reviewing and deciding climate change risks and strategies. The ESG Management Committee under the Board tracks the results of actions carried out by corresponding departments according to the set strategies and indicators to ensure the management and implementation of climate change risk strategies in the Group. The ESG Executive Team is responsible for the specific implementation of response strategies. In 2022, the Group further studied and analyzed the impact of climate change risks on its own operations and business development based on the identification and assessment of climate change risks and opportunities in the previous year, policy updates at home and abroad, and business practices of the Group, and set coping strategies and indicators for its potential impacts.

In 2022, the Group began to study and develop carbon emission reduction and carbon neutralization plan at the group level based on the identified risks and coping strategies. The plan involves carbon emissions in Scope 1, Scope 2 and part of Scope 3, and will give specific goals and action plans in the future.

Risk/opportunity type		Potential impact/opportunity scenarios	Risk rating Possibility	Influence degree	Grade	Coping strategies
Transformation risk						
Changes in national laws and regulations	Short-term (1-3 years)	The government of China pays high attention to climate change and constantly updates and improves policies related to energy conservation and emission reduction. For example, "the Notice of the State Council on Printing and Distributing the Comprehensive Work Plan for Energy Conservation and Emission Reduction during the 14th Five-Year Plan (Guo Fa [2021] No.33)" proposes that by 2025, the national energy consumption per unit of GDP will decrease by 13.5% compared with 2020. In addition, the regulatory requirements for climate risk information disclosure of listed companies are gradually improved, and listed companies are required to disclose more complete information, so their emissions and upstream and downstream supply chain emissions are facing challenges.	High	Medium	Medium-high	Initiate climate risk assessment, formulate corresponding carbon neutrality strategies, set goals for different departments, and establish responsibility management mechanisms. Build an electronic data collection platform covering energy and environmental data of supply chain, logistics center and sales channel, continuously monitor and analyze emission sources in operation, establish low-carbon operation standards in all links, take the lead in implementing renewable energy utilization and low-carbon operation standards in our own factories and facilities, and gradually promote them to the whole group.

Risk/opportunity type		Potential impact/opportunity scenarios	Risk rating Possibility	Influence degree	Grade	Coping strategies
Transformation risk						
	Medium-term (4-10 years)	To achieve the goal of carbon peak in 2030, supply chain factories in some areas may be under the jurisdiction of key enterprises for carbon emission reduction, which are subject to energy consumption and carbon reduction requirements.	High	Medium	Medium-high	Regularly track changes in policies and regulations on environmental protection, energy conservation and low carbon, identify and analyze possible impacts on the supply chain, promote energy conservation and emission reduction and carbon neutrality strategies, and improve strategic objectives and measures. Embed the supply chain energy consumption and carbon emission management assessment mechanism into the existing supply chain environmental assessment system, and include the carbon emission performance in the supplier selection mechanism and the renewable energy use ratio in the supply chain assessment mechanism.
	Long-term (over 10 years)	To achieve the goal of carbon neutrality in 2060, we may have to find a feasible way of carbon offset, which will pose challenges to ourselves and the supply chain.	High	High	High	Further promote energy conservation and emission reduction reform in raw materials and production links, actively expand energy substitution, and continue to focus on new trends and technologies of carbon offset to ensure long-term and stable carbon credit supply.

Risk/opportunity type	Potential impact/opportunity scenarios		Risk rating: Possibility	Risk rating: Influence degree	Risk rating: Grade	Coping strategies
Transformation risk						
Changes in foreign laws and regulations	Short-term (1-3 years)	Today, there is no mandatory requirement for carbon emissions of textiles and footwear products in the world, but the attention of stakeholders to carbon information disclosure continues to increase.	Low	Low	Low	Continue to track the update of relevant national and industry regulations and standards combined with the Company's business strategic planning, conduct forward-looking discussions on possible problems, and seek solutions. Actively carry out carbon-related investigations and self-inspections to reduce risks based on the local laws and regulations of the target markets and countries.
	Medium-term (4-10 years)	Some regions or countries will impose requirements on carbon emission declaration data and tariff for goods import.	Medium	Low	Medium-low	Keep a check on relevant national and industry regulations and standards, and develop countermeasures in advance, such as carbon verification and certification of carbon emission data, and cost accounting plan for possible tariffs.
	Long-term (over 10 years)	Some countries are already carbon neutral or have a clearer path towards carbon neutrality. Stricter limits on carbon emissions for goods import may be imposed.	High	High	High	Continue to track the changes of energy conservation and emission reduction policies and regulations in target export countries, and simultaneously improve our own emission reduction capacity or carbon emission offset quota.

Risk/opportunity type	Potential impact/opportunity scenarios		Risk rating: Possibility	Risk rating: Influence degree	Grade	Coping strategies
Transformation risk						
Changes in energy cost	Short-term (1-3 years)	Renewable energy technology is not fully proven and popularized, the price of traditional energy may keep rising, and the energy cost may face rising impact.	High	Medium	Medium-high	Actively promote the use of renewable energy, introduce low-carbon operating standards, and promote electrification and residual heat recovery to improve thermal efficiency and reduce energy consumption per unit product.
	Medium-term (4-10 years)	With the further development of new energy technologies, energy cost will be further reduced. The popularization of green technologies and new materials in the industry poses new challenges and opportunities for reform in future supply chain production.	Medium	Medium	Medium	Promote the use of energy storage facilities in self-owned facilities and supply chains, focus on the application trends of green technologies in the textile industry, and gradually advocate and implement those proven and feasible green technologies in the supply chain.
	Long-term (over 10 years)	With the progress and popularization of renewable energy technology, the energy cost will be further reduced.	Medium	Medium	Medium	Promote the extensive use of renewable energy in the supply chain and our own operations.

Risk/opportunity type	Potential impact/opportunity scenarios		Risk rating Possibility	Influence degree	Grade	Coping strategies
Physical risk						
More extreme climate events	Short-term (1-3 years)	Extreme climate increases the number of hot days, resulting in increased water consumption, peak electricity consumption, high temperature subsidies, and heavier pressure on operating cost.	Medium	Medium	Medium	Optimize the heat insulation facilities in the production workshop, explore the use of energy storage facilities in our own facilities and supply chain, and promote the use of more efficient equipment. Establish an early warning mechanism in light of shortage of water resources, and continue to promote water-saving measures in our own facilities and supply chain, encourage the water resources recovery projects of supply chain, and improve the utilization rate of water resources.
	Medium-term (4-10 years)	In summer, the average outdoor temperature will rise permanently, the working temperature at the workshop will be higher than the appropriate working temperature for a long time without improvement, the working efficiency will decrease, the compensation and man-hour loss caused by accidents in the high temperature will increase, and the labor cost will go up accordingly.	High	Medium	Medium-high	Continuously promote our owned facilities and suppliers to optimize ventilation and cooling of factory buildings, reduce heat loss and improve working environment.
	Long-term (over 10 years)	The rising temperature will seriously affect production activities and bring a serious lack of labor.	Medium	High	Medium-high	Pay attention to the application trends of automation technology, and advocate and implement proven and feasible automation technology.

Risk/opportunity type	Potential impact/opportunity scenarios		Risk rating: Possibility	Risk rating: Influence degree	Grade	Coping strategies
Physical risk						
Difficulty in supply of raw materials	Short-term (1-3 years)	Due to extreme climate and climate change in some areas, the quality and cost of raw materials may be affected occasionally in some areas, resulting in short-term shortages and rising costs.	Medium	Medium	Medium	Focus on the climate of raw material producing areas and the price fluctuation of raw material market, and actively conduct research and development and use other types of substitutes.
	Medium-term (4-10 years)	The quality and cost of raw materials are likely to be affected more frequently across a wider range of regions, causing more persistent shortages and rising costs.	High	Medium	Medium-high	Apply big data analysis to improve the prediction of market demand by material and order system, optimize the efficiency of material supply logistics, and enhance the compressive toughness of enterprises. Establish an effective recycling system, advocate more environment-friendly product consumption patterns in combination with marketing, promote the connection between recycling system and material supply, and reduce the use of raw materials.
	Long-term (over 10 years)	Some areas supplying raw material may be permanently unable to supply materials due to climate change.	Medium	High	Medium-high	Focus on the climate of raw material producing areas, develop and use other types of substitutes and seek to establish a longer-term partnership with suppliers for materials with strategic needs.

Risk/opportunity type		Potential impact/opportunity scenarios	Risk rating Possibility	Influence degree	Grade	Coping strategies
Opportunity						
Changes in consumption concept and demand in end consumer market	Short-term (1-3 years)	As consumers pay more attention to climate change and become more aware of environmental protection and low carbon, products with low carbon and environmental protection concepts are likely to attract more consumers, and rising temperatures are likely to increase the market demand for sporting goods that can provide high comfort in hot climates.	Low	Medium	Medium-low	Keep an eye on the changing trend of consumers' consumption demand, habits and behaviors, integrate the green concept into the product design, manufacture, packaging and transportation, and promote and publicize it on the product side, so as to ensure the quality and meet the consumption demand and seasonal product demand of the end consumer market for the green concept products.

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

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

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

III. EMPLOYMENT MANAGEMENT

The Group strictly complies with 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. The Group has formulated various internal systems including "Staff Handbook" and "Regulations on Staff Attendance and Leave", and continuously improved the staff management system, to improve the standardization of staff management. To promote the implementation of the Group's strategic plan for talent development, we actively build an equal employment platform to create a diversified, fair and inclusive working environment; continuously identify and introduce outstanding talents to help employees grow and develop; continuously improve the remuneration and benefits of employees to protect their legitimate rights and interests; carry out diversified employee care activities to promote the physical and mental health of employees, and strive to build a talent team of equality and solidarity and harmonious progress to achieve a win-win situation for both people and enterprises. As of the end of the report period, the Group had 4,610 employees, among which 4,422 employees were at the Group's headquarters and retail subsidiaries (including Guangxi supply base), and 188 employees were at other subsidiaries.

In 2022, the Group further improved its practices related to human resource management and won a number of honorary awards related to employer brand:

Honor	Awarding Body
Extraordinary Employer of the Year	Liepin Network (liepin.com)
The Best Employer of the Year	Zhilianzhaopin (zhaopin.com)
The Best Employer in China	China Enterprise Confederation
The Favorite Employer of the Year	Shixiseng (shixiseng.com)
Outstanding Employer in Human Resource Management	Qianchengwuyou (51job.com)
New Attractive Employer Brands	58Tongcheng (58.com)
The Most Forward-looking Employer Brand	LockinChina
Outstanding Practice Award for Campus Recruitment	Dayee Cloud Computing

Lawful Employment to Safeguard Rights and Interests

The Group adheres to the principle of "openness, equality, competition and merit-based" in its employment. Based on reasonable and legal reasons and internal policies, we make decisions on employment, employee promotion or termination of employment relationship, and comprehensively build a reasonable and orderly employment management mechanism.

The Group continues to promote the diversification of talent echelon. Our "Employee Handbook" clearly stipulates that we should fully respect the dignity and personality of employees, treat every employee fairly and justly, and prohibit any discrimination on any occasion, including but not limited to discrimination on race, color, gender, sexual orientation, religion, political position, disability, nationality, origin and age. At the same time, the Group resolutely puts an end to any discrimination in the workplace, recruitment, promotion and remuneration of employees, and encourages employees to report any discrimination on their own initiative. In case of discrimination, the Group will assess and record the liability of the incident and take necessary disciplinary actions.

As we pay high attention to democratic participation of employees, we create diversified communication channels on the principle of "open channels, transparent methods and smooth processes", improve democratic communication mechanisms, and actively listen to employees' voices and reasonable suggestions. The Group provides employees with communication methods such as labor unions, suggestion boxes and face-to-face communication, listens carefully to employees' feedback, and gives timely feedback to employees' reasonable suggestions and requirements. In addition, the labor union within the Group strictly abide by the provisions of national laws and regulations, and major actions that employees are interested in are implemented after being voted and approved by labor union representatives. In this way the Group earnestly implements democratic procedures, safeguards employees' rights and interests according to law, and gives full play to employees' role in democratic management of enterprise.

The Group strictly abides by the minimum employment age requirements stipulated by China and the place where it operates, and clearly states in the "Employee Handbook" that the age of employees must comply with laws and regulations, and child labor is strictly forbidden. In 2022, the Group updated and optimized the contents about anti-forced labor, and strengthened the efficient implementation of the security system. The Group requires that the applicant's valid identity documents be strictly checked to ensure that the applicant is of legal age before employment. We clearly describe the job responsibilities to applicants in job interview, sign employment contracts with employees in accordance with national regulations, protect their legitimate rights and interests related to working hours and vacations, and strictly eliminate forced labor. In case of child labor or forced labor, we will have an investigation in time, and take measures such as communicating with child labor's guardians and knowing the willing of forced workers, and then make job adjustment, dismissal and accountability according to the investigation results. In 2022, the Group found no cases of child labor or forced labor.

Employee Employment[1]

Indicators		As of 31 December 2022
By gender	Male employees (person)	1,329
	Female employees (person)	1,502
By employee type	Full-time employees (person)	2,831
	Part-time employees (person)	0
By age	Employees under 30 years old (person)	704
	Employees aged 30 (inclusive) to 50 (exclusive) (person)	2,066
	Employees over 50 years old (inclusive) (person)	61
By region	Employees in Mainland China (person)	2,766
	Employees in Hong Kong, Macao and Taiwan regions (person)	48
	Overseas employees (person)	7

Employee Turnover Rate[2]

Indicators		As of 31 December 2022
Employee turnover rate (%)		13.46
By gender	Turnover rate of male employees (%)	14.46
	Turnover rate of female employees (%)	12.59
By age	Turnover rate of employees under 30 years old (%)	27.67
	Turnover rate of employees aged 30 (inclusive) to 50 (exclusive) (%)	9.40
	Turnover rate of employees over 50 years old (inclusive) (%)	3.28
By region	Turnover rate of employees in Mainland China (%)	13.26
	Turnover rate of employees in Hong Kong, Macao and Taiwan regions (%)	25.00
	Turnover rate of overseas employees (%)	25.00

People-oriented and Harmonious Development

Adhering to the concept of harmonious development with employees, the Group has always been committed to the cultivation and development of outstanding talents. We continue to improve the salary management system, formulate a competitive compensation strategy, optimize the salary policy and structure from time to time to attract, encourage and retain outstanding talents, and achieve a win-win situation for the Company and employees. The Group regularly organizes performance appraisal and sets up a reward mechanism to reward those employees with outstanding performance by issuing sales bonuses, sales commissions, annual bonuses, share options and share awards, so as to further mobilize the enthusiasm and initiative of employees for work.

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

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

The Group constantly optimizes the protection of employee rights and benefits, formulate differentiated welfare strategies, and build a diversified welfare platform in combination with individual needs. According to the regulations of the state and local governments, we provide supplementary medical insurance on the basis of social insurances and housing provident fund for employees to protect their health. We also provide subsidies such as catering and transportation allowance, communication allowance, cloth purchase fees, expatriate allowance, the Spring Festival and holiday benefits, wedding and childbirth gratuities and condolence allowance. At the same time, we distribute seniority souvenirs to veteran staff and hold a farewell ceremony for retired employees to express our gratitude and recognition for their contributions.

The Group attaches importance to the balance of work and life of employees and has formulated the "Employee Attendance and Leave Management System". We arrange their working time according to work and business needs and take appropriate measures on attendance tracking management to ensure reasonable working hours. If working hours beyond the statutory hours due to work requirements is needed, the employees will take time off or get overtime payment as compensation. In addition, all employees are entitled to statutory holidays, annual leave, maternity leave, sick leave and personal leave according to law.

We have been proving care for employees by many activities, help employees in difficulty, actively provide convenience for their families, and continuously enhance the team cohesion. The Group holds a celebration carnival every year and invite employees and their families to participate and feel the cohesive and positive corporate culture. We have set up a Mutual Aid Fund to help employees who have difficulties in life due to accidents or major diseases, so as to reduce their living burden, make them feel the warmth from the enterprise and enhance their sense of belonging. At the same time, we have set up a labor union committee to provide care for employees while safeguarding their rights and interests. In the outbreak of COVID-19, we supplied materials and cared for employees to meet their needs and solve their difficulties making joint response to challenges together with employees. In addition, the Group is concerned about the children of employees, for which it has established Li Ning Oriental Cambridge Kindergarten that is equipped top-level teachers to promote the all-round development of "Li-Ning Second Generation" in terms of moral, intellectual, physical, aesthetics and labor education; and it has also established an "Employee Home Care Center" to take care of employees' children during winter and summer vacations or extreme weather.

Safety Security and Health

The Group strictly abides by the "Labor Contract Law of the People's Republic of China", "Production Safety Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", "Fire Protection Law of the People's Republic of China" and other relevant laws and regulations. It constantly improves the employee health management system, strengthens fire safety management, implements epidemic prevention and control measures, and fully guaranteeing the life, health and safety of employees.

Employee health management

The Group has taken various measures around health security, physical exercise, healthy diet, supplementary medical insurance and health promotion and etc. to protect the physical and mental health of employees.

➢ ***Health security***

We organize entry physical examination and annual physical examination for each employee according to their posts to reduce occupational disease-related risks. We also set up a Physical Rehabilitation Research Center and a Health Consultation Room in Beijing Headquarters Office Park to provide employees with basic drugs for daily disease prevention and control, and care for their health. In 2022, we organized the physical rehabilitation experience activity together with the Physical Rehabilitation Research Center to help employees understand and learn the effective methods of occupational disease prevention and sports injury rehabilitation, encourage them to exercise scientifically, and safeguard their health. In addition, the Group continued its normalized epidemic prevention and control, strengthened the frequency of property disinfections, extended ventilation time, and stocked sufficient protective clothing, N95 masks, alcohol, antigenic reagents and other epidemic prevention materials in advance, and purchased and distributed epidemic prevention materials worth more than RMB500,000 to employees.

- ***Physical exercise***

  To enrich employees' spare time and strengthen their physique, we have held a variety of cultural and sports activities, set up many sports clubs, and built badminton gym, basketball gym, tennis stadium, swimming pool, football field, yoga room, fitness center and other sports venues in Beijing Headquarters Office Park where various fitness equipment are available for employees, providing favorable conditions for employees to strengthen their physique. In addition, we have organized many sports competitions to cultivate employees' sports habits and promoting them to maintain good physical and mental state through sports after work.

- ***Healthy diet***

  To ensure the scientific, reasonable and nutritious diet of employees, the Group has established Chinese and Western restaurants, strictly controlled the hygiene and food quality of staff canteens to fully guaranteeing food safety, and providing healthy and nutritious diet for every employee.

- ***Supplementary medical insurance***

  We provide supplementary commercial insurance for each employee, such as supplementary medical insurance, personal illness and accident insurance, and critical illness insurance, etc., so as to comprehensively and effectively protect the health of employees.

- ***Popularization of health knowledge***

  To improve the self-care ability of employees, we hold health knowledge lectures from time to time. For example, we invite renowned health experts to give lectures on women's health knowledge on March 8 every year, encouraging employees to actively participate while promoting health knowledge, we also enhance employees' awareness of occupational disease prevention.

Fire safety

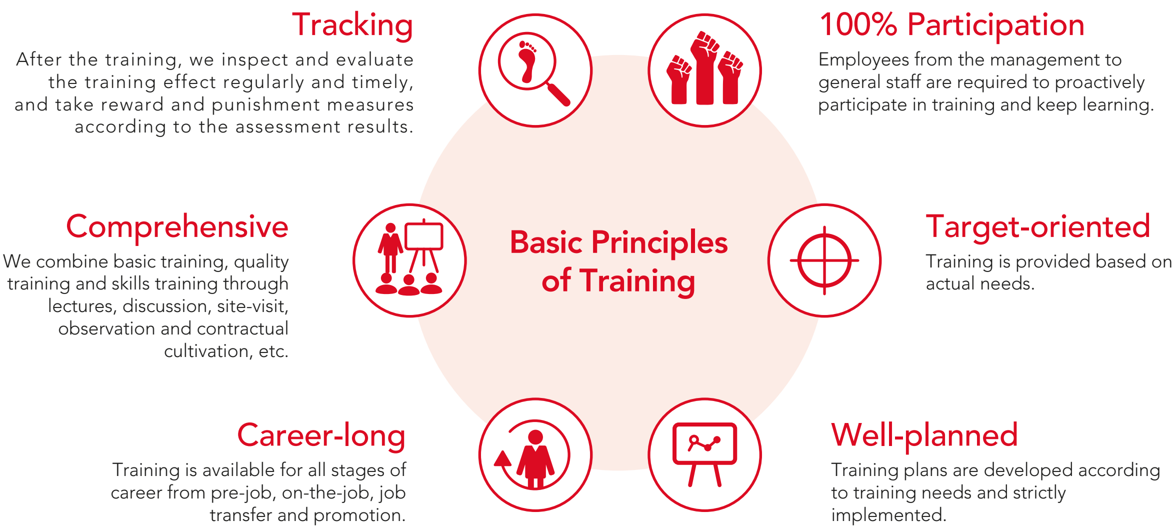
The Group highly values the importance of fire safety and has continuously improved its ability and level of fire safety management. We have formulated such systems and emergency plans as the "Emergency Evacuation Plan of Li Ning Center", the "Fire and Electricity Safety Management System", the "Fire Patrol and Inspection System", and the "Safety Evacuation Management System" to strengthen fire safety standards, establish a sound fire safety emergency mechanism, actively enhance employees' awareness of fire safety, and constantly organize activities such as training on the use of fire-fighting facilities, fire emergency drills and fire safety knowledge publicity in office places. We set up a miniature fire-fighting workstation in Beijing Headquarters Office Park, and conducted monthly drills on the use of fire-fighting equipment to demonstrate how to wear fire-fighting clothes and connect fire hydrants and taps, and organized fire-fighting knowledge training for new employees, property personnel and kitchen workers every quarter. In Jingmen Logistics Park, we regularly maintain fire-fighting equipment every month, conduct small-scale emergency fire evacuation drills every quarter, test the status of fire-fighting facilities and conduct a large-scale fire-fighting drill for all employees every year, so as to strengthen employees' awareness of fire safety and help employees improve their ability to escape, save themselves and help others.

