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## **LI NING COMPANY LIMITED**

### **李寧有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

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

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024**

#### **FINANCIAL HIGHLIGHTS**

- In the first half of the year, the Group recorded the following operating results:
  - Revenue rose by 2.3% to RMB14,345 million; gross profit margin rose by 1.6 percentage points to 50.4%
  - Net operating cash inflow increased by 40.6% to RMB2,730 million
  - Net profit attributable to equity holders of the Company was RMB1,952 million with net profit margin of 13.6%, and EBITDA margin was 24.0%
- Working capital remained at a healthy level:
  - The percentage of gross average working capital to revenue was 7.1%
  - The cash conversion cycle was 31 days, representing an increase of 1 day as compared to the same period last year
- The Board resolved to declare an interim dividend of RMB37.75 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the six months ended 30 June 2024.

#### **OPERATIONAL HIGHLIGHTS**

- The retail sell-through for the overall platform decreased by low-single-digit, including online and offline channels.
- Channel inventory increased by mid-single-digit comparing to the same period last year. The inventory turnover and ageing structure remained at a healthy level.
- Offline channel new product sell-through decreased by mid-single-digit.

## INTERIM RESULTS

The board of directors (the “Board”) of Li Ning Company Limited (the “Company” or “Li Ning Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024, together with comparative figures of 2023, as follows:

### INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,473,019	4,123,948
Right-of-use assets		1,850,452	2,184,054
Investment properties		3,296,840	1,560,455
Land use rights		152,759	154,654
Intangible assets		255,955	220,867
Deferred income tax assets		917,054	800,960
Other assets		4,954	203,074
Investments accounted for using the equity method		1,716,037	1,606,601
Investments measured at fair value through profit or loss		430,874	428,189
Other receivables		198,292	234,876
Long-term bank deposits		4,841,169	9,037,142
<b>Total non-current assets</b>		<b>18,137,405</b>	<b>20,554,820</b>
<b>Current assets</b>			
Inventories	4	2,312,826	2,493,206
Other assets – current portion		902,894	838,175
Trade receivables	5	1,210,616	1,205,532
Other receivables – current portion		232,135	177,694
Restricted bank deposits		23,909	806
Short-term bank deposits		6,569,642	3,493,687
Cash and cash equivalents		6,146,726	5,443,883
<b>Total current assets</b>		<b>17,398,748</b>	<b>13,652,983</b>
<b>Total assets</b>		<b>35,536,153</b>	<b>34,207,803</b>

	<i>Note</i>	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares		235,823	239,546
Share premium		9,012,759	10,172,638
Treasury shares		(312,739)	(1,037,927)
Other reserves		2,007,049	2,021,513
Retained earnings		<u>14,962,903</u>	<u>13,010,871</u>
<b>Total equity</b>		<u><b>25,905,795</b></u>	<u>24,406,641</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
License fees payable		30,397	8,581
Lease liabilities		1,547,294	1,825,288
Deferred income tax liabilities		609,217	627,231
Deferred income		<u>60,159</u>	<u>71,586</u>
<b>Total non-current liabilities</b>		<u><b>2,247,067</b></u>	<u>2,532,686</u>
<b>Current liabilities</b>			
Trade payables	6	1,706,036	1,789,796
Contract liabilities		217,468	552,537
Lease liabilities – current portion		622,944	716,665
Other payables and accruals		3,991,093	3,255,710
License fees payable – current portion		74,498	38,484
Current income tax liabilities		<u>771,252</u>	<u>915,284</u>
<b>Total current liabilities</b>		<u><b>7,383,291</b></u>	<u>7,268,476</u>
<b>Total liabilities</b>		<u><b>9,630,358</b></u>	<u>9,801,162</u>
<b>Total equity and liabilities</b>		<u><b>35,536,153</b></u>	<u><b>34,207,803</b></u>