Occupational Health and Safety[3]

Indicators	Data
Number of work-related deaths	0
—— Number of work-related deaths in 2020 (person)	0
—— Number of work-related deaths in 2021 (person)	0
—— Number of work-related deaths in 2022 (person)	0
Proportion of work-related deaths	0
—— Proportion of work-related deaths in 2020 (%)	0
—— Proportion of work-related deaths in 2021 (%)	0
—— Proportion of work-related deaths in 2022 (%)	0
Loss of working hours due to work-related injuries (days)	5

Talent Training and Value Creation

To build a team of high-quality professionals, the Group provides employees with all-round and diversified learning opportunities and development space, continuously improves their career development training, continuously improves their professional and comprehensive abilities, promotes their growth and development, helps employees achieve self-worth enhancement, and provides talent guarantee for high-quality and long-term development of enterprise. We uphold the following principles in employee training:



Basic Principles of Li-Ning in Employee Training

Based on the "721" rule of personnel training (i.e. 70% learn from experience, 20% learn from others and 10% learn from formal training), the Group has improved the employee training, and enriched the training course system around internal course training, on-the-job learning, rotation learning, counseling and feedback. The Group also actively encourages employee training by provision of special training expenses for outstanding employees, and further improving employees' personal abilities.

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

- Internal course training: Adopt hybrid learning method combining online and offline learning. Online learning aims to effectively transmit knowledge, while offline learning integrates learning contents into activities. Differentiated courses are provided for retail terminals and functional officials to form an integration of teaching and practice, so as to help employees quickly improve their job skills and management ability, and deepen their understanding and absorption of learning objectives and contents.

- On-the-job learning: Project teams are formed by employees within or across departments to jointly complete the practical tasks through projects or assignments, so as to enhance organizational value and improve the working efficiency and ability.

- Rotation learning: Encourage employees to rotate within or across systems and provide internal talents opportunities for development. Focusing on skill improvement, the Group helps employees improve knowledge reserves, accumulate experience and skills on the basis of giving full play to their own advantages and specialties, and further stimulates the work enthusiasm and creativity of all employees.

- Tutoring and feedback: The "dual tutor" training mode is adopted, that is, each employee has two tutors. The first tutor is the employee's immediate superior, who helps the employee analyzes his/her strengths and weaknesses in daily work, and guides the employee to make up for the weaknesses in time and improve professional skills. The second tutor is non-immediate superior, who helps the employee make career development plan and coordinates training resources, communicates with the employee in time to share personal work experience and broaden the employee's diversified thinking.

In 2022, we organized offline training for new employees for non-in-store operations in an innovated way. Key employees in business departments taught as lecturers, and the training contents covered product design, development, supply chain, markets, marketing and other aspects. Lecturers also introduced the service contents and daily norms of the main functional departments, making new employees quickly establish awareness of the Company and products and better feel the corporate culture.

"The Way to Progress" Practical Training Camp for Product Managers

To consolidate the digital organization ability, further strengthen product thinking and enhance the practical abilities of product managers, we organized a 4-week "The Way to Progress" practical training camp for product managers. This training camp aims to help employees learn to solve core business problems, build business thinking of B-end products, strengthen their understanding of existing technology/business structure, improve their product demand management capabilities, and improve the internal product research and development capabilities from the perspectives of demand generation, demand understanding and demand analysis.

This training camp mainly adopted a "combined training scheme", i.e. online recording and broadcasting + online live streaming. We invited external expert tutors with rich experience in internal and external system construction of enterprises to teach the whole process of To B product planning, design and implementation, and provide support from the perspective of product design and experience optimization.

Employee Training in 2022[4]

Indicators		Percentage of training (%)	Average training time (hours)
By gender	Male employees	100	13
	Female employees	100	12
By type	Management employees	100	20
	Non-management employees	100	12

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

IV. SUPPLY CHAIN MANAGEMENT

The Group has continuously improved its socially responsible supply chain management system. To this end, we have developed such policies and systems as "Supplier Management System", "Code of Conduct for Suppliers' Social Responsibility of Li Ning Company Limited", "List of Restricted Substances in Production of Li Ning Company Limited", "Management Manual for Suppliers' Social Responsibility of Li Ning Company Limited" and "Implementation Guide for Suppliers' Social Responsibility of Li Ning Company Limited". In 2022, the Group further improved the Productive Supplier Management System of Li Ning Company Limited, and issued the Management Commitment on Anti-forced Labor. At the same time, it has formed internal system procedures such as Internal Risk Management Procedure for Anti-forced Labor in Supply Chain of Li Ning Company Limited to strengthen the environmental and social risk management of suppliers. The Group actively cooperates with high-quality suppliers, develops green supply chain and products, and strives to drive brand value chain partners to jointly fulfill their social responsibilities and build a sustainable value chain. The Group had a total of 311 suppliers at the end of the report period.

Number and Distribution of Suppliers

Indicators	As of 31 December 2022
Number of suppliers in Mainland China	310
Number of suppliers in overseas, Hong Kong, Macao and Taiwan Region	1
Number of primary suppliers[5]	239
Number of secondary suppliers[6]	72

The Group has always adhered to the concept of sustainable development and management and is committed to integrating it into the introduction, evaluation, improvement and disqualification of suppliers. We regularly track the updates and changes of ESG-related laws, regulations, policies and industry standards, and incorporate them into the supply chain audit and assessment tools in time. We clarify the Group's environmental and social risk management requirements to suppliers, and help suppliers to continuously improve their environmental and social risk management level, so as to jointly build a safe, inclusive and respectful workplace, and promote the sustainable development of supply chain partners.

Introduction of Suppliers

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

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

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

The Group conducts the evaluation introduction by such means as document review, on-site visit, employee interview and management interview. On the basis of reference to the Group's standards, it fully refers to GB/T 36000-2015[7], ISO 26000, OECD Guidelines[8], ILO[9] guidelines, SA8000[10], ETI[11] standards, Disney ILS[12], Intertek WCA[13], Sedex[14], SMETA[15], BSCI[16], SLCP[17], RBA[18], IETP[19] and other national laws and regulations and international standards to keep the objective and fair evaluation. In addition to production factory suppliers' basic information such as qualifications, scale requirements, quality system and production technology and other basic information, we will also conduct social compliance audits on suppliers from the aspects of labor, occupational health, fire protection, chemical management, environmental protection and other aspects. Only after completing this link, we can enter the next step. If zero tolerance items such as commercial bribery, child labor or forced labor, and illegal discharge of sewage are found in the audit, the introduction will be terminated. In case of other major environmental and social risks, the introduction will be suspended, and restarted after the supplier completes systematic rectification. In 2022, a total of 42 formal suppliers entered the social compliance audit in the introduction stage, and 100% passed the introduction evaluation after first review and second review.

Assessment of Suppliers

The Group conducts quarterly and annual social compliance audits, special follow-up assessments and irregular spot checks on suppliers to identify possible environmental and social risks in the supply chain in time, and supervises suppliers to make rectification and improvement within a time limit.

The Supplier Management Department cooperates with the production team, R&D team, development team, supply chain team and QC and sustainable development team to know the cooperation of supply chain every quarter, and carry out assessment around business ethics, labour employment, working hours, wages and benefits, occupational health, energy and environmental performance, chemical management, safety and business continuity, etc. The specific evaluation process is as follows:

- Issue a self-inspection notice at the beginning of the first month of each quarter, requiring suppliers to carry out self-inspection in the third month of the current quarter and submit relevant documents with transparency, clarity, relevance, timeliness and traceability;

- Review and evaluate the information submitted by suppliers, and send the continuous improvement requirements for the new quarter to suppliers, and urge them to optimize the management level;

- The Supplier Management Department collects and summarizes the quarterly evaluation results of functional departments concerned, and organizes a quarterly evaluation meeting. Each department summarizes the quarterly assessment of suppliers, suppliers' problems in various aspects and the improvement objectives and plans, and reports the evaluation results to the CEO.

The Group conducts the audit every year according to the cooperation and the evaluation results of the previous year. The audit covers social responsibility management, environmental management, chemicals management and carbon emission management. The Group formulates a rectification plan for the problems found, and assign a special person to track the rectification progress and results.

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

Case: Continuously strengthen the third-party audit on suppliers and improve supplier management.

In 2022, the Group carried out third-party audit in Guangxi and Hubei production bases. In this audit, all six factories passed the international third-party verification, and each of the shoe and clothing factories in the two production bases obtained honorary certificates for perfect management. At the same time, in the Group's social compliance self-assessment of suppliers, all six factories were rated as A-level, and obtained the social compliance recognition of international brands (including but not limited to Disney, Universal and Nike, etc.), and became one of the excellent partners.

➢ *Social compliance audit*

In 2022, the Group conducted the social compliance audit on 95 finished product and semi-finished product factories selected according to the proportion of orders (more than 1%). All the 95 suppliers were audited by third parties on site, covering about 90% of orders. The audit standards include but are not limited to BSCI, SMETA, WCA, WRAP[20], RBA and other international standards. The score results of Li Ning Group were given in a uniform manner. The audit results were shown in the form of green cards, blue cards, yellow cards and red cards, among which red cards represent unqualified[21]. We developed personalized treatment measures for suppliers with different audit results. For green suppliers, we appropriately started the non-notice audit to monitor their real-time situation; for red suppliers, they are required to make rectification, and if they are rated as red suppliers twice, the disqualification process will start; for other types of suppliers, they also need to solve related problems in time according to the audit results. We require all suppliers to complete rectification for the problems found in the audit within 3 months, continuously follow up the rectification, and carry out the second on-the-spot audit or file audit. In 2022, the low-score suppliers mainly made rectification within a prescribed time limit in terms of salary and welfare, employee health and safety, etc. according to the evaluation results. All the problems were minor problems without zero tolerance items. Combined with the rectification results, there were 94 green and blue suppliers, 1 yellow supplier and no red supplier. In addition, 3 suppliers were audited without any notice. In the future, the Group will further strengthen the social responsibility audit of finished product and semi-finished product factories, increase the audit coverage and intensity, and continuously improve the social responsibility management ability and level of suppliers.

During the audit process, we adhere to the principle of mutual optimization, improvement and continuous progress together with suppliers. We have included zero tolerance items such as false records and documents, commercial bribery, child labor, forced labor and inhuman treatment, remuneration below the statutory minimum wage, and occupational health and safety. Once any zero tolerance items are found in the audit, we will terminate the cooperation with the supplier concerned or stop the introduction of suppliers.

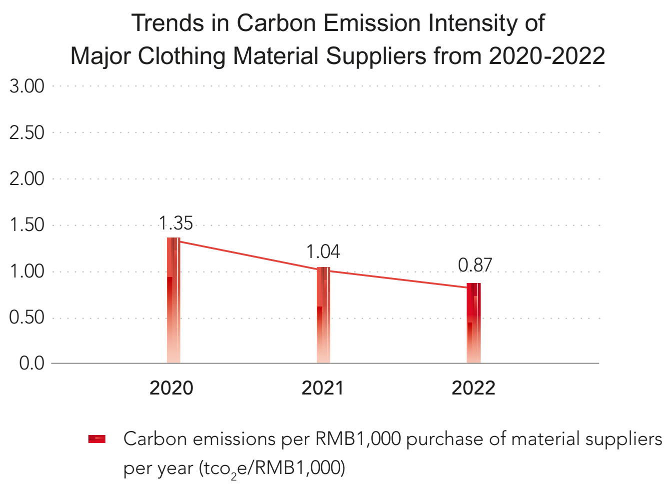
➢ *Environmental audit*

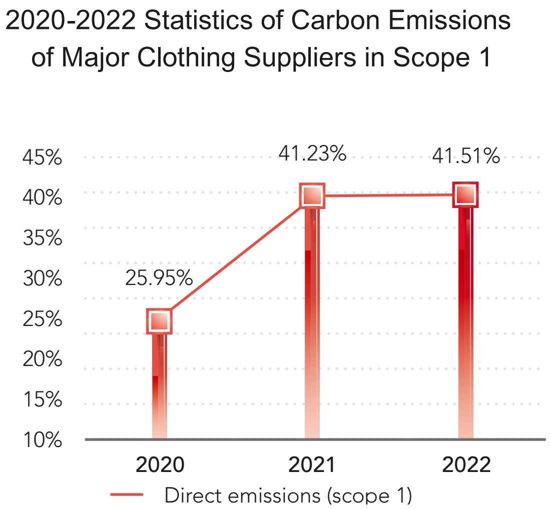
In 2022, a third-party auditing body entrusted by the Group conducted quarterly desktop audit and evaluation of environmental compliance for 60 semi-finished products factories, process factories and material factories whose orders accounted for more than 1%, and conducted on-the-spot environmental audits for 8 of them. For the problems of wastewater pollution control, waste gas pollution control, solid waste management, energy management, environmental emergency and management found in the audit, suppliers concerned were urged to follow up and rectify. Suppliers' environmental management ability was improved through on-the-spot audit and active communication in the later rectification process. All suppliers participating in on-the-spot environmental audit obtained green or blue cards after rectification.

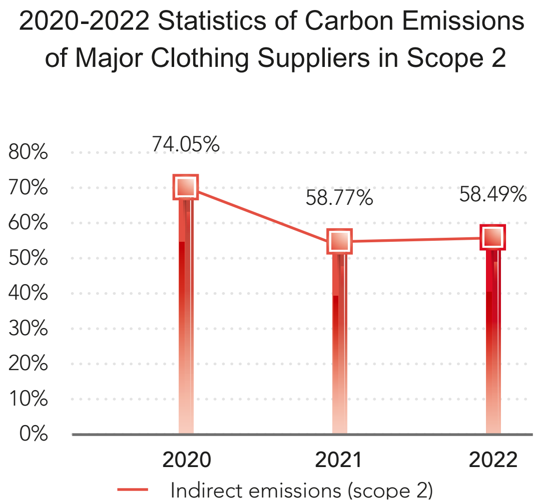
[20] WRAP: Worldwide Responsible Apparel Production.
[21] Site audit rating requirements: Green: score >= 85, Blue: 85 > score >= 70, Yellow: 70 > score >= 60, Red: score < 60.

➤ *Supply chain carbon emission management*

To further understand suppliers' carbon emission management capabilities and strengthen ESG management of supply chain, the Group has cooperated with third parties in carbon inventory inspection of major suppliers since 2020. By 2022, a total of 28 suppliers have completed carbon inventory inspection. We conducted on-site energy and carbon emission management training for factories participating in carbon inventory inspection, combed and audited the energy consumption and carbon emission data of each factory in the past three years, and discussed and exchanged future energy conservation and carbon reduction plans together. In carbon inventory inspection, the Group investigated the current situation of supply chain energy consumption and carbon emission management capacity, gradually expanded the coverage and scale of supply chain carbon inventory inspection, and further understood the overall emission level of supply chain, which laid a solid foundation for the Group's follow-up disclosure of carbon emissions in scope 3 and the formulation of carbon emission reduction plans for suppliers and products. On the basis of third-party carbon inventory inspection, we also collect energy consumption and carbon emission data from suppliers in 2022 by training, on-site counseling and use of professional tools. The greenhouse gas emissions of clothing material suppliers with relatively high order volume in recent three years are shown in figures below:







➢ *Chemical management of suppliers*

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

As one of the founding brands of Zero Discharge of Hazardous Chemicals (ZDHC) Foundation, we actively promote the adoption of ZDHC Manufacturing Restricted Substances List (MRSL) and compliance guidelines, and strive to achieve zero emission of restricted chemicals. The Group cooperates with professional third-party test companies every year in on-site chemical assessment for major suppliers, so as to enhance the chemical management capability of the supply chain and ensure the effective implementation of the Group's concepts and requirements related to chemicals management. In 2022, we continued to cooperate with professional third parties in chemical assessment for four suppliers. The evaluation tools and contents comprehensively refer to the regulatory requirements for the use of chemicals at home and abroad, and the requirements of "ZDHC Chemical Management System Framework" and "ZDHC Chemical Management System Technical Industry Guide". Through one-to-one field training and communication with experienced chemical audit experts, the existing problems are found and targeted rectification solutions are put forward to help suppliers to improve the ability of chemicals management and continuously improve and build a perfect chemicals management system.

In 2022, the order volume covered by the secondary main suppliers subject to ZDHC wastewater detection was over 95%, and the compliance rate of MRSL parameters reached 52.39%.

In addition, the Group also encourages suppliers to carry out other certifications under appropriate circumstances. In 2022, the leather materials supplied by a leather supplier to the Group obtained OEKO-TEX® Standard 100 certification, and one main leather supplier won the gold medal certification of Leather Working Group (LWG).

➢ *Supplier capacity building*

To further empower suppliers and partners to practice social responsibility and deepen the idea of sustainable development, we held four supplier training sessions jointly with other enterprises and institutions in 2022. Specifically, in April 2022, we cooperated with Ethical Trading Initiative Sedex to train suppliers on "responsible supply chain". In June, 2022, the special ability improvement training for social responsibility compliance was organized for Guangxi Production Base. In August 2022, we cooperated with Open View to have special supplier training on anti-forced labor. In November 2022, we cooperated with Intertek to conduct comprehensive training on social responsibility compliance for dealers and HR personnel. Through trainings, suppliers could continuously strengthen the ESG concept and promote the ESG management level, and work together to practice sustainable development in concerted efforts.

Supplier Disqualification

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

Building a Green Supply Chain

The Group continues to improve the environmental management requirements of suppliers. In the introduction process, we require suppliers to provide relevant documents such as environmental impact assessment (EIA) files, EIA approval, environmental completion and acceptance report of construction projects, waste water/waste gas monitoring report, and pollutant discharge permit, etc., and take illegal discharge of sewage and hazardous wastes as zero tolerance items in the audit. In the quarterly audit, suppliers are required to provide their main energy consumption data and greenhouse gas emission data, energy consumption assessment system or energy-saving action plan and measures. In the annual audit, we also evaluate suppliers' waste management, energy-saving measures, application of new energy-saving technologies and the implementation of carbon emission reduction as key points of audit, besides the relevant environmental qualifications and compliance.

In 2022, we continue to increase the investment in the use of environment-friendly materials and the production of environment-friendly products from the product side, production side and operation side, and practiced green development. We comprehensively promote the substitution of environment-friendly materials, and product planning, product research and development, and product supply chain departments work together to explore alternatives to environment-friendly materials, increase the proportion of environmental-friendly products, and set quantitative targets.

➢ *Promote the use of environment-friendly packaging bags*

In 2022, we actively promoted the use of environment-friendly packaging bags made of 100% regenerated polyethylene to effectively reduce the consumption of plastic products. Therefore, the Group fully practiced the "recycling" of waste, effectively mitigated the negative impact of plastics on soil, and adopted products with GRS certification[22]. While effectively ensuring the quality of recycled plastic products and product packaging quality, it further practiced the concept of green and environmental protection. In 2022, the Group ordered approximately 21 million environment-friendly packaging bags.

➢ *Wukong Environmental Protection Sneaker*

In 2022, the Group developed Wukong Environmental Protection Sneaker around the environmental protection concept of turning waste into wealth. We add 20% recycled materials to its soles; the vamp is made of recycled yarn from waste materials such as plastic bottles and rags, which is lighter and breathable; shoelace and lining are all made of recycled materials; the insole is made of bio-based materials, which has better resilience and softness, and can be recycled to reduce energy consumption; and the shoe molding glue is a kind of environment-friendly water-based glue, which has strong hydrolysis resistance and less pollution to the environment and atmosphere. The packaging box of this product also uses an environment-friendly shoe box certified by FSC[23], which fully demonstrates the environmental protection concept and actions of the Group.

Wukong Environmental Protection Sneaker

[22] GRS: Global Recycled Standard.
[23] FSC: Forest Stewardship Council.

➢ *Plant dye*

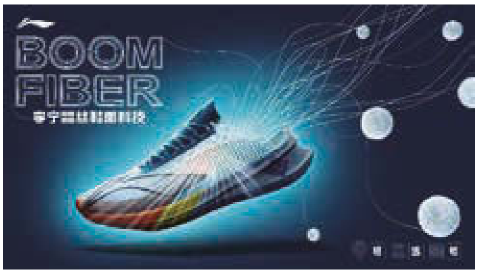
The Group is committed to the research and development of plant dyed products. We extract natural colors from plants, and select pomegranate rind, Chinese gall, indigo plants, green tea, madder, mulberry leaves and other plants from thousands of natural plants, which are presented with five natural colors: creamy (beige), azure blue (light dusty blue), lotus red (soft fog pink), storax (goat grey) and olive-green porcelain (desert green). The application of plant dyes not only avoids the environmental pollution caused by synthetic chemical dyes, but also greatly reduces the unit consumption of production energy, water resources and steam, and effectively fulfills the environmental protection responsibility. In addition, natural yarn fabrics are preferred for products using plant dyes, thus further reducing the environmental pollution in the process of plant cultivation.

In 2022, we launched a brand-new single product of plant dyeing, which injected Chinese crafts and environmental protection and sustainability concepts that inherited the artists' ingenuity of the Millennium into the clothing fashion, and interpreted advanced and simple life aesthetics and traditional crafts full of natural interest from the fashion perspective. In 2022, the sales of plant dyed products were about 412,000 pieces.

Plant Dyed Products

➢ *Boom Fiber*

Boom Fiber is made from castor oil. It is a bio-based product that can replace petroleum-based compounds, and is planted in a sustainable way and closer to nature. In June 2022, Li-Ning released BOOM FIBER Vamp Technology, which further extended the "Li-Ning Boom" technology released in 2019, and extended the Boom technology from the midsole to the vamp. Boom Fiber not only ensures the vamp strength, but also produces a larger area of breathable mesh and greatly enhances the breathable efficiency of the vamp. The overall weight of shoes is effectively optimized to reduce the burden and pressure on both feet. Thanks to the combination of high-performance materials and advanced weaving techniques, the vamp is stronger, flexural and tear resistant, providing stable and reliable feet wrapping and support.



Boom Fiber Vamp Technology

Industry Cooperation

The Group fully practices its social responsibility by actively participating in many sustainable development exchange and construction activities in the industry, promotes industry discussion and cooperation in low-carbon management, sustainable supply chain and sustainable product innovation, jointly explore and optimize the sustainable development model of enterprises, and actively contribute to the national "carbon peak and carbon neutrality" strategic goal while improving its own sustainable development management level.

In 2022, The Group was invited to participate in exchange and cooperation activities such as PricewaterhouseCoopers "Green Future" themed event in China International Fair for Trade in Services, ESG Governance and Information Disclosure Seminar of Listed Companies in Chinese Textile and Apparel Industry, and M SPACE "Sustainability is the New Fashion" in Shanghai Fashion Week. Focusing on ESG vision and strategy, ESG management system, climate change response, ESG management of supply chain and carbon emission reduction and other issues, the Group shared its management concepts and practical actions, actively interacted with industry peers and partners, and joined hands with other companies to explore green and sustainable development opportunities, cope with green transformation challenges and promote the ESG management level in the industry.

In addition, the Group continued to advance steadily on the path of low-carbon transition, made innovations and breakthroughs in the field of sustainable development, gradually improved its own low-carbon development actions. It was successfully selected into the "Report on Low-carbon Transition and High-quality Development of Chinese Enterprises 2022". All of these demonstrated our determination and efforts to actively respond to the "carbon peak and carbon neutrality" strategy and cope with climate change.

V. PRODUCT LIABILITY MANAGEMENT

The Group highly upholds the vision of "becoming the globally recognized fashionable world-leading professional sports brand originated from China", and always attaches great importance to the management of product responsibility, the Group strictly abides by relevant laws and regulations such as the "Product Quality Law of the People's Republic of China" and the "Law of the People's Republic of China on Protection of Consumer Rights and Interests", constantly strengthen product quality control and are committed to providing consumers with comfortable and safe products; continuously improve customer service quality and optimize customer communication mechanism; focus on advertising and trademark management, actively protect intellectual property rights, and implement brand protection and responsible publicity; and improve the customer information security and protection mechanism and protect the legitimate rights and interests of consumers.

Product Quality Control

In 2022, to further standardize the product quality management standards, the Group, on the basis of strict compliance with relevant laws and regulations, consulted the national GB/T 19001-2016 Quality Management System, ISO9001 Quality Management System and technical specifications for shoes, clothing and accessories, as well as relevant industry standards. The Group systematically sorted out the requirements of the control process of each node, and revised the "Implementation Rules of Technical Requirements for Product Safety of Li Ning Company Limited", the "Executive Standard Number, Size, Grade, Safety Category and Shelf Life of Infant and Child Clothing", the "Executive Standard Number, Size, Grade, Safety Category and Shelf Life of Adult Clothing", the "Quality Control Process of Shoe Products at the Development Stage", the "Management Regulations for Special Use", the "Sampling Rules for the Physical Properties of Finished and Semi-Finished Soles of Li Ning Shoes", the "Operation Instructions for Incoming Inspection and Control Requirements of Raw Materials" and other internal regulations, to further guarantee the product quality management system.

The Group has continuously strengthened the quality supervision and management of the whole process of product production. In the stage of product development, a risk assessment team composed of personnel from Product Development Project Team, Quality Control Department (QC) and Quality Assurance Department (QA) is set up to evaluate and analyze the quality risks existing in product development every quarter. In the stage of production, a joint inspection team including QC and QA personnel is set up to have joint quality inspection on the warehouse every quarter in the aspects of process management, material quality and craftsmanship level. In addition, a number of special quality level market survey were carried out during the year, including washed denim/corduroy, functional children's wear, functional materials, dresser line fabrics and chinlon fabrics, etc., and special analysis reports were produced to further improve the quality level of products. At the same time, we attach great importance to consumer feedback, so we follow up and improve the product quality that meets the quality standards but falls short of consumer expectations. We have prepared the Quality Control Manual Based on Consumer Experience to improve consumer satisfaction and strengthen product quality control from the front end of product research and development.

We audit the quality management systems of finished shoe suppliers, main sole material suppliers and clothing material suppliers every year. According to the evaluation results, we take measures such as rectification within a prescribed time limit, interview, and circulated notice of criticism or starting disqualification procedure for unqualified suppliers. In 2022, the footwear QA of the Group revised the "On-the-spot Audit Form of Introduction of Suppliers" to strictly review the qualifications of accepted suppliers and further ensure the quality of suppliers.

Product Identification and Recall

The Group has prepared the Regulations on the "Management of Defective Product Recall of Li Ning Company Limited", the "Procedures and Standards for the Recovery of Defective Products of Li Ning Company Limited", the "Service Commitment of Three Guarantees of Product Quality", and the "After-sales Service Manual of Li Ning Company Limited". A perfect defective product recall management process has been established to fully guarantee product quality and safety, protect consumers' legitimate rights and interests, and enhance consumers' shopping experience.

We strictly control various product processes and standards, and set up a complete after-sales guarantee system. All goods sold in online stores are subject to the policy of return of goods without reasons within 7 days, and all goods sold are entitled to the "Three Guarantees" (for repair, replacement, and compensation of faulty products) policy according to national regulations. In case of any returned product, our full-time defective product examination team will identify the problems existing in the product and give back the identification results to customers. At the same time, the identification results will also be transmitted to the management personnel of logistics, finance, suppliers and other links, and will be reported in the Monthly Quality Report. In the follow-up product research and development, the Product Research and Development Department will refer to the effective market feedback to further improve the product quality. In 2022, the Group did not recall any products for safety and health reasons.

The Group has established a strict product recall mechanism and will recall products due to their inherent quality hazards, health and safety hazards, infringement and other related problems. The scenarios in which the Group implements product recalls mainly include:

- Products that are not qualified for sampling inspection by the State or local market supervision department;
- Products are 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;
- Products involved in infringement, plagiarism or violation of relevant laws and regulations, and has a negative impact on the company;
- The defective rate of a single type of product reaches a certain percentage, which leads or may lead to the failure of normal sales or the rapid decline of customer satisfaction.

In response to the product recall, the Group has formulated perfect treatment procedures and measures to protect the legitimate rights and interests of consumers:

- QA Department has the right to request the suspension of sales of product concerned, so as to prevent the potential risks from further expanding, and immediately carry out investigation in conjunction with other relevant departments to track the causes of problems.
- QA Department informs the manufacturer of product quality information in time, so that the manufacturer can take actions to deal with possible losses, establish effective communication channels with suppliers and third parties, and actively seek solutions to reduce losses caused by product defects.
- QA Department decides to implement the recall plan according to the quality inspection report, infringement appraisal report or market feedback, and formulates the treatment plan for products recalled to minimize the impact on consumers.

Customer Complaints and Protection

On the principle of "customer first and professional service", the Group continuously optimizes its customer service system. The Group has formulated the "Regulations on the Management of Customer Service Telephone Answers", "Customer Service Knowledge Management Standards", "Daily Management Standards of Customer Service Hotline", "Member Online Service Management Standards" and other systems to continuously strengthen customer communication, fully listen to consumer opinions and feedback, efficiently handle customer complaints, and protect their rights and interests. In 2022, we have effectively improved the customer service level by taking all-round and diversified measures:

- **Optimize and upgrade the customer service platform:** In 2022, the Group integrated and upgraded the all-media customer service platform, opened up many points of access for customer service, realized seamless connection of consumer problem acceptance, and further promoted the upgrade of customer service level. In case of consumer complaints, our customer complaints specialists will follow up and handle them, timely call back to consumers and know their complaint contents and requirements, and negotiate with them to return goods, exchange goods, or make compensation, etc., so as to ensure communication and consensus with consumers.

- **Establish multiple communication channels:** We established many user communication channels such as "400 Customer Care Hotline" (400-610-0011), we-media channel Weibo (@ Li-Ning Official Weibo), Li-Ning CLUB WeChat official account, designing WeChat Mini Program, and contact email address (ccc.support@li-ning.com.cn) and voice message to ensure the round-the-clock access to customers' opinions and suggestions. In addition, an online auxiliary feedback channel of enterprise WeChat in channel stores can be used to communicate with customers more conveniently and quickly and solve consumers' concerns efficiently.

- **Conduct consumer satisfaction survey:** We build a good communication bridge with consumers by using consumer insight tools. We take the initiative to understand consumers' willingness to repurchase, motivation of purchasing important commodities, and experience of services and activities, and treat consumers' feedback strictly. After obtaining customers' feedback on products or services, we systematically sort out and summarize them to form an analysis report, which will be transmitted to relevant departments for implementation and improvement, so as to continuously improve service quality and enhance customer experience.

In 2022, the Group's head office received 1,553 consumer complaints and our e-commerce platform received 691 consumer complaints through the market supervisory authority. Upon receipt of complaints, we analyzed the product problems together with the consumer complaints and deal with the consumers' requirements accordingly with 100% settlement. The results were fed back to the Administration for Market Regulation.

Customer Information Protection

The Group keeps strictly to the requirements of relevant laws and regulations such as "Personal Information Protection Law of the People's Republic of China", "Cyber Security Law of the People's Republic of China" and "Data Security Law of the People's Republic of China". A perfect information security management mechanism has been established, and the whole process of data flow is strictly monitored by using high-security firewall technology to ensure that customer information is not leaked during transmission or storage. In 2022, the Group revised the "Information Security Management Regulations of Li Ning Group", the "Definition of Classified Confidential Information of Li Ning Company Limited and the "Provisional Regulations on Information Security Management of Li Ning Company Limited", and formulated the "Member Rules" and "Privacy Policy" for members registered in Hong Kong, so as to further improve the information and data security management standards and effectively protect customers' privacy and data security. In 2022, we also started the Personal Information and Data Security Compliance Project, and completed the compilation of questionnaire of personal information. In the future, we will continue to carry out personal information and data security compliance assessment, system building and compliance training, etc., so as to further improve information protection and privacy security.

In terms of internal management measures, the Group keeps all customer information properly and protects strictly in all aspects. All customer service personnel cannot obtain personal information of consumers in batches. Only authorized personnel can read and use relevant data within the authorized scope, and single data is also transmitted in the system in an encrypted way. The operation records of all customer service personnel are stored in system logs, which can be supervised and managed timely and effectively. In case of customer information leakage, we will seriously deal with the leaker according to relevant laws and regulations and internal personal information protection measures, and as the circumstances may require, determine whether the leaker should be transferred to law enforcement agencies for further treatment. We explain to consumers whose privacy is disclosed and promise to bear corresponding legal responsibilities.

In terms of third-party partner management, we can only obtain customer's personal information with customer's authorization, and inform the customer of the list of third-party SDKs accessed by various platforms of Li Ning's official flagship store. It is strictly forbidden to provide any customer information and data to any third party without authorization to ensure the safe transmission of customer information. In addition, we have added "Commitment Letter of Personal Information and Data Protection", personal information and data protection clauses and so on to distribution contracts, some service contracts, and e-commerce business cooperation contracts, requiring partners to strictly fulfill their obligations and responsibilities of personal information and data protection. In addition, we systematically evaluate suppliers, and require those suppliers who meet the requirements to establish a complete customer information preservation mechanism and apply the same information security management system as within the Group. We also supervise the implementation in order to reduce the risk of customer information leakage.

In terms of employee training and assessment, the Group organizes employee training on consumer information and privacy protection every quarter, focusing on topics such as consumers' personal information security protection measures, types and cause analysis of personal information infringement in e-commerce, etc., so as to enhance employees' sense of responsibility to safeguard consumers' rights and interests according to law. In 2022, we introduced the Data Security Law of Data Compliance and other legal information related to personal information protection to all employees to strengthen their legal awareness of information protection. In addition, we conduct daily work assessment on customer service personnel, urge them to strictly abide by internal management regulations to protect consumers' privacy, and advocate information security and privacy protection as key contents in weekly and monthly customer service meetings.

Intellectual Property Rights and Brand Protection

The Group strictly abides by relevant laws and regulations such as the "Trademark Law of the People's Republic of China", "Patent Law of the People's Republic of China", "Copyright Law of the People's Republic of China", "Advertising Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China" and "Law of the People's Republic of China on Protection of Consumer Rights and Interests". The Group constantly carries out standardized intellectual property protection, brand protection, advertising and trademark management.

In 2022, we further implemented the "Intellectual Property Management System", "Trademark Management Measures", "Patent Management Measures", "Copyright Management Measures", "Personal Information Protection Law" and other institutional norms. All functional departments were required to implement intellectual property management strategies according to law, strictly implement the compliance review process of intellectual property protection applications including trademarks, patents, copyrights and product designs, investigate and avoid potential infringement risks, and strengthen the prevention and handling of intellectual property cases by formulating an intellectual property early warning mechanism to effectively improve the efficiency of intellectual property management.

- For products to be launched, we review the styles and elements of product design prior to launch, and hold an internal sample selection meeting to identify and adjust potential infringing products in time. If a launched product is exposed to the risk of intellectual property infringement, we will take down the product immediately and claim liability from the responsible persons.

- For cooperative suppliers, the Group has specified the provisions of intellectual property declaration in the "Materials Cooperation Agreement", "Product Processing Agreement" and other agreements, requiring suppliers to guarantee that the products and materials they supply will not infringe on the intellectual property rights and legitimate rights and interests of any third party. In case of infringement, we will immediately start legal proceedings to protect rights.

- In view of the protection of intellectual property rights in the process of production and placement of advertisements, we have a brand material review process. After the relevant business departments submit applications, the Legal Department and the Brand Department jointly review the infringement of intellectual property rights related to advertising to ensure compliance of the production and placement of advertisements.

To practice responsible publicity, the Group has formulated the "Advertising and Promotion Compliance Guide" to strengthen the standard compliance publicity. It is strictly forbidden to disseminate, publish, edit and tamper with any unauthorized pictures, fonts, texts, software and music pieces. Any form of infringement is not allowed in order to ensure the authenticity of publicity content and avoid misleading consumers. In addition, we regularly organize advertising and promotion training and invite professional lawyers to give "Legal Training on Advertising Marketing Compliance" on the spot, so as to strengthen the legal awareness and responsibility awareness of employees. Meanwhile, we release illegal advertising punishment cases every month in the community knowledge base of Li-Ning to share and give warnings, and gradually strengthen employees' self-restraint ability for intellectual property infringement.

In terms of brand protection, the Group has prepared the "Li Ning Brand Corporate Identity Use Specification", which clearly stipulates the display form, appearance proportion and specifications of the brand logo, compliance matters that should be concerned and observed when using brand logo for pattern creation in non-logo areas, as well as the management norms that external partners should strictly follow when using relevant logos and materials, so as to further enhance the standard management of brand protection. In addition, we regularly monitor the suspected cybersquatting of the Group's brand trademarks every month, and have developed a number of brand rights protection and anti-counterfeiting measures:

- Cooperate with many e-commerce platforms in governance, and report and remove fakes retrieved by ourselves or reported by consumers;
- Buy fakes with large sales volume on e-commerce platforms and find out their place of origin, coordinate with industry and commerce authority and public security to crack down on their warehouses, so as to solve problems from the source and root;
- Notarize the purchase of the counterfeit products and file a civil tort lawsuit in court to seek compensation and closure of the fake selling stores.

VI. ANTI-CORRUPTION MANAGEMENT

The Group puts high emphasis on anti-corruption and is committed to building a clean and efficient operating ecology. We strictly follow the "Criminal Law of the People's Republic of China", "Company Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China", "Interim Provisions of the State Administration for Industry and Commerce on Prohibiting Commercial Bribery", the "Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Laws in Handling Criminal Cases of Corruption and Bribery" and the "Opinions of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Laws in Handling Criminal Cases of Commercial Bribery" and other laws and regulations to strengthen anti-corruption management.

The Group constantly improves its anti-corruption mechanism, standardizes anti-corruption management norms, and has formulated many systems and regulations such as "Anti-Corruption and Anti-Bribery System of Li Ning Group", "Complaint Reporting Procedure", "Retail Store Operation Management Manual", "Financial Management and Punishment Standards", "Cash Expenditure System", "Employee Handbook", "Non-productive Procurement Management System", and "Tendering and Bidding Management Measures". These systems and regulations clearly specify the anti-corruption management process and punishment standards to ensure the orderly anti-corruption management. In 2022, there were no corruption lawsuits filed and concluded against the Group or its employees.

The Group has continuously improved its anti-corruption management measures, maintained a zero-tolerance attitude towards employee corruption, resolutely put an end to corruption, and strived to build a clean and honest working environment. In 2022, the Group improved and revised the reporting channels in the "Anti-corruption and Anti-bribery System of Li Ning Group". In terms of corruption reporting mechanism, we promulgated the "Complaint Reporting Procedure" in 2022, which clarified the reporting channel, reporting process, and whistleblower protection measures to ensure the orderly reporting mechanism. We also distributed the "Complaint Reporting Guide" to all employees, specifying the specific requirements and specifications for accepting complaints, investigating and verifying complaints, and handling complaints, etc., so that all employees could know the related matters of complaints and whistle-blowing. In terms of reporting channels, we set up reporting mailboxes, senior management complaint mailboxes, HR complaints and employees' independent reporting to strictly supervise and avoid any corruption. In addition, we also put up a "Warm Tips" at the cashier's desk of store to establish a consumer reporting channel and protect consumers' rights and interests. In terms of whistleblower protection, we strictly keep whistleblower's information confidential, and promise not to tolerate any retaliation against complainants or whistleblowers. Anyone who retaliates against individuals who report suspected violations of laws and regulations or report risks to the Group's business will be dealt with seriously.

The Group has also continuously improved the anti-corruption management mechanism of suppliers and partners. We conduct anti-corruption and anti-bribery investigations on suppliers of shoes, clothing, accessories and equipment every six months, and require all suppliers to sign the "Commitment Letter of Anti-corruption and Anti-bribery" to regulate their behaviors. Any supplier who has corruption will be dealt with seriously. At the same time, we continue to optimize the reporting procedures, indicate the contact information of reporting in the Commitment Letter of Anti-corruption and Anti-bribery, encourage suppliers to report with real names and provide verifiable information and clues, and strictly keep the whistleblower's information confidential.