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	3	<b>14,345,288</b>	14,018,947
Cost of sales	7	<b>(7,109,686)</b>	(7,180,183)
<b>Gross profit</b>		<b>7,235,602</b>	6,838,764
Selling and distribution expenses	7	<b>(4,326,883)</b>	(3,948,420)
Administrative expenses	7	<b>(680,297)</b>	(590,757)
(Provision for)/reversal of expected credit loss allowance for financial assets – net		<b>(10,268)</b>	10,806
Other income and other gains – net	8	<b>183,741</b>	164,831
<b>Operating profit</b>		<b>2,401,895</b>	2,475,224
Finance income	9	<b>221,238</b>	305,070
Finance expenses	9	<b>(120,863)</b>	(81,366)
Finance income – net	9	<b>100,375</b>	223,704
Share of profit of investments accounted for using the equity method		<b>110,860</b>	101,873
<b>Profit before income tax</b>		<b>2,613,130</b>	2,800,801
Income tax expense	10	<b>(661,098)</b>	(679,518)
<b>Profit for the period</b>		<b>1,952,032</b>	2,121,283
<b>Profit is attributable to:</b>			
Equity holders of the Company		<b>1,952,032</b>	2,121,231
Non-controlling interests		<b>–</b>	52
		<b>1,952,032</b>	2,121,283
<b>Earnings per share for profit attributable to equity holders of the Company for the period (expressed in RMB cents per share)</b>			
Basic earnings per share	11	<b>75.80</b>	80.63
Diluted earnings per share	11	<b>75.49</b>	80.34

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the period</b>	<b>1,952,032</b>	<b>2,121,283</b>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>12,493</u>	<u>3,281</u>
<b>Total comprehensive income for the period</b>	<b><u>1,964,525</u></b>	<b><u>2,124,564</u></b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>1,964,525</b>	<b>2,124,512</b>
Non-controlling interests	<u>–</u>	<u>52</u>
<b>Total comprehensive income for the period</b>	<b><u>1,964,525</u></b>	<b><u>2,124,564</u></b>

Notes:

## 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 condensed consolidated interim results are presented in Renminbi (“RMB”), unless otherwise stated. These condensed consolidated interim results have been approved for issue by the Board on 15 August 2024.

These condensed consolidated interim results have not been audited.

### ***Key events during the current reporting period***

On 10 December 2023, the Group entered into a sale and purchase agreement (the “SPA”) with an independent third party, pursuant to which the Group has conditionally agreed to (1) acquire the entire share capital of Vansittart Investment Limited (the “Target Company”, a company incorporated in Hong Kong with limited liability) (the “Sale Shares”) and (2) take up the assignment of the loan amount owing by the Target Company to one of its related parties as at the date of completion of the above acquisition (the “Sale Loan”) (collectively, the “Acquisition”). The Target Company is principally engaged in property investment and is the sole legal and beneficial owner of a property located in Hong Kong (the “Property”), which is the principal asset of the Target Company.

Pursuant to the SPA, the completion of the Acquisition took place on 28 January 2024 at the total consideration of HK\$2,221 million (equivalent to approximately RMB2,013 million). Save for the deposit of HK\$221 million (equivalent to approximately RMB200 million) paid in December 2023, the Group had paid the remaining amount of the consideration in January 2024, which amounted to HK\$2,000 million (equivalent to approximately RMB1,813 million).

Upon completion of the Acquisition, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results of which are consolidated into the financial statements of the Group. The management of the Company (“Management”) considers that the Group in substance acquired the Property through the Acquisition. As a result, the Group has applied the concentration test and accounted for the Acquisition as an asset acquisition in accordance with IFRS 3, which mainly represented the acquisition of the Property including investment properties of RMB1,699 million and property, plant and equipment of RMB322 million respectively.