The Group actively strengthened anti-corruption publicity and education, enhanced anti-corruption awareness of employees and comprehensively promoted the construction of anti-corruption culture. In 2022, the Group trained 20,139 employees in terms of anti-corruption with the training duration of 179 hours. The details are as follows:

- Conduct anti-corruption training for all directors by circulating data and watching videos, including training and learning on Complaint Reporting Procedures and Anti-corruption and Anti-bribery System of Li Ning Group, and watching "Zero Tolerance" series anti-corruption education videos;

- Explain the "Anti-corruption and Anti-bribery System of Li Ning Group" to all employees through online video recording and broadcasting; distribute anti-fraud publicity and training information, including "Zero Tolerance", "Complaint Reporting Guide" and "Blacklist of Anti-Corruption Tools", etc., to enhance employees' anti-corruption awareness;

- Organize trainings on anti-corruption compliance of LCOUNCIL[24] and Enterprise Anti-Fraud Alliance in China, and conduct training for key departments such as internal audit, group audit, retail operation project management, non-productive procurement management, channel supervision department, and HR on investigation and evidence collection of fraud cases, criminal compliance and risk identification, R&D audit and case analysis, key points of criminal compliance review of corporate commercial bribery, recent law enforcement hotspots of commercial bribery and corporate compliance response. A total of 16 relevant trainings were organized.

VII. COMMUNITY INVESTMENT MANAGEMENT

The Group is well aware that the rapid development of enterprises cannot be separated from the support of the government and the community. The Group has always adhered to the idea of coordinated development between enterprise and community, actively assumed social responsibilities, carried out targeted assistance and support with its own sports brand resource advantages, actively participated in public welfare undertakings such as charity, special group care and disaster relief, and made efforts to repay to the society, contributing to the harmonious development of society.

Help each other and address the hardships together

The Group pays close attention to natural disasters and other public health emergencies and social security incidents, actively raises materials and donates money for disaster areas, supports post-disaster reconstruction and resumption of production, and gathers the strength of love to practice the spirit of selfless love.

[24] LCOUNCIL: China Legal Executive Council.

Pass on Love – Assist the post-earthquake reconstruction of the disaster area

In September 2022, the 6.8-magnitude earthquake occurred in Luding County, Ganzi Prefecture, Sichuan Province. Once it happened, we immediately learned about the disaster, quickly launched emergency plans for rescue activities, and actively assisted the post-disaster recovery and reconstruction by donating our products and reinforcing medical rescue teams.

Donations for Earthquake in Luding, Sichuan

United as One – Build a barrier for COVID-19 prevention

After the outbreak of COVID-19 in Hong Kong, Shanghai, Jilin, Guangxi and Inner Mongolia, the Group actively supported the epidemic areas to overcome the difficulties by donating cash and epidemic prevention materials. In February 2022, under the overall arrangement of "Hong Kong Community Anti-Epidemic Link", Li Ning Group donated HK$10 million to support the fight against the epidemic in Hong Kong, China.

Donation for Hong Kong, China

Pass on love and help the needy

The Group is committed to helping the socially disadvantaged groups, paying attention to the development of education level and residents' health in poverty-stricken areas, helping the construction of difficult areas and improving people's livelihood, and promoting the harmonious development of society.

Caring for Women – "Postal Parcel For Mothers" Charity Activity

In the Spring Festival of 2022, the Group cooperated with Tencent's online charity platform and China Women's Development Foundation to launch a "Walk Together" public welfare activity, calling on employees, partners and the public to send parcels to rural distressed mothers and left-behind mothers through sports. During the event, the cumulative number of participants exceeded 1 million, and the donation exceeded RMB800,000.

"Postal Parcel For Mothers" Charity Activity

Care for Children – Material donation and assistance for needy students

In 2022, the Group organized donations together with the China Women Development Foundation, Beijing Chen Weihong Public Welfare Foundation and the Red Cross Society of Jinping Miaozu, Yaozu and Daizu Autonomous County to Nanyangzhuangwan Primary School in Zhengcheng Town, Linyi City, Shandong Province, Mixiang Middle School in Jinping County, Furong Primary School in Madi Township, Longsheng County, Guilin City, Guangxi Province, Banshenqi Primary School in Goumen Town, Tumd Right Banner, Baotou City, Inner Mongolia, and Donghui Primary School and Middle School in Donghui Town, Pingding County, Yangquan City, Shanxi Province. We donated clothes with a public welfare value of more than RMB400,000 to help needy students to get through the cold winter, and fulfilled corporate social responsibility.

Help Poor Students

Inheritance of intangible cultural heritage and cultural rebirth

The Group actively promotes the inheritance of intangible cultural heritage, integrates its products with intangible culture, and further promotes the promotion of traditional culture while enriching its product mix.

Cultural Inheritance – Support the public welfare project of "Genius Mother Dream Workshop"

In 2022, the Group participated in the public welfare project of "Genius Mother Dream Workshop" initiated by China Women's Development Foundation, and added hand embroidery patterns by genius mothers to the production of products, creating a special series of public welfare clothing products, and exploring the collision and innovation between its own products and Qiang Embroidery art in China. The embroidery pattern on products is the Qiang flower "Rhododendron Westlandii Blossom Pattern", which means happiness and reunion, and expresses the best wishes for a better life in the future. Through this project, we have achieved the public welfare goal of empowering women in distress with their own needs and helping the rural area revitalize her strength.

"Genius Mother Dream Workshop" public welfare activity

Sports for strong body

With the brand mission of "Let Sports Light Your Passion", the Group actively responds to the advocacy of sports for all, and promotes the physical fitness of the public with brand advantages.

Cultivate teenagers' sports hobbies: Set up sports training classes

Focusing on the field of youth sports training, the Group actively sets up training courses to enhance the physical fitness of teenagers and cultivate their sportsmanship. In 2022, we gave a 30-day daily training course on sports of high school examination, basketball and badminton, with a total of 1,500 participants. This training aims to teaching teenagers professional exercise methods, making them cultivate good exercise habits while strengthening physique.

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: Exhaust 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.	2022 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).	2022 Environmental Performance
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2022 Environmental Performance
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2022 Environmental Performance
	A1.5 Description of emissions target(s) set and steps taken to achieve them.	Environmental Goals, Environmental Management System and Measures
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Goals, Environmental Management System and Measures

Aspect	Content	Section
A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	Environmental Management
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	2022 Environmental Performance
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2022 Environmental Performance
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Goals, Environmental Management System and Measures
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Goals, Environmental Management System and Measures, 2022 Environmental Performance
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	2022 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.	Safety Security and Health

Aspect	Content	Section
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safety Security and Health
	B2.2 Lost days due to work injury.	Safety Security and Health
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety Security and Health
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, and Supplier Disqualification
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Building a Green Supply Chain
B6: Product 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 Liability 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 Rights and Brand Protection
	B6.4 Description of quality assurance process and recall procedures.	Product Identification and Recall

Aspect	Content	Section
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Information Protection
B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption Management
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	None
	B7.2 Description of preventive measures and whistle–blowing procedures, and how they are implemented and monitored.	Anti-corruption Management
	B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption Management
Community		
B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment Management
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, 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 2022, the recurring waves of the pandemic caused short-term impacts on the macroeconomy. Nonetheless, the consumption demand of the sports industry is expected to recover along with the optimization of pandemic prevention measures. At the same time, the Group made the strategic move to concentrate on the development of functional products, and professional products became an effective growth driver of the operating results. These products also helped the Group gain brand and product influence while strengthening its competitiveness in the industry. Based on that, the Group adhered to the development strategy of "Single Brand, Multi-categories, Diversified Channels". With a focus on product, channel and retail operating capacity and supply chain management, the Group stepped up product and technology research and development, improved the operating efficiency of the retail channels, and bolstered the stability and flexibility of the supply chain. In order to strengthen brand image and influence, it attracted consumers' attention with special and creative campaigns, including the fashion week and product crossovers. During the year, the Group's revenue and profit remained stable amid the shock of the pandemic, which demonstrated the excellent resilience of the brand.

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

• *COMMUNICATION AND DISCOVERY*

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

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

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

• *TRANSMISSION AND RECOMMENDATION*

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

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

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

Type of activities	2022	2021	2020
Roadshows (including reverse roadshows)	**2 (137 meetings in total)**	2 (68 meetings in total)	2 (65 meetings in total)
Forum	**11 (67 meetings in total)**	8 (63 meetings in total)	8 (61 meetings in total)
Meeting/online conference	**306**	334	333

Looking into 2023, in line with the Company's development progress, the Investor Relations Department of the Company will continue to focus on the core working principle of "Communication and Discovery, Transmission and Recommendation", emphasize on helping the investment community gain a more comprehensive and prompt understanding of the Company's current development and future approach so as to continuously and proactively maintain confidence of the Company's long-term development from the capital market.

INFORMATION FOR INVESTORS

Share Information

Listing: Main Board of the Hong Kong Stock Exchange on 28 June 2004
Stock code: 2331
Board lot: 500 shares
No. of issued shares as at 31 December 2022: 2,633,919,586
Market capitalisation as at 31 December 2022: approximately HK$178,448,051,952

Dividend for 2022

Interim dividend: Nil
Final dividend: RMB46.27 cents per share

Financial Calendar

Announcement of annual results: 16 March 2023
Annual General Meeting: 14 June 2023

Corporate Websites

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

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DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

Mr. Li Ning, aged 60, 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 32 years to the development of the Group's business, making great contribution to the development of the sporting goods industry in China. Mr. Li also serves as chairman, chief executive officer, executive director 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 non-executive chairman of LionRock Capital GP Limited and a director of The Hong Kong Research Institute of Textiles and Apparel Limited. Mr. Li holds a bachelor's degree in law from School of Law of Peking University (北京大學), an executive M.B.A. degree from Guanghua School of Management of Peking University (北京大學光華管理學院), a technical honorary doctorate from Loughborough University in the United Kingdom and a degree of Doctor of Humanities honoris causa of The Hong Kong Polytechnic University. In June 2010, Mr. Li was also conferred honorary fellowship from The Hong Kong University of Science and Technology. Mr. Li has also been actively involved in charities via his "Li Ning Foundation" (李寧基金) and has supported educational development in impoverished and remote areas in China. In October 2009, Mr. Li was appointed by The United Nations World Food Programme (WFP) as "WFP Goodwill Ambassador against Hunger". Mr. Li is an honorary president of the Hong Kong Association of Youth Development and a life member of The Chinese General Chamber of Commerce, Hong Kong. Mr. Li is the uncle of Mr. Li Qilin, an executive Director of the Company, and he is also the brother of Mr. Li Chun, a substantial shareholder of the Company as defined in the SFO.

Mr. Kosaka Takeshi, aged 52, 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 19 years' experience in the development and management of the PRC market.

Mr. Li Qilin, aged 36, 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 66, 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 67, is an independent non-executive Director, chairperson of the remuneration committee, a member of the audit committee and the nomination committee of the Company. Ms. Wang joined the Group in January 2003, she has over 29 years of experience in management and corporate investment and finance matters. Ms. Wang served as a chairperson of Caelum Asset Management Company from 2011 to 2020. She served as a director of Xueda Education from 2006 to 2010, and an independent director of Xueda Education Group, a company listed on the New York Stock Exchange, from 2010 to 2016, and was the partner, director and deputy general manager of Beijing Investment Consultants Inc. from 1996 to September 2011, and was a professor and dean assistant in Guanghua School of Management of Peking University (北京大學光華管理學院) from 1995 to September 2011. Ms. Wang holds a bachelor's degree in international politics from Fudan University (復旦大學) in Shanghai and was an exchange scholar in Maryland University, College Park in the United States. Ms. Wang also holds a M.B.A. degree from University of Lancaster in the United Kingdom.

Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*, aged 65, is an independent non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company. Dr. Chan joined the Group in June 2004, he has over 36 years of experience in the garment industry and is currently the chairman of Prospectful Holdings Ltd. Dr. Chan serves as an independent non-executive director of Great Harvest Maeta Group Holdings Limited, Glorious Sun Enterprises Limited and MTR Corporation Limited, all of which are listed on the Main Board of the Hong Kong Stock Exchange. He was an independent non-executive director of Speedy Global Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, from December 2012 to January 2023. Dr. Chan is active in community affairs in Hong Kong. He 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.

Ms. Wang Yajuan, aged 53, is an independent non-executive Director. Ms. Wang joined the Group in December 2022, she has over 20 years of experience in business administration and is currently the chief marketing officer of Xingyin Information Technology (Shanghai) Co., Ltd. (行吟信息科技(上海)有限公司) ("Xingyin"), which operates Xiaohongshu (小紅書), a social media and e-commerce platform in the People's Republic of China. Prior to joining Xingyin, she served as a senior vice president of Weibo (a company listed on NASDAQ) from February 2014 to March 2020. Ms. Wang holds a bachelor's degree in science (Library and Information Science) and an executive master degree in business administration from Peking University.

SENIOR MANAGEMENT

Mr. Zhao Dong Sheng, aged 51, vice president and chief financial officer of the Group, joined the Group in August 2022, and is responsible for financial and treasury functions of the Company as well as investor relations. Mr. Zhao has over 24 years of experience in the fast-moving consumer goods industry. He previously worked for Swire Coca-Cola (China) Co., Ltd. as the finance general manager. Mr. Zhao is a Senior Accountant of the People's Republic of China, a fellow member of Certified Practising Accountant in Australia, a Chartered Global Management Accountant and a fellow member of the Chartered Institute of Management Accountants. Mr. Zhao holds a master degree in accounting from Jiangxi University of Finance and Economics and a master degree in business administration from China Europe International Business School.

Mr. Hong Yu Ru, aged 57, 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. Jin Zhai Xuan, aged 45, 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 20 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 40, vice president of the Group, joined the Group in October 2021, and is responsible for wholesale business of the Group. Mr. Wang has over 17 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 43, 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 19 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 67, 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 and medal teams' sports marketing. Mr. Zhang has over 42 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 53, 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 29 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 54, 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 30 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 57, 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 30 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 45, the general manager of the footwear supply chain management of the Group and the general manager of Guangxi R&D 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 22 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 2022.

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

In addition to its core LI-NING brand, the Group also manufactures, develops, markets, distributes 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 2022 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 2022 are set out in the consolidated income statement on page 144 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 2022 (2021: nil).

The Board has recommended the payment of a final dividend of RMB46.27 cents per Share issued or to be issued upon conversion of CS for the year ended 31 December 2022 (2021: RMB45.97 cents). The proposed dividend payment is subject to approval by the Shareholders at the 2023 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 14 June 2023. Such dividend will not be subject to any withholding tax. Upon Shareholders' approval, the proposed final dividend will be paid:

(i) on 30 June 2023 to Shareholders whose names shall appear on the register of members of the Company on 21 June 2023;

(ii) on 30 June 2023 to CS Holders issued under the 2015 Open Offer and remain outstanding on 21 June 2023; and

(iii) on 5 July 2023 (i.e. the third business day after 30 June 2023) to CS Holders issued under the 2013 Open Offer and remain outstanding on 21 June 2023.

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 21 June 2023) shall be entitled to the distribution of such final dividend of the Company. For details of calculation of distribution of the final dividend entitled to the CS, please refer to the listing documents of the Company dated 27 March 2013 and 9 January 2015 respectively.

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

CLOSURE OF REGISTER OF MEMBERS AND CS HOLDERS

For the purpose of determining Shareholders who are entitled to attend and vote at the 2023 AGM and Shareholders and CS Holders qualifying for the proposed final dividend to be approved at the 2023 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 2023 AGM:

Latest time to lodge transfer documents	4:30 p.m. on 8 June 2023 (Thursday)
Period of closure of register of members	9 June 2023 (Friday) to 14 June 2023 (Wednesday) (both days inclusive)
Record date	14 June 2023 (Wednesday)
2023 AGM date	14 June 2023 (Wednesday)

In order to qualify for attending and voting at the 2023 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, 8 June 2023.

(ii) For ascertaining entitlement to the proposed final dividend to be approved at the 2023 AGM:

Latest time to lodge transfer documents	4:30 p.m. on 19 June 2023 (Monday)
Period of closure of register of members and register of CS Holders	20 June 2023 (Tuesday) to 21 June 2023 (Wednesday) (both days inclusive)
Final dividend record date	21 June 2023 (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, 19 June 2023.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 17 to the consolidated financial statements.

RESERVES

As at 31 December 2022, the Company's distributable reserves, including share premium, other reserves and retained earnings, amounted to RMB12,640,742,000 (31 December 2021: RMB12,910,651,000).

Details of the movements in the reserves of the Group and the Company during 2022 are set out in the consolidated statement of changes in equity on pages 146 to 147 of this annual report and notes 17 to 18 and note 36(a) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively in the financial year ended 31 December 2022 were as follows:

	Year ended 31 December	
	2022	2021
	% of total revenue	% of total revenue
The largest customer	**3.2**	3.9
Five largest customers	**11.5**	13.1
	% of total purchases	% of total purchases
The largest supplier	**8.9**	9.5
Five largest suppliers	**27.4**	29.5

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 2022 was nil (2021: nil).

DONATIONS

During the year, the Group has implemented cash and material donations with value of RMB32,243,000 (2021: RMB28,909,000).

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 2022, the 2013 Convertible Securities in an aggregate principal amount of approximately HK$9,297.54 had been converted into 2,921 Shares and no 2015 Convertible Securities were converted into Shares. As at 31 December 2022, the outstanding 2013 Convertible Securities amounted to approximately HK$3,454,753.45 and the outstanding 2015 Convertible Securities amounted to HK$200.20 which are convertible into a total of 1,085,376 Shares and 77 Shares respectively.

Assuming all outstanding CS were converted into Shares as at 31 December 2022, set out below is the shareholding structure of the Company before and after such conversion:

Name of substantial Shareholders *(Note 1)*	No. of Shares before conversion of outstanding CS	% of holdings	No. of Shares convertible under the CS	No. of Shares after including shares convertible under the outstanding CS	% of holdings
Li Ning	275,193,356 *(Note 2)*	10.45%	–	275,193,356	10.44%
Public	2,358,726,230	89.55%	1,085,453	2,359,811,683	89.56%
Total	2,633,919,586	100.00%	1,085,453	2,635,005,039	100.00%

Notes:

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

2. Mr. Li Ning is interested in 275,193,356 Shares, among which:

   – 3,991,813 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.

FIVE-YEAR FINANCIAL HIGHLIGHTS

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Mr. Li Ning	*(Executive Chairman and Joint Chief Executive Officer)*
Mr. Kosaka Takeshi	*(Joint Chief Executive Officer) (re-elected on 15 June 2022)*
Mr. Li Qilin	

Independent non-executive Directors

Mr. Koo Fook Sun, Louis	*(re-elected on 15 June 2022)*
Ms. Wang Ya Fei	
Dr. Chan Chung Bun, Bunny, *GBM, GBS, SBS, BBS, JP*	
Ms. Wang Yajuan	*(appointed on 21 December 2022)*

In accordance with article 86(3) of the Articles of Association, Ms. Wang Yajuan, who has been appointed by the Board as an independent non-executive Director with effect from 21 December 2022, shall hold office until the 2023 AGM and shall then be eligible for re-election.

In accordance with article 87 of the Articles of Association and the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules, Ms. Wang Ya Fei and Dr. Chan Chung Bun, Bunny shall retire from the office by rotation and, being eligible, offer themselves for re-election as Directors at the 2023 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.

Ms. Wang Ya Fei and Dr. Chan Chung Bun, Bunny have served on the Board for more than nine years respectively. The Board considers Ms. Wang Ya Fei and Dr. Chan Chung Bun, Bunny to be independent of the management and free of any relationship which could materially affect the exercise of their independent judgement; and affirmed that they are remain independent.

The Board considers that in a long-term, complex and technologically advanced business environment, it is essential that independent non-executive Directors have the opportunity to acquire, over a number of years, the experience and knowledge of the business and the sectors within which the Company operates. Hence, the Board considers that the long service provided by Ms. Wang Ya Fei and Dr. Chan Chung Bun, Bunny would not affect their exercise of independent judgement when serving the Company, and recommends Ms. Wang Ya Fei and Dr. Chan Chung Bun, Bunny to be re-elected as independent non-executive Directors at the 2023 AGM.

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 2023 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 Directors	Name of entity	Description of the entity's business	Nature of interest of the Director in the entity
Mr. Li Ning and Mr. Li Qilin	Viva 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 2022 were RMB125,273,000 (2021: RMB97,722,000).

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2022, 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. The number of Shares that may be issued upon exercise of options that may be granted under the 2014 Share Option Scheme during the year divided by the weighted average of Shares in issue for the year is 0.21%.