## 2. Accounting policies

The accounting policies applied to the preparation of these condensed consolidated interim results are consistent with those applied in the annual financial statements for the year ended 31 December 2023, except for the adoption of amended standards set out below:

### ***Amended standards adopted by the Group***

The Group has applied the following amended standards for the first time from 1 January 2024:

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

### ***Impact of standards issued but not yet applied by the Group***

Certain new and amended accounting standards have been published but are not mandatory for reporting period commencing 1 January 2024 and have not been early adopted by the Group. These new and amended accounting standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	<b><i>Amendments and interpretations</i></b>	<b><i>Effective date</i></b>
Amendments to IAS 21	<i>Lack of Exchangeability</i>	<i>Annual periods beginning on or after 1 January 2025</i>
Amendments to IFRS 9 and IFRS 7	<i>Classification and Measurement of Financial Instruments</i>	<i>Annual periods beginning on or after 1 January 2026</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	<i>Annual periods beginning on or after 1 January 2027</i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i>	<i>Annual periods beginning on or after 1 January 2027</i>

## 3. Segment information and revenue

Management is the Group's chief operating decision-maker. Management reviews the Group's internal reports periodically in order to assess performance 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.

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

Revenue breakdown by product category:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Footwear	7,844,159	7,514,672
Apparel	5,375,222	5,639,911
Equipment and accessories	1,125,907	864,364
	<u>14,345,288</u>	<u>14,018,947</u>
<b>Total</b>	<b><u>14,345,288</u></b>	<b><u>14,018,947</u></b>

Revenue breakdown by sales channel:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
The PRC market		
Sales to franchised distributors	6,590,009	6,724,040
Sales from direct operation	3,502,705	3,409,502
Sales from e-commerce channel	4,004,262	3,595,353
Other regions	248,312	290,052
	<u>14,345,288</u>	<u>14,018,947</u>
<b>Total</b>	<b><u>14,345,288</u></b>	<b><u>14,018,947</u></b>

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

The Group has a large number of customers. For the six months ended 30 June 2024 and 2023, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.



#### 4. Inventories

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	Audited 31 December 2023 <i>RMB'000</i>
Raw materials	21,616	32,009
Work in progress	20,041	17,812
Finished goods	<u>2,415,083</u>	<u>2,578,112</u>
	<b>2,456,740</b>	2,627,933
Less: provision for write-down of inventories to net realisable value	<u>(143,914)</u>	<u>(134,727)</u>
	<b><u>2,312,826</u></b>	<b><u>2,493,206</u></b>

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB6,911,525,000 for the six months ended 30 June 2024 (30 June 2023: RMB7,002,447,000), which included inventory provision of RMB9,187,000 (30 June 2023: RMB22,857,000).

#### 5. Trade receivables

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	Audited 31 December 2023 <i>RMB'000</i>
Accounts receivable	1,259,010	1,243,747
Less: expected credit loss allowance for trade receivables	<u>(48,394)</u>	<u>(38,215)</u>
	<b><u>1,210,616</u></b>	<b><u>1,205,532</u></b>

Customers are normally granted credit terms within 90 days. As at 30 June 2024 and 31 December 2023, ageing analysis of trade receivables based on invoice date is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2024</b> <b>RMB'000</b>	Audited 31 December 2023 <i>RMB'000</i>
0 – 30 days	627,894	581,522
31 – 60 days	400,027	384,449
61 – 90 days	41,085	99,505
91 – 180 days	152,387	157,530
Over 180 days	<u>37,617</u>	<u>20,741</u>
	<b><u>1,259,010</u></b>	<b><u>1,243,747</u></b>

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>As at 1 January</b>	<b>38,215</b>	152,511
Provision for/(reversal of) expected credit loss allowance for trade receivables	<b>10,282</b>	(7,891)
Trade receivables written off during the period as uncollectible	<b>(121)</b>	(2,872)
Effect of change in exchange rate	<b>18</b>	680
	<hr/>	<hr/>
<b>As at 30 June</b>	<b>48,394</b>	142,428
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## 6. 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:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 30 days	<b>1,647,323</b>	1,507,160
31 – 60 days	<b>57,250</b>	274,316
61 – 90 days	<b>573</b>	4,661
91 – 180 days	<b>119</b>	930
181 – 365 days	<b>127</b>	1,759
Over 365 days	<b>644</b>	970
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	<b>1,706,036</b>	1,789,796
	<hr/> <hr/>	<hr/> <hr/>