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

An option shall be regarded as having been accepted when the duplicate of the grant letter, comprising acceptance of the option, is duly signed by the grantee with the number of Shares in respect of which the grant of the option is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within a period of twenty-eight (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 2022 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 01/01/2022	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31/12/2022	Vesting period	Exercise period
Directors										
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
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	100,000	–	–	–	–	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	100,000	–	100,000 *(Note 1(a))*	–	–	–	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	–	490,000 *(Note 1(b))*	–	–	2,110,000	08/06/2017 to 08/06/2019	08/06/2017 to 07/06/2026
In aggregate	20/12/2017	6.12	16,480,840	–	16,480,840 *(Note 1(c))*	–	–	–	01/09/2019 to 01/04/2021 *(Note 2)*	01/09/2019 to 31/12/2022
In aggregate	15/04/2019	13.36	317,400	–	–	–	–	317,400	01/04/2020 to 01/04/2021 *(Note 2)*	01/04/2020 to 31/12/2024
Other participant *(Note 3)*										
In aggregate	17/05/2019	13.16	300,000	–	300,000 *(Note 1(d))*	–	–	–	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
			22,988,540	–	17,370,840	–	–	5,617,700		

Notes:

1. (a) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$52.25.

   (b) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$65.71.

   (c) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$59.27.

   (d) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$63.37.

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. Other participant is Mr. Su Jing Shyh, Samuel, the former independent non-executive Director.

Details of valuation of the share options granted during the year ended 31 December 2022 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. No share options were granted under the 2014 Share Option Scheme during the year ended 31 December 2022.

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 2022, the number of issued Shares of the Company is 2,633,919,586 Shares and the maximum number of Shares which may be administered under the 2016 Restricted Share Award Scheme is 131,695,979 Shares. The maximum number of Restricted Shares that may be granted to a selected participant at any one time or in aggregate shall not exceed 1% of the Company's share capital in issue as at the date of adoption of the 2016 Restricted Share Award Scheme (i.e. 18,854,940 Shares). Details of the 2016 Restricted Share Award Scheme and the terms thereof are set out in the announcement of the Company dated 14 July 2016.

Details of movements of the Restricted Shares granted under the 2016 Restricted Share Award Scheme for the year ended 31 December 2022 are set out below and in note 32 to the consolidated financial statements.

			Number of Restricted Shares					
Grantees	Date of grant	Fair value per Restricted Share HK$ *(Note 1)*	As at 01/01/2022	Granted during the year	Vested during the year	Lapsed during the year	As at 31/12/2022	Vesting period
Directors								
Li Ning *(Note 2)*	19/09/2019	22.40	395,368	–	395,368	–	–	01/09/2020 to 01/09/2022
	17/08/2021	91.00	17,637	–	17,637	–	–	01/09/2021 to 01/09/2022
	11/01/2022	76.10	–	1,447,800	–	–	1,447,800	01/04/2023 to 01/04/2026
Kosaka Takeshi *(Note 2)*	19/09/2019	22.40	864,850	–	247,100	–	617,750	01/09/2020 to 01/09/2024
	11/01/2022	76.10	–	1,018,800	–	–	1,018,800	01/04/2023 to 01/04/2026
Li Qilin	11/01/2022	76.10	–	193,100	–	–	193,100	01/04/2023 to 01/04/2026
Koo Fook Sun, Louis	24/06/2022	67.70	–	26,000	–	–	26,000	01/04/2023 to 01/04/2025
Wang Ya Fei	24/06/2022	67.70	–	26,000	–	–	26,000	01/04/2023 to 01/04/2025
Chan Chung Bun, Bunny	24/06/2022	67.70	–	26,000	–	–	26,000	01/04/2023 to 01/04/2025
Five highest paid individuals *(Note 2)*								
In aggregate	02/12/2020	42.05	67,467	–	33,733	–	33,734	01/04/2021 to 01/04/2023
In aggregate	11/01/2022	76.10	–	2,413,200	–	–	2,413,200	01/04/2023 to 01/04/2026
Other employees of the Group								
In aggregate	02/04/2019	12.48	9,368	–	9,368	–	–	01/04/2020 to 01/09/2022 *(Note 3)*
In aggregate	14/05/2019	12.52	6,100	–	6,100	–	–	01/04/2020 to 15/06/2022 *(Note 3)*
In aggregate	29/11/2019	25.10	15,536	–	15,536	–	–	01/09/2020 to 01/09/2022
In aggregate	20/10/2020	40.70	1,000	–	200	–	800	20/10/2022 to 20/10/2030
In aggregate	02/12/2020	42.05	22,534	–	11,266	–	11,268	01/04/2021 to 01/04/2023
In aggregate	02/12/2020	42.05	73,202	–	36,598	–	36,604	01/09/2021 to 01/09/2023
In aggregate	31/03/2021	50.50	9,400	–	4,700	–	4,700	01/09/2021 to 01/09/2023
In aggregate	31/03/2021	50.50	62,800	–	20,932	–	41,868	01/04/2022 to 01/04/2024
In aggregate	20/08/2021	89.20	16,126	–	5,374	–	10,752	01/09/2022 to 01/09/2024
In aggregate	11/10/2021	79.35	54,800	–	18,266	–	36,534	01/09/2022 to 01/09/2024
In aggregate	02/11/2021	81.85	6,700	–	–	6,700	–	01/09/2022 to 01/09/2024
In aggregate	20/12/2021	79.95	22,500	–	3,666	11,500	7,334	01/09/2022 to 01/09/2024
In aggregate	11/01/2022	76.10	–	77,300	–	–	77,300	01/04/2023 to 01/04/2025
In aggregate	11/01/2022	76.10	–	2,896,200	–	–	2,896,200	01/04/2023 to 01/04/2026
In aggregate	21/03/2022	62.15	–	623,700	–	12,500	611,200	01/04/2023 to 01/04/2025
In aggregate	21/03/2022	62.15	–	772,400	–	193,100	579,300	01/04/2023 to 01/04/2026
In aggregate	25/05/2022	50.65	–	39,200	–	11,200	28,000	01/04/2023 to 01/04/2025
In aggregate	30/06/2022	72.70	–	4,800	–	–	4,800	01/04/2023 to 01/04/2025
In aggregate	19/08/2022	69.10	–	19,000	–	12,500	6,500	01/09/2023 to 01/09/2025
In aggregate	23/09/2022	62.65	–	5,400	–	–	5,400	01/09/2023 to 01/09/2025
In aggregate	28/10/2022	42.35	–	5,200	–	–	5,200	01/09/2023 to 01/09/2025
In aggregate	28/10/2022	42.35	–	206,800	–	–	206,800	01/09/2023 to 01/09/2026
			1,645,388	9,800,900	825,844	247,500	10,372,944	

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 five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 included two Directors. The aggregate information reported under this category represent the movements of the Restricted Shares for the remaining three individuals.

3. 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 cap applicable to the RS Transactions for the year ended 31 December 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 2022, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name of Directors	Capacity	Number of Shares held	Number of underlying Shares	Total (Long Position)	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	275,193,356	1,447,800	276,641,156 *(Note 1)*	10.50%
Kosaka Takeshi	Personal interest	494,350	4,476,850 *(Note 2)*	4,971,200	0.19%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	272,277,543	193,100	272,470,643 *(Note 3)*	10.34%
Koo Fook Sun, Louis	Personal interest	–	276,000 *(Note 4)*	276,000	0.01%
Wang Ya Fei	Personal interest	270,145	126,000 *(Note 5)*	396,145	0.02%
Chan Chung Bun, Bunny	Personal interest	33,130	26,000 *(Note 6)*	59,130	0.00%

* The percentage has been calculated based on 2,633,919,586 Shares in issue as at 31 December 2022.

Notes:

1. Mr. Li Ning is interested in 276,641,156 Shares, among which 3,991,813 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 1,447,800 underlying Shares. Details are as follows:

    (a) Viva China BVI, a wholly-owned subsidiary of Viva China Holdings Limited ("Viva China"), is interested in 271,201,543 Shares. As at 31 December 2022, Viva China is owned as to approximately 17.35% by Victory Mind Assets Limited ("Victory Mind"), approximately 22.03% by Lead Ahead Limited ("Lead Ahead"), approximately 20.66% 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 1,447,800 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.

2. Mr. Kosaka Takeshi is interested in 2,840,300 share options granted under the 2014 Share Option Scheme at an exercise price of HK$22.52 each and 1,636,550 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

3. Mr. Li Qilin is interested in 272,470,643 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. Moreover, Mr. Li Qilin is interested in 193,100 unvested Restricted Shares under the 2016 Restricted Share Award Scheme. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva China.

4. Mr. Koo Fook Sun, Louis is interested in 250,000 share options granted under the 2014 Share Option Scheme at an exercise price of HK$13.16 each and 26,000 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

5. Ms. Wang Ya Fei is interested in 100,000 share options granted under the 2014 Share Option Scheme at an exercise price of HK$13.16 each and 26,000 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

6. Dr. Chan Chung Bun, Bunny is interested in 26,000 unvested Restricted Shares under the 2016 Restricted Shares Award Scheme.

Save as disclosed above, so far as was known to any Director, as at 31 December 2022, 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 2022, the register of substantial shareholders kept under Section 336 of the SFO shows that the Company had been notified of the following substantial Shareholders' interests and short positions which represent 5% or more of the Company's issued share capital:

Name of Shareholders	Capacity	Number of Shares held	Number of underlying Shares	Total	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	275,193,356	1,447,800	276,641,156 (L) *(Note 1)*	10.50%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	272,277,543	193,100	272,470,643 (L) *(Note 2)*	10.34%
Li Chun	Interest of controlled corporations	271,201,543	–	271,201,543 (L) *(Note 3)*	10.30%
Viva China Holdings Limited	Interest of controlled corporation	271,201,543	–	271,201,543 (L) *(Note 1(a))*	10.30%
BlackRock, Inc.	Investment manager	153,404,830	–	153,404,830 (L)	5.82%
	Investment manager	1,482,000	–	1,482,000 (S)	0.06%
Brown Brothers Harriman & Co.	Investment manager	132,254,443	–	132,254,443 (L)	5.02%

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

* The percentage has been calculated based on 2,633,919,586 Shares in issue as at 31 December 2022.

Notes:

1. Mr. Li Ning is interested in 276,641,156 Shares, among which 3,991,813 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 interested in 1,447,800 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 2022, Viva China is owned as to approximately 17.35% by Victory Mind, approximately 22.03% by Lead Ahead, approximately 20.66% 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 1,447,800 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.

2. Mr. Li Qilin is interested in 272,470,643 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. Moreover, Mr. Li Qilin is interested in 193,100 unvested Restricted Shares under the 2016 Restricted Share Award Scheme. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva China.

3. As disclosed in Note 1(a) above, Mr. Li Chun is deemed to be interested in 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 2022, the Company had not been notified by any person (other than a Director or chief executive of the Company or their respective associate(s)) of any interest and short position in the Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

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

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

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

For the period from 1 January 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 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.

The Company paid a total of HK$177,950,825 to the trustee for the purchase of 3,601,000 Shares from the open market during the year ended 31 December 2022. The amount paid to the trustee and the number of Shares purchased by the Company during the year are within the annual cap.

For further details, please refer to the section headed "Restricted Share Award Scheme" in this Report of the Directors and the announcements of the Company dated 19 September 2019, 23 December 2020 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). Please refer to the announcement of the Company dated 28 December 2018 in regard to the 2019 Renewed Master Agreement for details. The 2019 Renewed Master Agreement expired on 31 December 2021.

Master Sales Agreement

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

Processing and Customization Agreement

On 1 January 2021, 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd. ("Li Ning China", an indirect wholly owned subsidiary of the Company) and 來賓寧聚力鞋業有限公司 ("Laibin Ningjuli Shoes Co., Ltd.") ("Ningjuli", an indirect non-wholly owned subsidiary of Viva 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 for Ningjuli Transactions. The Board also resolved to increase the relevant annual cap on 13 September 2021 to meet the demand of the Group in terms of the sales performance. Please refer to the announcements of the Company dated 13 September 2021 and 16 September 2021 in regard to the Processing and Customization Agreement for details. The Processing and Customization Agreement expired on 31 December 2021.

New Framework Agreement

On 30 December 2021, the Company and Viva 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 co-branded 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 ending 31 December 2022, 2023 and 2024 were less than 5%, the Relevant Transactions were exempt from independent shareholders' approval but were subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 30 December 2021 in regard to the New Framework Agreement for details.

Annual review for the year ended 31 December 2022

As at 31 December 2022, Viva China, who indirectly holds approximately 10.30% of the Shares in issue, is a substantial Shareholder and thus a connected person of the Company.

For the year ended 31 December 2022, there were an aggregate amount of approximately RMB409,663,000 for the Relevant Transactions payable by the Group to Viva China Group, and an aggregate amount of approximately RMB19,245,000 for the Relevant Transactions receivable by the Group from Viva China Group under the New Framework Agreement. The Company has complied with the relevant disclosure requirements in respect of such continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

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

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

(2) on normal commercial terms; and

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

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

(1) have been approved by the Board;

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

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

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

RELATED-PARTY TRANSACTIONS

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

Apart from the Relevant 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

The Company did not redeem any of its Shares during the year ended 31 December 2022. Except for the purchase of Shares by the trustee of the 2016 Restricted Share Award Scheme pursuant to the trust deed and the rules of 2016 Restricted Share Award Scheme, neither the Company nor any of its subsidiaries purchased or sold any Shares during the year.

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 2022 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 2022, 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.

REPORT OF THE DIRECTORS

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 2022, 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 33 and pages 34 to 52 of this annual report, respectively and the notes to the consolidated financial statements.

In addition, matters in relation to the Group's environment, employee, customer and supplier as well as compliance with the relevant laws and regulations that have a significant impact on the Company can be found in the Corporate Governance Report and the Environmental, Social and Governance Report set out on pages 34 to 52 and pages 53 to 108 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 2023 AGM.

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

Hong Kong, 16 March 2023

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 142 to 230, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 2022, 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 2022, the Group's balance of gross trade receivables was RMB1,173 million, against which an expected credit loss allowance of RMB153 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 2022 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 2022, the Group's balance of gross inventories was RMB2,549 million, against which a provision of RMB121 million was made. The estimation of inventory provision involves significant management judgments based on consideration of key factors such as future sales projection, current year sales, and selling price per latest sales transaction. The assessment of net realisable value of inventories and inventory provision was an area of focus for us given the inherent uncertainties that involved future events and the significant amount of the related balances.	Our audit procedures relating to inventory provision included: • Obtained an understanding of the management's internal control and assessment process of the estimation of inventory provisions and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated and validated key controls over the estimation of inventory provisions based on inventory ageing schedule; • Tested the method, assumptions and data used to estimate inventory provision by performing procedures such as (1) inquiring 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), (3) testing the accuracy of provision calculation by examining inventory ageing schedule, testing inventory movements on a sample basis to confirm that they were assigned to the correct ageing category by the system, and performing mathematic recalculation, and (4) 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 2022 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, 16 March 2023

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**3,234,563**	1,625,887
Right-of-use assets	*6*	**2,022,229**	1,332,765
Investment properties	*7*	**1,802,227**	1,850,045
Land use rights	*8*	**158,781**	162,579
Intangible assets	*9*	**217,236**	187,680
Deferred income tax assets	*22*	**693,402**	707,575
Other assets	*13*	**287,707**	775,531
Investments accounted for using the equity method	*11*	**1,369,403**	1,267,071
Investments measured at fair value through profit or loss	*3.3*	**174,597**	169,671
Other receivables	*15*	**268,183**	188,833
Long-term bank deposits	*16*	**11,023,296**	3,335,325
Total non-current assets		**21,251,624**	11,602,962
Current assets			
Inventories	*12*	**2,428,040**	1,772,803
Other assets – current portion	*13*	**831,578**	770,628
Trade receivables	*14*	**1,020,346**	902,857
Other receivables – current portion	*15*	**88,419**	78,744
Restricted bank deposits	*16*	**970**	1,061
Short-term bank deposits	*16*	**643,324**	400,862
Cash and cash equivalents	*16*	**7,382,218**	14,744,899
Total current assets		**12,394,895**	18,671,854
Total assets		**33,646,519**	30,274,816
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	*17*	**240,320**	238,759
Share premium	*17*	**11,580,718**	12,637,277
Shares held for Restricted Share Award Scheme	*17*	**(180,839)**	(37,840)
Other reserves	*18*	**1,792,412**	1,241,767
Retained earnings	*18*	**10,896,819**	7,021,583
		24,329,430	21,101,546
Non-controlling interests in equity		**2,498**	2,561
Total equity		**24,331,928**	21,104,107

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
License fees payable	*21*	**15,531**	20,996
Lease liabilities	*6*	**1,473,905**	956,475
Deferred income tax liabilities	*22*	**518,731**	426,873
Deferred income	*23*	**65,591**	62,517
Total non-current liabilities		**2,073,758**	1,466,861
Current liabilities			
Trade payables	*19*	**1,584,424**	1,599,282
Contract liabilities	*5*	**252,090**	345,835
Lease liabilities – current portion	*6*	**667,762**	366,968
Other payables and accruals	*20*	**3,648,720**	4,024,662
License fees payable – current portion	*21*	**50,540**	50,106
Current income tax liabilities		**1,037,297**	1,307,776
Derivative financial instruments – current portion	*3.3*	**–**	9,219
Total current liabilities		**7,240,833**	7,703,848
Total liabilities		**9,314,591**	9,170,709
Total equity and liabilities		**33,646,519**	30,274,816

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

The consolidated financial statements on pages 142 to 230 were approved by the Board of Directors on 16 March 2023 and were signed on its behalf.

Li Ning
Executive Chairman & Joint Chief Executive Officer

Kosaka Takeshi
Joint Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	**25,803,383**	22,572,281
Cost of sales	24	**(13,318,590)**	(10,603,183)
Gross profit		**12,484,793**	11,969,098
Selling and distribution expenses	24	**(7,314,303)**	(6,138,077)
Administrative expenses	24	**(1,113,218)**	(1,110,675)
Reversal of expected credit loss allowance for financial assets – net	3.1	**24,321**	15,682
Other income and other gains – net	25	**805,165**	400,348
Operating profit		**4,886,758**	5,136,376
Finance income	27	**447,748**	145,097
Finance expenses	27	**(120,561)**	(112,458)
Finance income– net	27	**327,187**	32,639
Share of profit of investments accounted for using the equity method	11	**201,155**	159,222
Profit before income tax		**5,415,100**	5,328,237
Income tax expense	28	**(1,351,329)**	(1,317,349)
Profit for the year		**4,063,771**	4,010,888
Profit is attributable to:			
Equity holders of the Company		**4,063,834**	4,010,881
Non-controlling interests		**(63)**	7
		4,063,771	4,010,888
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	**155.38**	160.10
Diluted earnings per share	29	**154.34**	157.97

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2022 RMB'000**	2021 RMB'000
Profit for the year		**4,063,771**	4,010,888
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences	*18*	**(8,383)**	(2,562)
Total comprehensive income for the year		**4,055,388**	4,008,326
Attributable to:			
Equity holders of the Company		**4,055,451**	4,008,319
Non-controlling interests		**(63)**	7
Total comprehensive income for the year		**4,055,388**	4,008,326

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 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 scheme *(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 scheme and Restricted Share Award Scheme *(Note 32)*	–	–	–	33,064	–	33,064	–	33,064
Exercise of share options and vesting of shares under Restricted Share Award Scheme *(Note 32)*	–	(2,708)	111,155	(108,447)	–	–	–	–
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

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

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 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	*31*	**5,230,021**	6,981,667
Income tax paid		**(1,316,417)**	(456,332)
Net cash generated from operating activities		**3,913,604**	6,525,335
Cash flows from investing activities			
– acquisition of subsidiaries, net of cash acquired	*34(b)*	**–**	(1,297,958)
– cash paid to settle the payables in relation to acquisition of subsidiaries in previous year	*34(b)*	**(13,267)**	–
– payments for investments in joint ventures and an associate		**(12,670)**	(83,148)
– purchases of property, plant and equipment		**(1,756,744)**	(985,000)
– prepayments for purchases of properties		**(287,707)**	(775,531)
– purchases of investment properties		**(65,406)**	(137,774)
– payments for an investment measured at fair value through profit or loss		**–**	(39,486)
– purchases of intangible assets		**(73,681)**	(42,754)
– proceeds on disposal of property, plant and equipment	*31*	**7,719**	6,019
– purchases of wealth management products	*3.3*	**(14,235,600)**	(9,072,000)
– redemption of the principal amounts of wealth management products	*3.3*	**14,235,600**	9,072,000
– placement of long-term bank deposits		**(8,000,000)**	(3,270,000)
– placement of short-term bank deposits		**(1,770,000)**	(820,000)
– redemption of long-term bank deposits		**100,000**	34,966
– redemption of short-term bank deposits		**2,000,000**	640,000
– investment income from wealth management products	*25*	**140,550**	77,902
– distribution received in relation to financial assets at fair value through profit or loss		**48,904**	–
– interest received from bank deposits	*27*	**93,555**	78,910
– dividends from associates and a joint venture		**102,274**	67,595
– loan repayments from a joint venture		**11,713**	15,000
– cash used in other investing activities		**(6,673)**	(7,441)
Net cash used in investing activities		**(9,481,433)**	(6,538,700)

		Year ended 31 December	
	Note	**2022 RMB'000**	2021 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 scheme	17	**96,715**	40,570
– purchase of shares for Restricted Share Award Scheme		**(158,610)**	–
– payment of principals and related interests of lease liabilities		**(627,429)**	(501,005)
– proceeds from bank borrowings		**600,000**	–
– repayment of bank borrowings		**(600,000)**	–
– interest paid		**(3,391)**	–
– dividends paid		**(1,194,720)**	(515,202)
Net cash (used in)/generated from financing activities		**(1,887,435)**	7,596,150
Net (decrease)/increase in cash and cash equivalents		**(7,455,264)**	7,582,785
Cash and cash equivalents at beginning of year		**14,744,899**	7,187,039
Exchange gain/(losses) on cash and cash equivalents		**92,583**	(24,925)
Cash and cash equivalents at end of year		**7,382,218**	14,744,899

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 16 March 2023.

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 or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	
Amendments to IFRS 3	*Reference to the Conceptual Framework*

The Group also elected to adopt the following amendments early:

Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

2.1 Basis of preparation *(Continued)*

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

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements, except for the Amendments to IAS 12. Upon adoption of the Amendments to IAS 12, the Group recognises deferred tax assets and deferred tax liabilities for the temporary differences associated with right-of-use assets and lease liabilities at the beginning of the earliest comparative period (1 January 2021), refer to Note 22 for details. The early adoption of this amendment did not have any material impact on the financial statements.

(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 2022 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.

	New standards, amendments and interpretations	Effective date
Amendments to IAS 1	*Classification of liabilities as current or non-current*	*Annual periods beginning on or after 1 January 2024*
Amendments to IAS 28 and IFRS 10	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	*Undetermined*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	*Annual periods beginning on or after 1 January 2023*
Amendments to IAS 8	*Definition of Accounting Estimates*	*Annual periods beginning on or after 1 January 2023*

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.

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

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

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated balance sheet.

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

(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.

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

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

(e) Changes in ownership interests *(Continued)*

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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 management of the Company who make strategic decisions ("Management").

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
Land and buildings	30-40 years	0%-10%	2.25%-2.5%

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 fair value of the net identifiable assets of the acquiree and the non-controlling interest is measured either at fair value or proportionate share of net identifiable assets. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(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. Variable payments in relation to license rights that depend on sales of related products are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

License rights are amortised using the straight-line method to allocate the cost of the licenses over the period of the respective contractual rights varying from 2 to 10 years.

(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 initially shown at historical cost. Trademarks, customer relationships and non-compete agreements acquired in business combination are recognised at fair value at the acquisition date. Trademarks, customer relationships and non-compete agreements that have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 to 20 years, and the cost of customer relationships and non-compete agreements over their estimated useful lives of 3 to 8 years.

2. *SUMMARY OF 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 income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and other gains and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated income statement and presented net within other income and other gains in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management 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.

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 ordinary share (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(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.

The abolition of the use of the accrued benefits derived from employers' "mandatory" contributions to MPF and the Occupational Retirement Schemes ("ORSO") to offset the long service payment ("LSP") and severance payment (the "Amendment") accrued from the transition date (no later than 2025) was enacted on 17 June 2022. As the LSP is a defined benefit plan, the Amendment changes the employer's legal obligation which is considered as a plan amendment under IAS 19. As the Group only has very few employees who are in the scope of the Amendment, the Group is of the view that the Amendment will have immaterial impact to the Group's financial position and performance.

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. These plans comprise a share option scheme and a share award scheme. The fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options or shares granted as at date of grant, excluding the impacts of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified non-market vesting conditions are to be satisfied.

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

2.23 Employee benefits *(Continued)*

(b) Share-based compensation (Continued)

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.

(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, which mainly represents the Group's sales to franchised distributors (Note 5), sales of goods are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products of the Group are often sold with sales discounts. Revenue from these sales are recognised based on the price specified in the sales contracts, net of the estimated sales discounts at the time of sale. The sales discounts are estimated based on the terms of agreements. No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with the market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

2.25 Revenue recognition *(Continued)*

(b) Sale of goods – retail

For retail business, which represents the Group's sales from direct operation (Note 5), sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash, by credit or payment cards or through on-line payment platforms.

(c) Sale of goods – internet

The Group's sales from e-commerce channel (Note 5) mainly represent sales of goods on the internet, for which revenue is recognised when the control of the products has transferred to the customer, being the point of acceptance. Transactions are settled by credit or payment card or through on-line payment platforms.

(d) Sale of goods – sales returns

When customers return products, 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.

(f) License fees income

The Group licenses certain sport-related products to third parties for a specific period in accordance with the license agreements. The license fee income is recognised ratably in the contractual period.

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

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

2.26 Leases *(Continued)*

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee within the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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 updated 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 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 debt investments measured 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 Renminbi (RMB), Hong Kong dollars (HK$), United States dollars (US$), EURO (EUR) and Great Britain Pounds (GBP). The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2022 and 2021.

3. *FINANCIAL RISK MANAGEMENT* (CONTINUED)

3.1 Financial risk factors *(Continued)*

(a) *Market risks* (Continued)

(i) *Foreign exchange risk* (Continued)

As at 31 December 2022, 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 2022				
	RMB RMB'000	HK$ RMB'000	US$ RMB'000	EUR RMB'000	GBP RMB'000
Cash and bank deposits	**100,959**	**107,879**	**155,139**	**1,845**	**–**
Trade and other receivables	**–**	**773**	**4,126**	**1,770**	**–**
Investments measured at FVPL	**–**	**–**	**–**	**–**	**174,597**
Trade and other payables	**–**	**(8,980)**	**(15,789)**	**–**	**–**
License fees payables	**–**	**–**	**(25,191)**	**–**	**–**

	31 December 2021				
	RMB RMB'000	HK$ RMB'000	US$ RMB'000	EUR RMB'000	GBP 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)	–	–

For the year ended 31 December 2022, if RMB had weakened/strengthened by 5% with all other variables held constant, post-tax profit would have been higher/lower by RMB14,004,000. For the year ended 31 December 2021, if RMB had weakened/strengthened by 5% with all other variables held constant, post-tax profit would have been lower/higher by RMB113,427,000, which was mainly in relation to certain RMB denominated cash and bank deposits held by group entities of which the functional currencies are HK$.

(ii) *Cash flow and fair value interest rate risk*

Financial assets and liabilities at fixed rates expose the Group to fair value interest-rate risk while financial assets and liabilities at floating rates expose the Group to cash flow interest rate risk.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from long-term bank deposits. At 31 December 2022, if interest rates on long-term bank deposits had been 50 basic point higher/lower with all other variables held constant, post-tax profit for the year would have been RMB34,718,000 (2021: RMB6,852,000) higher/lower. The Group currently does not hedge its exposure to interest rate risk.

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

(i) Risk management

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

All of the Group's cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits are deposited in prominent nationwide bank in the PRC (including the Hong Kong Special Administrative Region and the Macau Special Administrative Region) or branch of international commercial bank in the PRC of which the credit ratings are sound. The table below shows the cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits balances with the three major banks as at the end of the reporting period.

	2022 **RMB'000**	2021 RMB'000
Banks		
Bank A	**6,258,802**	5,893,908
Bank B	**4,618,041**	3,459,761
Bank C	**3,079,773**	3,176,724
	13,956,616	12,530,393

(ii) Impairment of financial assets

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

- trade receivables, and
- other receivables.

While cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits are also subject to the impairment requirements of IFRS 9, the impairment loss was identified to be immaterial.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Trade receivables

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

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

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables based on the respective invoice date:

31 December 2022	0 – 90 days RMB'000	91 – 180 days RMB'000	Over 180 days RMB'000	Total RMB'000
Lifetime expected credit loss rate	2%	26%	100%	
Gross carrying amount	984,480	74,865	113,512	1,172,857
Loss allowance	(19,186)	(19,813)	(113,512)	(152,511)

31 December 2021	0 – 90 days RMB'000	91 – 180 days RMB'000	Over 180 days RMB'000	Total RMB'000
Lifetime expected credit loss rate	3%	61%	100%	
Gross carrying amount	923,658	21,697	165,783	1,111,138
Loss allowance	(29,284)	(13,214)	(165,783)	(208,281)

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 2022 and 2021, 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 2022 and 2021 were 1.8% and 2.9% respectively.

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iii) Net impairment losses on financial assets

	2022 RMB'000	2021 RMB'000
Reversal of expected credit loss allowance for trade receivables	**(23,114)**	(19,900)
(Reversal of)/provision for expected credit loss allowance for other receivables	**(1,207)**	4,218
Reversal of expected credit loss allowance for financial assets	**(24,321)**	(15,682)

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyses the Group's financial liabilities (which does not include statutory liabilities) that will be settled into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2022				
License fees payable	**50,996**	**9,000**	**10,000**	**–**
Trade payables	**1,584,424**	**–**	**–**	**–**
Other payables (excluding refunds liabilities, wages and welfare payables, and other tax payables)	**1,877,664**	**–**	**–**	**–**
Lease liabilities	**771,940**	**652,777**	**825,840**	**151,116**
	4,285,024	**661,777**	**835,840**	**151,116**
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

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 2022 and 2021, 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 2022 and 2021 on a recurring basis:

At 31 December 2022	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Private equity fund investments, measured at FVPL	**–**	**–**	**174,597**	**174,597**

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

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 2022:

	Wealth management products RMB'000	Investments measured at FVPL RMB'000	Derivative financial instruments RMB'000	Total RMB'000
As at 1 January 2021	–	–	(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	39,571	696	118,169
As at 31 December 2021	–	169,671	(9,219)	160,452
Additions	14,235,600	–	–	14,235,600
Settlements/transfer	(14,376,150)	(48,904)	9,219	(14,415,835)
Changes in fair value	140,550	53,830	–	194,380
As at 31 December 2022	–	174,597	–	174,597
Changes in unrealised gains or losses for the year included in the consolidated income statement for assets held at the end of the reporting period				
2022	–	53,830	–	53,830
2021	–	39,571	696	40,267

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 2022 RMB'000	Fair value as at 31 December 2021 RMB'000	Valuation Technique	Significant unobservable inputs*	Value of inputs as at 31 December 2022	Value of inputs as at 31 December 2021	Relationship of unobservable inputs to fair value
Financial assets							
Private equity fund investments *(Note a)*	174,597	169,671	Net asset value	N/A	N/A	N/A	N/A
Financial liabilities							
Derivative financial instruments *(Note b)*	-	9,219	Binomial model	Volatility rate	-	42.30%	The higher the volatility rate, the higher the fair value of the derivative financial liability
				Risk-free rate	-	0.15%	The higher the risk-free rate, the lower the fair value of the derivative financial liability
				Dividend yield	-	13.93%	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, which had been exercised in 2022. As at 31 December 2021, 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(b) Net realisable value of inventories

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition, future sales projection, current year sales and selling price per latest sales transaction. Management reassesses the estimations at each end of the reporting period.

(c) Refunds provision

Refunds provision is based on the estimated return of products sold when revenue is recognised. Factors that affect the Group's refunds provision include refund policies, historical and anticipate refund rates under different sales channels. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Further details on the refund liabilities and the corresponding assets in relation to the right to recover the returned products recognised by the Group are included in Note 20 and Note 13 respectively.

(d) Estimated impairment of goodwill, intangible assets and other non-financial assets

The Group tests whether goodwill, intangible assets and other non-financial assets 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 the higher of fair value less cost of disposal and value-in-use. These calculations require the use of estimates and assumptions (See Note 9). If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operation or financial position.

4. *CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)*

(e) Income taxes

The Group is mainly subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Dividends derived from the Company's subsidiaries in the PRC earned after 1 January 2008 are subject to withholding tax at the rate of 5%. The Group reassessed its needs to make distributions out of its subsidiaries in the PRC. As a result, withholding income tax has been provided for the dividends already distributed during the year and undistributed profits to the extent they are expected to be distributed in future.

5. *SEGMENT INFORMATION AND REVENUE*

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

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

(a) Revenue from contracts with customers

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

Revenue breakdown by product category

	2022 **RMB'000**	2021 RMB'000
Footwear	**13,478,630**	9,505,994
Apparel	**10,708,594**	11,823,798
Equipment and accessories	**1,616,159**	1,242,489
Total	**25,803,383**	22,572,281

5. *SEGMENT INFORMATION AND REVENUE (CONTINUED)*

(a) Revenue from contracts with customers *(Continued)*

Revenue breakdown by sales channel

	2022 RMB'000	2021 RMB'000
The PRC market		
Sales to franchised distributors	**12,551,862**	10,852,750
Sales from direct operation	**5,330,434**	5,010,408
Sales from e-commerce channel	**7,465,297**	6,412,920
Other regions	**455,790**	296,203
Total	**25,803,383**	22,572,281

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 2022 and 2021, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

(b) Liabilities related to contracts with customers

	2022 RMB'000	2021 RMB'000
Contract liabilities – advances from customers	**166,123**	258,265
Contract liabilities – customer loyalty programme	**85,967**	87,570
Total	**252,090**	345,835

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

Significant change in contract liabilities

The decrease in contract liabilities in 2022 was mainly due to the decrease in advances received from customers in relation to the sales orders of sporting goods at the end of the reporting period.

Revenue recognised in relation to contract liabilities

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Contract liabilities – advances from customers	**258,265**	256,119
Contract liabilities – customer loyalty programme	**87,570**	30,015
Total	**345,835**	286,134

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 2021							
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
Year ended 31 December 2022							
Opening net book amount	**592,380**	**739,089**	**82,777**	**58,949**	**59,098**	**93,594**	**1,625,887**
Additions	**1,043**	**788,273**	**99,720**	**40,511**	**45,671**	**1,385,893**	**2,361,111**
Transfers	**(16,426)**	**–**	**–**	**–**	**–**	**16,426**	**–**
Disposals	**–**	**(16,452)**	**–**	**(183)**	**(3,622)**	**–**	**(20,257)**
Depreciation charge	**(23,135)**	**(599,131)**	**(76,077)**	**(11,912)**	**(21,923)**	**–**	**(732,178)**
Closing net book amount	**553,862**	**911,779**	**106,420**	**87,365**	**79,224**	**1,495,913**	**3,234,563**
As at 31 December 2022							
Cost	**763,154**	**2,386,843**	**418,988**	**191,611**	**216,740**	**1,495,913**	**5,473,249**
Accumulated depreciation	**(209,292)**	**(1,475,064)**	**(312,568)**	**(104,246)**	**(137,516)**	**–**	**(2,238,686)**
Net book amount	**553,862**	**911,779**	**106,420**	**87,365**	**79,224**	**1,495,913**	**3,234,563**

Depreciation expenses of RMB85,552,000 (2021: RMB68,190,000) has been charged to cost of sales, RMB620,013,000 (2021: RMB502,071,000) to selling and distribution expenses and RMB26,613,000 (2021: RMB19,112,000) 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:

	2022 RMB'000	2021 RMB'000
Right-of-use assets		
Properties	2,022,229	1,332,765

	2022 RMB'000	2021 RMB'000
Lease liabilities		
Current	667,762	366,968
Non-current	1,473,905	956,475
	2,141,667	1,323,443

Additions to the right-of-use assets during the 2022 financial year were RMB1,328,836,000 (2021: RMB803,946,000). Disposals of the right-of-use assets during the 2022 financial year were RMB27,925,000 (2021: RMB75,988,000).

(ii) Amounts recognised in the consolidated income statement

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

	Note	2022 RMB'000	2021 RMB'000
Depreciation on right-of-use assets	24	611,447	461,172
Amortisation of discount – lease liabilities (included in finance expenses)	27	99,035	64,449
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	24	321,705	246,702
Expense relating to variable lease payments not included in lease liabilities (included in selling and distribution expenses)	24	512,362	447,989

The total cash outflow for leases in 2022 was RMB1,409,083,000 (2021: RMB1,231,014,000).

6 (b) LEASES (CONTINUED)

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. For certain lease contracts of retail stores, there are terms about variable lease payments that based on the sales volume, which expose the Group to variable lease payments.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 25% of sales in majority. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the Group with such variable lease contracts would increase total lease payments by approximately RMB44,095,000 (2021: RMB39,660,000).

7. INVESTMENT PROPERTIES

	Construction in progress RMB'000	Land and buildings RMB'000	Total RMB'000
As at 1 January 2021			
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
Year ended 31 December 2022			
Opening net book amount	**–**	**1,850,045**	**1,850,045**
Additions	**5,298**	**7,710**	**13,008**
Depreciation charge *(a)*	**–**	**(60,826)**	**(60,826)**
Closing net book amount	**5,298**	**1,796,929**	**1,802,227**
As at 31 December 2022			
Cost	**5,298**	**1,904,780**	**1,910,078**
Accumulated depreciation	**–**	**(107,851)**	**(107,851)**
Net book amount	**5,298**	**1,796,929**	**1,802,227**

Notes:

(a) Depreciation expenses of RMB60,826,000 (2021: RMB47,025,000) has been recorded as a debit to other income and other gains – net, and nil (2021: RMB2,024,000) 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. 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 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement for				
Investment properties	–	–	**1,842,734**	**1,842,734**

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 31 December 2022, 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 2022 RMB'000**	Valuation Technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office buildings	**1,563,050**	Income approach	Term yield	3.75%	The higher the term yield, the lower the fair value
			Reversionary yield	4.00%	The higher the reversionary yield, the lower the fair value
			Monthly rental (RMB/ square meter/month)	149.13 – 304.90	The higher the monthly rental, the higher the fair value
Apartments	**279,684**	Income approach	Term yield	4.75%	The higher the term yield, the lower the fair value
			Reversionary yield	5.00%	The higher the reversionary yield, the lower the fair value
			Monthly rental (RMB/ square meter/month)	32.66 – 81.64	The higher the monthly rental, the higher the fair value

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

8. LAND USE RIGHTS

	RMB'000
As at 1 January 2021	
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
Year ended 31 December 2022	
Opening net book amount	**162,579**
Amortisation charge	**(3,798)**
Closing net book amount	**158,781**
As at 31 December 2022	
Cost	**194,271**
Accumulated amortisation	**(35,490)**
Net book amount	**158,781**

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 (2021: RMB3,798,000) has been charged to administrative expenses.

9. INTANGIBLE ASSETS

	Goodwill RMB'000	Trademarks and patents RMB'000	Computer software RMB'000	License rights RMB'000	Customer relationships & Non-compete agreements RMB'000	Total RMB'000
As at 1 January 2021						
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
Year ended 31 December 2022						
Opening net book amount	**107,384**	**9,785**	**68,512**	**1,999**	**–**	**187,680**
Additions	**–**	**473**	**48,686**	**26,250**	**–**	**75,409**
Amortisation charge	**–**	**(1,672)**	**(28,748)**	**(15,125)**	**–**	**(45,545)**
Disposal	**–**	**–**	**(308)**	**–**	**–**	**(308)**
Closing net book amount	**107,384**	**8,586**	**88,142**	**13,124**	**–**	**217,236**
As at 31 December 2022						
Cost	**143,778**	**29,197**	**376,975**	**392,907**	**61,279**	**1,004,136**
Accumulated amortisation and impairment	**(36,394)**	**(20,611)**	**(288,833)**	**(379,783)**	**(61,279)**	**(786,900)**
Net book amount	**107,384**	**8,586**	**88,142**	**13,124**	**–**	**217,236**

Amortisation of RMB15,125,000 (2021: RMB13,000,000) has been charged to selling and distribution expenses and RMB30,420,000 (2021: RMB24,070,000) to administrative expenses.

9. *INTANGIBLE ASSETS (CONTINUED)*

Impairment tests for goodwill

As at 31 December 2022, 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 Greater Bay Area of the PRC.

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

Impairment review on goodwill of the Group has been conducted by Management as at 31 December 2022 according to IAS 36 "Impairment of assets". For the purpose of impairment testing, the recoverable amounts for the CGUs have been determined based on the higher of fair value less cost of disposal ("FVLCOD") and values-in-use ("VIU").

For the groups of certain CGUs of the Li Ning brand and the Kason brand, the recoverable amounts have been determined based on VIU calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Management. The forecasted average revenue growth rate during the forecast period of 5 years is 5% for certain CGUs of the Li Ning brand and 10% for the CGUs in relation to the Kason brand. The weighted average revenue growth rate used beyond the fifth year for certain CGUs of the Li Ning brand and the CGUs in relation to the Kason brand are 3% and 1% per annum respectively. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGUs operate. The pre-tax discount rates used for certain CGUs of the Li Ning brand range from 13% to 15% (2021: 12.5% to 13.5%) and the pre-tax discount rate used for the CGUs in relation to the Kason brand is 17.73% (2021: 15.3%) for the year ended 31 December 2022, 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 determined with reference to 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 (including the allocated goodwill) as at 31 December 2022, therefore no impairment provision was recorded by Management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

10. SUBSIDIARIES

The following is a list of the Group's subsidiaries as at 31 December 2022:

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 2022: (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
李寧體育(北京)有限公司 (Li Ning Sports (Beijing) Co., Ltd.)	The PRC, 19 December 2007 Limited liability company	HK$10,000,000	100%	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 2022: (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
廈門悦奧商貿有限公司 (Xiamen Yue Ao Trading Co., Ltd.)	The PRC, 26 October 2009 Limited liability company	RMB1,000,000	100%	Sale of sports goods

10. SUBSIDIARIES (CONTINUED)

The following is a list of the Group's subsidiaries as at 31 December 2022: (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
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
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

10. SUBSIDIARIES (CONTINUED)

The following is a list of the Group's subsidiaries as at 31 December 2022: (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
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	RMB922,322,400	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 2022: (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
上海少昊伯悦商業管理有限公司 (Shanghai Shao Hao Bo Yue Business Management Co., Ltd.)	The PRC, 20 July 2021 Limited liability company	RMB5,000,000	100%	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
李寧體育童裝有限公司 (Li Ning Sports Kidswear Co., Ltd.)	The PRC, 3 March 2022 Limited liability company	RMB250,000,000	100%	Sale of sports goods
杭州寧聚體育用品有限公司 (Hangzhou Ningju Sports Goods Co., Ltd.)	The PRC, 19 September 2022 Limited liability company	RMB500,000	100%	Sale of sports goods
Edosports Macau International Trading Co. Ltd. (澳門一動國際貿易有限公司)	Macau, 6 October 2022 Limited liability company	Macau Pataca 100,000	100%	Sales of sports goods

Loans receivable due from subsidiaries

Pursuant to the loan agreements entered into by the Company and certain subsidiaries in Mainland China during the year ended 31 December 2022, the Company provided loans to these subsidiaries which were unsecured, bore 2% interest rate per annum, and had an initial maturity of 5 years. The carrying amount of loans receivable due from subsidiaries amounted RMB7,515,094,000 (including the principals and related interests) as at 31 December 2022, which were recorded as long-term receivables in the balance sheet of the Company (Note 36). Prior to the entering into of loan agreements by the Company and its subsidiaries, certain amounts due from subsidiaries were included in investment in subsidiaries in the balance sheet of the Company as at 31 December 2021.

Material non-controlling interests

As at 31 December 2022 and 2021, no subsidiary has non-controlling interests that are material to the Group.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	2022 RMB'000	2021 RMB'000
Associates	1,093,768	1,025,398
Joint ventures	275,635	241,673
As at 31 December	1,369,403	1,267,071

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

	2022 RMB'000	2021 RMB'000
Associates	158,260	116,693
Joint ventures	42,895	42,529
For the year ended 31 December	201,155	159,222

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 2022:

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 2022	2021	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	N/A	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	30%	20%	Sale of sports goods	Equity

The Group exercises significant influence over these associated companies by virtue of its contractual right to appoint director to the board of directors of the associated companies and has the power to participate in the financial and operating policy decisions of the associated companies.

The investments in Yue Wang Jin Fu, Tianjin Kuan Mao Mi and Tianjin Yue Hao Tuo have been reduced to nil since 31 December 2016, 2012 and 2012, respectively. There was no additional obligation to share the loss of Yue Wang Jin Fu, Tianjin Kuan Mao Mi and Tianjin Yue Hao Tuo for the years ended 31 December 2022 and 2021. During the year ended 31 December 2022, Yue Wang Jin Fu has been de-registered. Accordingly, the Group does not have any investment in Yue Wang Jin Fu as at 31 December 2022.

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

Investment in associates *(Continued)*

Management is of the view that none of the Group's associates is individually material to the Group as at 31 December 2022. The aggregate information of the Group's individually immaterial associates are as follows:

	2022 RMB'000	2021 RMB'000
As at 1 January	1,025,398	965,295
Addition	12,670	11,648
Share of profit	158,260	116,693
Dividends received	(93,341)	(59,418)
Change in fair value of investment upon exercise of derivative financial instruments (Note 3.3)	(9,219)	(8,820)
As at 31 December	1,093,768	1,025,398

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

Investment in joint ventures

The following is a list of the Group's joint ventures as at 31 December 2022:

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 2022	2021	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%	Sales of sports goods
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 Guangxi Ning Zhan Sports Technology Co., Ltd. ("Guangxi Ning Zhan") (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 subsidiaries 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.

Management is of the view that none of the Group's joint ventures is individually material to the Group as at 31 December 2022. The aggregate information of the Group's individually immaterial joint ventures are as follows:

	2022 RMB'000	2021 RMB'000
As at 1 January	241,673	135,821
Addition	–	71,500
Share of profit	42,895	42,529
Dividends received	(8,933)	(8,177)
As at 31 December	275,635	241,673

12. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	19,302	16,374
Work in progress	31,783	17,493
Finished goods	2,497,486	1,832,615
	2,548,571	1,866,482
Less: provision for write-down of inventories to net realisable value	(120,531)	(93,679)
	2,428,040	1,772,803

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB12,979,293,000 for the year ended 31 December 2022 (2021: RMB10,340,415,000), which included inventory provision of RMB26,852,000 (2021: reversal of inventory provision of RMB19,454,000).

13. OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Other assets in relation to refunds *(Note 20(a))*	513,836	527,296
Prepayment for purchases of properties	287,707	775,531
Input value-added tax to be certified	162,224	71,233
Prepayment for advertising expenses	54,739	47,925
Prepaid rentals	50,984	61,291
Advances to suppliers	23,153	52,881
Others	26,642	10,002
	1,119,285	1,546,159
Less: non-current portion	(287,707)	(775,531)
Current portion	831,578	770,628

14. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Accounts receivable	1,172,857	1,111,138
Less: expected credit loss allowance for trade receivables	(152,511)	(208,281)
	1,020,346	902,857

Trade receivables are mainly denominated in RMB.

14. *TRADE RECEIVABLES (CONTINUED)*

Customers are normally granted credit terms within 90 days. As at 31 December 2022 and 2021, ageing analysis of trade receivables based on invoice date is as follows:

	2022 RMB'000	2021 RMB'000
0 – 30 days	579,558	681,627
31 – 60 days	305,891	206,901
61 – 90 days	99,031	35,130
91 – 180 days	74,865	21,697
Over 180 days	113,512	165,783
	1,172,857	1,111,138

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

	2022 RMB'000	2021 RMB'000
As at 1 January	208,281	280,437
Reversal of expected credit loss allowance for trade receivables	(23,114)	(19,900)
Trade receivables written off during the year as uncollectible	(33,816)	(52,087)
Effect of change in exchange rate	1,160	(169)
As at 31 December	152,511	208,281

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 RMB55,770,000 to RMB152,511,000 for trade receivables during the current reporting period (2021: decreased by RMB72,156,000 to RMB208,281,000). 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*

	2022 RMB'000	2021 RMB'000
Rental deposits	**306,492**	225,628
Loans to a joint venture (a) *(Note 35)*	**–**	11,632
Staff advances and other payments for employees	**773**	848
Others	**56,026**	37,378
Less: expected credit loss allowance for other receivables	**(6,689)**	(7,909)
	356,602	267,577
Less: non-current portion	**(268,183)**	(188,833)
Current portion	**88,419**	78,744

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

	2022 RMB'000	2021 RMB'000
As at 1 January	**7,909**	6,907
(Reversal of)/provision for expected credit loss allowance for other receivables	**(1,207)**	4,218
Other receivables written off during the year as uncollectible and exchange rate impact	**(13)**	(3,216)
As at 31 December	**6,689**	7,909

Other receivables are mainly denominated in RMB. Other receivables are measured at amortised cost. Non-current portion mainly comprises refundable rental deposits.

The Group does not hold any collateral as security. Note 3.1 sets out information about the impairment of financial assets and the Group's exposure to credit risk and foreign currency risk.

(a) As at 31 December 2021, the loans of RMB10,000,000 to Guangxi Ning Zhan were unsecured, bore 8% interest rate per annum, and had the maturity date within one year. All of these loans were repaid during the year ended 31 December 2022.

16. CASH AND BANK BALANCES

(a) Cash and cash equivalents

	2022 RMB'000	2021 RMB'000
Cash at banks and on hand	7,187,863	8,862,267
Short-term bank deposits with initial terms within three months	194,355	5,882,632
	7,382,218	14,744,899

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

	2022 RMB'000	2021 RMB'000
Denominated in RMB	6,873,434	11,653,196
Denominated in HK$	350,411	3,042,558
Denominated in US$	155,139	45,705
Denominated in EUR	1,845	1,758
Denominated in KRW	1,389	1,682
	7,382,218	14,744,899

(b) Restricted bank deposits

	2022 RMB'000	2021 RMB'000
Restricted bank deposits	970	1,061

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

	2022 RMB'000	2021 RMB'000
Denominated in RMB	200	200
Denominated in HK$	770	861
	970	1,061

16. *CASH AND BANK BALANCES (CONTINUED)*

(c) Short-term bank deposits

	2022 RMB'000	2021 RMB'000
Short-term bank deposits – denominated in RMB	**643,324**	400,862

As at 31 December 2022 , the balance includes the accrued interests for short-term bank deposits amounting to RMB3,324,000 (as at 31 December 2021: RMB862,000). The effective interest rate of the short-term bank deposits of the Group ranges from 2.10% to 3.80% per annum for the year ended 31 December 2022 (2021: from 2.94% to 3.50%).

(d) Long-term bank deposits

	2022 RMB'000	2021 RMB'000
Long-term bank deposits – denominated in RMB	**11,023,296**	3,335,325

As at 31 December 2022 , the balance includes the accrued interests for long-term bank deposits amounting to RMB323,296,000 (as at 31 December 2021: RMB65,325,000). The effective interest rate of the long-term bank deposits of the Group ranges from 3.25% to 3.60% per annum for the year ended 31 December 2022 (2021: from 3.20% to 3.80%).

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

Cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits are neither past due nor impaired and are deposits with banks which are mainly prominent nationwide state-owned banks or other banks and financial institutions with good reputation in the PRC. The maximum exposure to credit risk at the reporting date is the carrying amounts of the Group's cash and cash equivalents, restricted bank deposits, short-term bank deposits and long-term bank deposits mentioned above.

Restricted bank deposits are restricted for certain lease arrangements and other operating purposes.

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

Issued and fully paid

	Number of share of HK$0.10 each (Thousands)	Number of shares held for Restricted Share Award Scheme (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 2021	2,489,133	(15,174)	228,285	4,037,767	4,266,052	(148,995)	4,117,057
Net proceeds from share issuance pursuant to share option scheme *(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)*	151	–	12	323	335	–	335
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	11,016	–	(2,708)	(2,708)	111,155	108,447
As at 31 December 2021	2,616,546	(4,158)	238,759	12,637,277	12,876,036	(37,840)	12,838,196
As at 1 January 2022	2,616,546	(4,158)	238,759	12,637,277	12,876,036	(37,840)	12,838,196
Net proceeds from share issuance pursuant to share option scheme *(Note (a))*	17,371	–	1,561	95,154	96,715	–	96,715
Shares converted from convertible securities *(Note 18)*	3	–	–	7	7	–	7
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	826	–	43,000	43,000	15,611	58,611
Shares purchased for Restricted Share Award Scheme (Note (c))	–	(3,601)	–	–	–	(158,610)	(158,610)
Dividend paid (Note 30)	–	–	–	(1,194,720)	(1,194,720)	–	(1,194,720)
As at 31 December 2022	2,633,920	(6,933)	240,320	11,580,718	11,821,038	(180,839)	11,640,199

Notes:

(a) During the year ended 31 December 2022, the Company issued 17,371,000 shares (2021: 7,262,000 shares) to one director, certain employees and other participant of the Group at weighted-average issue price of HK$6.20 (2021: HK$6.73) per share pursuant to the Company's 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.

(c) During the year, the Restricted Share Award Scheme (Note 32(b)) acquired 3,601,000 ordinary shares of the Company (2021: nil) through purchases on the open market. The total amount paid to acquire the shares during the year was RMB158,610,000 (2021: nil).

18. OTHER RESERVES AND RETAINED EARNINGS

	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 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 scheme and Restricted Share Award Scheme	–	–	33,064	–	–	33,064	–	33,064
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	–	(108,447)	–	–	(108,447)	–	(108,447)
Appropriations to statutory reserves	–	169,328	–	–	–	169,328	(169,328)	–
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
As at 1 January 2022	420,662	762,923	78,855	2,415	(23,088)	1,241,767	7,021,583	8,263,350
Profit for the year	–	–	–	–	–	–	4,063,834	4,063,834
Value of services provided under share option scheme and Restricted Share Award Scheme	–	–	239,301	–	–	239,301	–	239,301
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	–	(58,611)	–	–	(58,611)	–	(58,611)
Appropriations to statutory reserves	–	188,598	–	–	–	188,598	(188,598)	–
Shares converted from convertible securities *(Note)*	–	–	–	(7)	–	(7)	–	(7)
Translation difference of foreign currency financial statements	–	–	–	–	(8,383)	(8,383)	–	(8,383)
Tax impact of employee share-based compensation scheme	189,747	–	–	–	–	189,747	–	189,747
As at 31 December 2022	610,409	951,521	259,545	2,408	(31,471)	1,792,412	10,896,819	12,689,231

18. OTHER RESERVES AND RETAINED EARNINGS (CONTINUED)

Note:

The amounts represent the effects of convertible securities issued by the Company. In April 2013 and January 2015, the Company issued 527,953,814 convertible securities (the "2013 CS") and issued 146,881,496 convertible securities (the "2015 CS") respectively. Both 2013 CS and 2015 CS (collectively referred to as "CS") are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK$3.5 and HK$2.6 per ordinary share of the Company (subject to standard anti-dilution adjustments), respectively. The CS cannot be redeemed unless the Company exercises the pre-emption right (but shall not obliged) to redeem. The CS do not meet the definition of financial liabilities under International Accounting Standards 32 "Financial Instruments: Presentation", and are classified as equity upon initial recognition.

During the year ended 31 December 2022, CS with carrying value of HK$8,000 (equivalent to approximately RMB7,000) were converted into 2,921 ordinary shares of the Company (Note 17). As at 31 December 2022, CS with carrying value of HK$3,076,000 (equivalent to approximately RMB2,408,000) were outstanding, which could be converted into 1,085,000 ordinary shares of the Company upon conversion.

19. TRADE PAYABLES

Trade payables are mainly denominated in RMB. The normal credit period for trade payables generally ranges from 30 to 60 days. Ageing analysis of trade payables based on invoice date at the respective balance sheet date is as follows:

	2022 **RMB'000**	2021 RMB'000
0 – 30 days	**1,224,526**	1,557,849
31 – 60 days	**309,672**	23,275
61 – 90 days	**1,758**	5,769
91 – 180 days	**9,699**	1,065
181 – 365 days	**15,622**	7,094
Over 365 days	**23,147**	4,230
	1,584,424	1,599,282

20. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Refunds liabilities (a)	1,021,356	1,099,483
Accrued sales and marketing expenses	841,635	813,792
Sales rebates	435,860	648,940
Wages and welfare payables	386,966	612,029
Payable for property, plant and equipment	347,528	426,058
Other tax payables	362,734	188,210
Others	252,641	236,150
	3,648,720	4,024,662

(a) The Group recognises a refund liability for the amount of consideration received for which it does not expect to be entitled (31 December 2022: RMB1,021,356,000; 31 December 2021: RMB1,099,483,000). 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 2022: RMB513,836,000; 31 December 2021: RMB527,296,000; see Note 13). The costs to recover the products are not material because the customers usually return the product in a saleable condition.

Other payables and accruals are mainly denominated in RMB.

21. LICENSE FEES PAYABLE

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

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

	RMB'000
As at 1 January 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
As at 1 January 2022	71,102
Additions	156,720
Payment of license fees	(165,660)
Amortisation of discount *(Note 27)*	2,363
Adjustment for exchange difference	1,546
As at 31 December 2022	66,071

21. LICENSE FEES PAYABLE (CONTINUED)

	2022 RMB'000	2021 RMB'000
Analysis of license fees payable:		
Non-current		
– the second to fifth year	15,531	20,996
Current	50,540	50,106
	66,071	71,102

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

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

	2022 RMB'000	2021 RMB'000
Less than 1 year	50,996	50,391
Between 1 and 5 years	19,000	27,000
	69,996	77,391

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	Accrued interest on short-term and long-term bank deposits RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets												
As at 1 January 2021	60,851	142,597	–	11,587	214,718	262,384	17,566	91,227	–	–	32,995	833,925
(Charged)/credited to income statement	(12,252)	53,980	–	4,215	49,011	68,477	(8,907)	51,819	–	–	(29,090)	177,253
As at 31 December 2021	48,599	196,577	–	15,802	263,729	330,861	8,659	143,046	–	–	3,905	1,011,178
As at 1 January 2022	48,599	196,577	–	15,802	263,729	330,861	8,659	143,046	–	–	3,905	1,011,178
(Charged)/credited to income statement	(1,861)	(31,268)	–	51,468	(102,978)	204,557	38,653	(16,167)	–	–	28,338	170,742
As at 31 December 2022	46,738	165,309	–	67,270	160,751	535,418	47,312	126,879	–	–	32,243	1,181,920
Deferred income tax liabilities												
As at 1 January 2021	–	–	(100,542)	–	–	(243,290)	–	–	–	–	(2,196)	(346,028)
Acquisition of subsidiaries (Note 34)	–	–	–	–	–	–	–	–	(351,828)	–	–	(351,828)
Credited/(charged) to income statement	–	–	17,298	–	–	(60,313)	–	–	10,131	–	264	(32,620)
As at 31 December 2021	–	–	(83,244)	–	–	(303,603)	–	–	(341,697)	–	(1,932)	(730,476)
As at 1 January 2022	–	–	(83,244)	–	–	(303,603)	–	–	(341,697)	–	(1,932)	(730,476)
(Charged)/credited to income statement	–	–	(7,661)	–	–	(184,915)	–	–	11,052	(81,513)	(13,736)	(276,773)
As at 31 December 2022	–	–	(90,905)	–	–	(488,518)	–	–	(330,645)	(81,513)	(15,668)	(1,007,249)

22. DEFERRED INCOME TAX (CONTINUED)

(a) Deferred income tax assets

The balance of deferred income tax assets comprises temporary differences attributable to:

	2022 RMB'000	2021 RMB'000
Provisions	46,738	48,599
Unrealised profit on intra-group sales	165,309	196,577
Accumulated tax losses	67,270	15,802
Accruals	160,751	263,729
Lease liabilities	535,418	330,861
Share Options	47,312	8,659
Refunds liabilities	126,879	143,046
Others	32,243	3,905
Total deferred income tax assets	1,181,920	1,011,178
Set-off of deferred income tax liabilities in relation to right-of-use asset (b)	(488,518)	(303,603)
Net deferred income tax assets	693,402	707,575

(b) Deferred income tax liabilities

The balance of deferred income tax liabilities comprises temporary differences attributable to:

	2022 RMB'000	2021 RMB'000
Dividend and interest withholding tax	(90,905)	(83,244)
Fair value adjustments on identifiable assets acquired in business combination	(330,645)	(341,697)
Accrued interest on short-term and long-term bank deposits	(81,513)	–
Right-of-use asset	(488,518)	(303,603)
Others	(15,668)	(1,932)
Total deferred income tax liabilities	(1,007,249)	(730,476)
Set-off of deferred income tax liabilities in relation to right-of-use asset	488,518	303,603
Net deferred income tax liabilities	(518,731)	(426,873)

22. DEFERRED INCOME TAX (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	625,270	693,288
– to be recovered after more than 12 months	68,132	14,287
	693,402	707,575
Deferred income tax liabilities		
– to be recovered within 12 months	(114,490)	(11,316)
– to be recovered after more than 12 months	(404,241)	(415,557)
	(518,731)	(426,873)

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 RMB26,751,000 (2021: RMB37,805,000) in respect of tax losses of certain subsidiaries amounting to RMB107,192,000 (2021: RMB151,323,000) that can be carried forward against future taxable income and will expire between 2023 and 2027 as Management believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2022, the Group did not recognise deferred income tax assets of RMB24,142,000 (2021: RMB21,273,000) in respect of certain deductible temporary differences amounting to RMB96,568,000 (2021: RMB85,092,000), which mainly represented deductible temporary differences in relation to certain expected credit loss allowance of trade receivables.

Deferred income tax liabilities of RMB519,742,000 (2021: RMB345,560,000) have not been recognised for the withholding tax that would be payable on certain portion of the distributable retained profits of the Company's subsidiaries in the PRC earned after 1 January 2008. Such amounts totaling RMB10,394,844,000 (2021: RMB6,911,200,000) are not currently intended to be distributed to the subsidiaries incorporated outside the PRC in the foreseeable future.

23. DEFERRED INCOME

	Government grants RMB'000
As at 1 January 2021	64,435
Addition	400
Credited to income statement	(2,318)
As at 31 December 2021	62,517
As at 1 January 2022	62,517
Addition	28,050
Credited to income statement	(24,976)
As at 31 December 2022	65,591

24. EXPENSES BY NATURE

	2022 RMB'000	2021 RMB'000
Cost of inventories recognised as expenses and included in cost of sales	**12,979,293**	10,340,415
Depreciation on property, plant and equipment (a)	**732,178**	589,373
Amortisation of land use rights and intangible assets	**49,343**	40,868
Depreciation on right-of-use assets	**611,447**	461,172
Depreciation on investment properties not under operating lease	**–**	2,024
Advertising and marketing expenses	**2,279,152**	1,779,263
Commission and trade fair related expenses	**723,209**	618,590
Staff costs, including directors' emoluments(a) *(Note 26)*	**1,989,282**	1,811,973
Short-term lease rentals and variable lease payments not included in lease liabilities and rental related expenses	**834,067**	694,691
Research and product development expenses (a)	**534,156**	413,949
Transportation and logistics expenses	**898,173**	858,783
Auditor's remuneration		
– Audit services	**6,220**	6,500
– Non-audit services	**1,345**	911
Management consulting expenses	**110,366**	113,362

(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

	2022 RMB'000	2021 RMB'000
Government grants (a)	**461,727**	231,619
License fees income	**131,949**	28,855
Fair value gains on wealth management products measured at FVPL	**140,550**	77,902
Rental income	**77,935**	65,833
Depreciation on investment properties under operating leases	**(60,826)**	(47,025)
Fair value gains on investments measured at FVPL	**53,830**	42,468
Fair value gains on derivative financial instruments measured at FVPL	**–**	696
	805,165	400,348

(a) Government grants were received from several local government authorities as a recognition of the Group's contribution towards the local economic development. Among the government grants recognised during the year ended 31 December 2022, the entitlement of an aggregate amount of RMB436,751,000 (2021: RMB206,495,000) was unconditional and at the discretion of the relevant authorities, while the remaining amount of RMB24,976,000 (2021: RMB25,124,000) were credit to profit or loss from deferred income in accordance with the fulfillment of the respective conditions attaching to the government grants.

26. STAFF COSTS

	2022 RMB'000	2021 RMB'000
Wages and salaries	780,008	993,297
Contributions to retirement benefit plan (b)	125,273	97,722
Share options and restricted shares granted to directors and employees	239,301	33,064
Housing benefits	38,332	30,827
Outsourcing labour costs	738,825	598,664
Other costs and benefits	67,543	58,399
	1,989,282	1,811,973

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included two (2021: two) directors for the year ended 31 December 2022, and their emoluments are reflected in the analysis shown in Note 37. The aggregate amounts of emoluments paid and payable to the remaining three (2021: three) individuals whose emoluments were the highest in the Group for the years are as follows:

	2022 RMB'000	2021 RMB'000
Salaries	13,933	11,549
Discretionary bonus	12,393	21,437
Other benefits	58,846	4,500
Contributions to retirement benefit scheme	396	236
	85,568	37,722

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

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emoluments bands		
HK$10,000,001 to HK$10,500,000	–	1
HK$12,000,001 to HK$12,500,000	–	1
HK$22,500,001 to HK$23,000,000	–	1
HK$32,000,001 to HK$32,500,000	1	–
HK$32,500,001 to HK$33,000,000	1	–
HK$39,500,001 to HK$40,000,000	1	–
	3	3

26. STAFF COSTS *(CONTINUED)*

(b) Pensions – defined contribution plans

The employees of the Group in PRC participate in certain defined contribution pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 16% of the employees' basic salary dependent upon the applicable local regulations. During the year ended 31 December 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: Nil).

27. FINANCE INCOME AND EXPENSES

	2022 RMB'000	2021 RMB'000
Interest income on bank balances and deposits	353,987	145,097
Net foreign currency exchange gain	93,761	–
Finance income	447,748	145,097
Amortisation of discount – license fees payable *(Note 21)*	(2,363)	(2,601)
Amortisation of discount – lease liabilities *(Note 6(b))*	(99,035)	(64,449)
Net foreign currency exchange loss	–	(30,462)
Borrowing interests	(3,391)	–
Others	(15,772)	(14,946)
Finance expenses	(120,561)	(112,458)
Finance income– net	327,187	32,639

28. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current income tax		
– Corporate income tax (b)	1,234,410	1,459,094
– Withholding income tax on dividends from subsidiaries in Mainland China (c)	10,888	2,888
	1,245,298	1,461,982
Deferred income tax	106,031	(144,633)
Income tax expense	1,351,329	1,317,349

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 2022, provision for the corporate income tax of Mainland China is calculated based on the statutory tax rate of 25% (2021: 25%) on the assessable income of each of the group companies, except for one of the Group's subsidiaries incorporated in Guangxi Zhuang Autonomous Region which is subject to preferential tax rate of 9% (2021: nil). Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2022 (2021: 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 2022 and 2021, 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:

	2022 RMB'000	2021 RMB'000
Profit before income tax	**5,415,100**	5,328,237
Tax calculated at a tax rate of 25% (2021: 25%)	**1,353,775**	1,332,059
Effects of different overseas tax rates	**(7,225)**	(9,262)
Preferential tax rate for a subsidiary	**(14,324)**	–
Temporary differences and tax losses for which no deferred income tax asset is recognised *(Note 22)*	**2,453**	30,254
Utilisation of previously unrecognised temporary differences and tax losses	**(15,207)**	(47,679)
Expenses not deductible for tax purposes	**65,777**	77,296
Share of results of associates and joint ventures reported net of tax	**(50,289)**	(39,806)
Income not subject to tax	**(2,180)**	(11,103)
Withholding tax on dividends and interests	**18,549**	(14,410)
Tax charge	**1,351,329**	1,317,349

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 249,000 ordinary shares (31 December 2021: 270,000 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 2022 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 2021.

	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	4,063,834	4,010,881
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	2,615,354	2,505,199
Basic earnings per share (RMB cents)	155.38	160.10

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 scheme and Restricted Share Award Scheme. In relation to shares issued under share option scheme, 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)*

Diluted *(Continued)*

	2022	2021
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (RMB'000)	**4,063,834**	4,010,881
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	**2,615,354**	2,505,199
Adjustment for the restricted shares (in thousands)	**5,545**	9,667
Adjustment for the share option scheme (in thousands)	**12,181**	24,090
Deemed weighted average number of shares for diluted earnings per shares (in thousands)	**2,633,080**	2,538,956
Diluted earnings per share (RMB cents)	**154.34**	157.97

30. *DIVIDENDS*

	2022 RMB'000	2021 RMB'000
Proposed final dividend of RMB46.27 cents (2021: RMB45.97 cents) per ordinary share	**1,219,150**	1,203,264

The total dividends paid during the year ended 31 December 2022 amounted to RMB1,194,720,000 or RMB45.97 cents per share (2021: RMB515,202,000 or RMB20.46 cents per share) which represented the final dividends for the year ended 31 December 2021.

On 16 March 2023, the Board proposed a final dividend of RMB46.27 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 2022. The final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 14 June 2023. 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 2023.

31. STATEMENT OF CASH FLOWS

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

	2022 RMB'000	2021 RMB'000
Profit before income tax	5,415,100	5,328,237
Adjustments for:		
Depreciation on property, plant and equipment	732,178	589,373
Depreciation on right-of-use assets	611,447	461,172
Depreciation on investment properties	60,826	49,049
Amortisation of land use rights and intangible assets	49,343	40,868
Loss on disposal of property, plant and equipment	12,538	20,861
Loss/(gain) on disposal of right-of-use assets	3,135	(1,779)
Loss on disposal of intangible assets	308	14
Reversal of provision for expected credit loss allowance of trade receivables and other receivables	(24,321)	(15,682)
Provision/(reversal of provision) for write-down of inventories to net realisable value	26,852	(19,454)
Share options and restricted shares granted to directors and employees	239,301	33,064
Finance expenses – net	(342,959)	(47,585)
Fair value gains on wealth management products measured at FVPL	(140,550)	(77,902)
Amortisation of deferred income	(24,976)	(2,318)
Share of profit of investments accounted for using the equity method	(201,155)	(159,222)
Fair value adjustment to derivative financial instruments	–	(696)
Fair value adjustment to investments measured at FVPL	(53,830)	(42,468)
Operating profit before working capital changes	6,363,237	6,155,532
Increase in inventories	(682,089)	(407,810)
Increase in trade receivables	(94,375)	(284,919)
Increase in other receivables	(106,652)	(111,759)
Increase in other assets	(61,723)	(233,302)
(Decrease)/increase in trade payables	(14,858)	372,153
(Decrease)/increase in other payables and accruals	(79,865)	1,432,048
(Decrease)/increase in contract liabilities	(93,745)	59,701
Decrease in restricted bank deposits	91	23
Cash generated from operations	5,230,021	6,981,667

The principal non-cash transaction included:

(a) The purchase of property, plant and equipment amounting to RMB347,528,000 and RMB426,058,000 have not been settled as at 31 December 2022 and 2021, respectively. In addition, the purchase of property, plant and equipment during the year ended 31 December 2022 include an amount of RMB775,531,000 transferred from the balance of other assets as at 31 December 2021 (Note 13).

(b) Refer to Note 6(b) for the addition of right-of-use assets during the years ended 31 December 2022 and 2021.

31. STATEMENT OF CASH FLOWS (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Net book amount	20,257	26,880
Loss on disposal of property, plant and equipment	(12,538)	(20,861)
Proceeds from disposal of property, plant and equipment	7,719	6,019

32. SHARE-BASED COMPENSATION

(a) 2014 Share Option Scheme

Pursuant to a shareholders' resolution passed on 30 May 2014, the Company approved (i) the adoption of a new share option scheme (the "2014 Share Option Scheme"), and (ii) the termination of the previous share option scheme adopted by the Company on 5 June 2004 (the "2004 Share Option Scheme"). The 2014 Share Option Scheme will be valid and effective for a period of 10 years commencing on 30 May 2014.

The Board proposes the adoption of the 2014 Share Option Scheme with the purposes, similar to the 2004 Share Option Scheme, to provide such incentives to participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group.

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

	2022		2021	
	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	8.157	22,988	7.766	31,134
Exercised	6.203	(17,371)	6.731	(7,262)
Lapsed	–	–	6.120	(884)
As at 31 December	14.200	5,617	8.157	22,988
Exercisable as at 31 December	10.951	4,040	6.502	20,379

32. *SHARE-BASED COMPENSATION* (CONTINUED)

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

Share options outstanding under this scheme as at 31 December 2022 and 31 December 2021 have the following expiry dates and exercise prices:

	2022		2021	
Expiry date	Exercise price (per share) HK$	Share options (Thousands)	Exercise price (per share) HK$	Share options (Thousands)
7 June 2026	3.300	2,110	3.300	2,600
31 December 2022	6.120	–	6.120	16,481
31 December 2024	13.360	316	13.360	316
16 May 2029	13.160	350	13.160	750
31 December 2027	22.520	2,841	22.520	2,841
Total		5,617		22,988
Weighted average remaining contractual life of options outstanding at end of period		4.33		2.24

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 2022 was RMB4,049,000 (2021: RMB8,405,000).

(b) 2016 Restricted Share Award Scheme

In consideration of the expiration of the previous Restricted Share Award Scheme adopted by the Company on 14 July 2006 (the "2006 Restricted Share Award Scheme") on 14 July 2016, the Company approved the adoption of a new Restricted Share Award Scheme (the "2016 Restricted Share Award Scheme") on 2 June 2016. The 2016 Restricted Share Award Scheme will be valid and effective for a period of 10 years commencing on 14 July 2016.

The Board proposes the adoption of the 2016 Restricted Share Award Scheme with the purposes, similar to the 2006 Restricted Share Award Scheme, to attract new talents, motivate existing talents and retain both in the Company which include directors, employees, officers, agents or consultants of the Company or any of its subsidiaries.

The maximum number of Restricted Shares under 2016 Restricted Share Award Scheme shall not exceed 5% of the Company's share capital in issue from time to time. For each selected participant, the maximum number of Restricted Shares under 2016 Restricted Share Award Scheme granted in aggregate shall not exceed 18,855,000 shares, being 1% of the Company's issued share capital as at the adoption date of 14 July 2016.

The fair value of 2016 Restricted Share Award Scheme was based on the market value of the Company's shares at the grant date.

32. SHARE-BASED COMPENSATION *(CONTINUED)*

(b) 2016 Restricted Share Award Scheme *(Continued)*

Movements in the number of 2016 Restricted Share Award Scheme granted and related fair value are as follows:

	2022		2021	
	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	**29.841**	**1,646**	9.386	12,735
Granted	**73.192**	**9,801**	73.204	230
Vested	**28.498**	**(826)**	7.755	(11,016)
Lapsed	**63.341**	**(248)**	6.031	(303)
As at 31 December	**70.109**	**10,373**	29.841	1,646

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 RMB235,252,000 during the year ended 31 December 2022 (2021: RMB24,659,000).

33. COMMITMENTS

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

Pursuant to the subscription agreement (including the deed of amendment) entered into by the Group and the general partner of a limited partnership (the "Limited Partnership"), the Group had capital commitments of US$37.3 million (2021:US$38.3 million) in relation to the investment in the Limited Partnership as at 31 December 2022.

(b) Capital commitments in relation to acquisition of properties

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2022 RMB'000	2021 RMB'000
Property, plant and equipment	**869,383**	258,510

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 (subsequently renamed as Li Ning 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

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 income tax liabilities *(Note 22)*	(351,828)
Net identifiable assets acquired	1,221,963
Add: goodwill	4,304
	1,226,267

34. *BUSINESS COMBINATION* (CONTINUED)

(a) Summary of acquisition *(Continued)*

(i) Acquisition-related costs

Acquisition-related costs of RMB2,319,000 are included in administrative expenses in profit or loss for the year ended 31 December 2021.

(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.

(b) Outflow of cash to acquire subsidiaries, net of cash acquired

	2022 RMB'000	2021 RMB'000
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)	13,267	167,182
Less: Cash acquired	–	(47,587)
Prepayment for consideration for acquisition of subsidiaries	–	(47,904)
	13,267	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:

35. *RELATED-PARTY TRANSACTIONS* (CONTINUED)

(a) Sales of goods to:

	2022 RMB'000	2021 RMB'000
Subsidiaries of Viva China *(Note i)*	**12,690**	7,932
Subsidiary of Li-Ning Aigle Ventures	**156**	136
Others	**45**	16
	12,891	8,084

(b) Provision of services to:

	2022 RMB'000	2021 RMB'000
Subsidiaries of Viva China *(Note i)*	**6,555**	1,598
Subsidiary of Li-Ning Aigle Ventures	**674**	656
Guangxi Ning Tai (a joint venture of the Group)	**248**	99
Guangxi Ning Zhan (a joint venture of the Group)	**198**	124
	7,675	2,477

(c) Purchases of goods from:

	2022 RMB'000	2021 RMB'000
Hubei Dong Neng (an associate of the Group)	**358,246**	343,144
Guangxi Ning Tai (a joint venture of the Group)	**208,584**	214,487
Subsidiaries of Viva China *(Note i)*	**205,029**	56,224
Guangxi Ning Zhan (a joint venture of the Group)	**101,799**	18,038
Subsidiary of Li-Ning Aigle Ventures	**629**	1,022
Double Happiness (an associate of the Group)	**15**	49
	874,302	632,964

35. *RELATED-PARTY TRANSACTIONS (CONTINUED)*

(d) Purchases of services from:

	2022 RMB'000	2021 RMB'000
Subsidiaries of Viva China *(Note i)*	**204,634**	189,791
Double Happiness (an associate of the Group)	**8,029**	8,493
Danskin China (an associate of the Group)	**5,000**	5,000
	217,663	203,284

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

	2022 RMB'000	2021 RMB'000
Repayment of loans from:		
Guangxi Ning Zhan (a joint venture of the Group)	**10,000**	15,000
Interests income from:		
Guangxi Ning Zhan (a joint venture of the Group)	**213**	1,465

(f) Key management compensation

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	**106,476**	146,378
Contribution to retirement benefit scheme	**1,676**	1,583
Employee share schemes for value of services provided	**152,700**	25,541
	260,852	173,502

Note:

(i) During the year ended 31 December 2022, 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").

35. RELATED-PARTY TRANSACTIONS (CONTINUED)

(g) Year-end balances

	2022 RMB'000	2021 RMB'000
Prepayments to related parties:		
Subsidiaries of Viva China	–	6,000
	–	6,000
Trade receivables from related parties:		
Subsidiaries of Viva China	3,547	1,083
Others	22	7
	3,569	1,090
Other receivables from related parties:		
Guangxi Ning Zhan (a joint venture of the Group)	–	11,632
Payables to related parties:		
Hubei Dong Neng (an associate of the Group)	38,894	38,733
Subsidiaries of Viva China	36,132	20,664
Guangxi Ning Zhan (a joint venture of the Group)	33,632	3,331
Guangxi Ning Tai (a joint venture of the Group)	9,365	26,543
	118,023	89,271

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

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**75**	952
Right-of-use assets		**3,777**	1,645
Investment in subsidiaries		**3,197,950**	8,219,160
Long-term receivables		**7,515,094**	845
Deferred income tax assets		**350**	261
Total non-current assets		**10,717,246**	8,222,863
Current assets			
Other receivables and prepayments		**8**	465
Dividends receivable		**1,996,075**	1,826,923
Restricted bank deposits		**770**	861
Cash and cash equivalents		**200,156**	3,148,388
Total current assets		**2,197,009**	4,976,637
Total assets		**12,914,255**	13,199,500
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		**240,320**	238,759
Share premium		**11,580,718**	12,637,277
Other reserves	(a)	**345,340**	164,657
Retained earnings	(a)	**714,684**	108,717
Total equity		**12,881,062**	13,149,410

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

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,455	–
Deferred income tax liabilities		7,661	–
Total non-current liabilities		9,116	–
Current liabilities			
Other payables and accruals		21,612	48,323
Lease liabilities – current portion		2,465	1,767
Total current liabilities		24,077	50,090
Total liabilities		33,193	50,090
Total equity and liabilities		12,914,255	13,199,500

The balance sheet of the Company was approved by the Board of Directors on 16 March 2023 and was signed on its behalf.

Li Ning
Executive Chairman & Joint Chief Executive Officer

Kosaka Takeshi
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 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 scheme and Restricted Share Award Scheme	–	–	33,064	–	33,064
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	–	(108,447)	–	(108,447)
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
As at 1 January 2022	**108,717**	**83,387**	**78,855**	**2,415**	**273,374**
Total comprehensive income for the year	**605,967**	**–**	**–**	**–**	**605,967**
Value of services provided under share option scheme and Restricted Share Award Scheme	**–**	**–**	**239,301**	**–**	**239,301**
Exercise of share options and vesting of shares under Restricted Share Award Scheme	**–**	**–**	**(58,611)**	**–**	**(58,611)**
Shares converted from convertible securities	**–**	**–**	**–**	**(7)**	**(7)**
As at 31 December 2022	**714,684**	**83,387**	**259,545**	**2,408**	**1,060,024**

37. BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director for the year ended 31 December 2022 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Allowance and benefits in kind (Note (i)) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Li Ning	–	15,000	19,027	37,744	884	72,655
Mr. Kosaka Takeshi	–	14,685	17,517	33,323	122	65,647
Ms. Wang Ya Fei	270	–	–	662	–	932
Mr. Koo Fook Sun, Louis	270	–	–	662	–	932
Mr. Chan Chung Bun, Bunny	250	–	–	662	–	912
Mr. Li Qilin	2,300	–	–	4,662	–	6,962
Ms. Wang Ya Juan (ii)	7	–	–	–	–	7

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	–	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

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

(ii) Ms. Wang Ya Juan was appointed as an independent non-executive director of the Company with effect from 21 December 2022.

(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 (2021: 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 (2021: nil). No consideration was provided to or receivable by third parties for making available directors' services (2021: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2021: 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 (2021: 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 (2021: 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
"2023 AGM"	the annual general meeting of the Company to be held on Wednesday, 14 June 2023
"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

GLOSSARY

"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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