## 7. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cost of inventories recognised as expenses and included in cost of sales	6,911,525	7,002,447
Depreciation on property, plant and equipment ( <i>Note a</i> )	470,250	427,779
Amortisation of land use rights and intangible assets	31,145	26,958
Depreciation on right-of-use assets	319,210	363,257
Impairment of right-of-use assets	50,820	–
Impairment of property, plant and equipment	18,389	–
Advertising and marketing expenses	1,248,791	1,042,091
Commission and trade fair related expenses	446,240	386,394
Staff costs, including directors' emoluments ( <i>Note a</i> )	1,217,301	1,160,851
Short-term lease rentals and variable lease payments not included in lease liabilities, and rental related expenses	646,688	584,424
Research and product development expenses ( <i>Note a</i> )	317,257	290,764
Transportation and logistics expenses	422,698	391,806
Auditor's remuneration		
– Audit services	3,340	3,200
– Non-audit services	1,614	1,207
Management consulting expenses	78,075	47,099

### *Note:*

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

## 8. Other income and other gains – net

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants ( <i>Note</i> )	141,552	110,094
Rental income	47,198	22,185
Depreciation and related expenses on investment properties under operating leases	(53,286)	(36,427)
License fees income	30,621	26,009
Fair value gains on wealth management products measured at fair value through profit or loss	14,971	38,063
Fair value gains on investments measured at fair value through profit or loss	2,685	4,907
	<u>183,741</u>	<u>164,831</u>

### *Note:*

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 six months ended 30 June 2024, the entitlement of an aggregate amount of RMB129,125,000 (30 June 2023: RMB97,662,000) was unconditional and at the discretion of the relevant authorities, while the remaining amount of RMB12,427,000 (30 June 2023: RMB12,432,000) was credited to profit or loss from deferred income in accordance with the fulfillment of the respective conditions attaching to the government grants.

## 9. Finance income and expenses

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income</b>		
Interest income on bank balances and deposits	221,238	240,317
Net foreign currency exchange gain	–	64,753
	<u>221,238</u>	<u>305,070</u>
<b>Finance expenses</b>		
Amortisation of discount – lease liabilities	(68,606)	(67,319)
Net foreign currency exchange loss	(27,446)	–
Borrowing interests	(12,525)	(3,993)
Amortisation of discount – license fees payable	(681)	(997)
Others	(11,605)	(9,057)
	<u>(120,863)</u>	<u>(81,366)</u>
<b>Finance income – net</b>	<u>100,375</u>	<u>223,704</u>

## 10. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current income tax		
– Corporate income tax (b)	789,200	751,019
– Withholding income tax on interests from subsidiaries in Mainland China (c)	6,006	–
	<u>                    </u>	<u>                    </u>
Deferred income tax	(134,108)	(71,501)
	<u>                    </u>	<u>                    </u>
Income tax expense	<u><u>661,098</u></u>	<u><u>679,518</u></u>

Income tax expense is recognised based on Management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

### Notes:

- (a) The Company was incorporated in the Cayman Islands. Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Company. The Company's subsidiary, RealSports Pte Ltd., was established under the International Business Companies Acts of the British Virgin Islands, and is exempted from British Virgin Islands income taxes.
- (b) For the six months ended 30 June 2024, provision for the corporate income tax of Mainland China is calculated based on the statutory tax rate of 25% (30 June 2023: 25%) on the taxable profits of each of the group companies. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong (30 June 2023: 16.5%).
- (c) This mainly arose from the interests due by the Company's one subsidiary in Mainland China to the Company during the six months ended 30 June 2024, which are subject to withholding tax at the rate of 7%.

## 11. 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 the restricted share award scheme adopted by the Company on 14 July 2016 (the "Restricted Share Award Scheme") and shares repurchased by the Company for cancellation during the period. Such weighted average number of shares outstanding shall be adjusted for events such as bonus issue and stock dividend.

In April 2013, the Company completed the issuance of convertible securities. In January 2015, the Company completed the issuance of offer securities which included the issuance of both ordinary shares and convertible securities. The below market subscription price of these two events had effectively resulted in 245,000 ordinary shares of the Company (30 June 2023: 248,000 ordinary shares of the Company) to be issued upon conversion for nil consideration (i.e. the bonus element), and such impact has been taken into account in calculating the weighted average number of shares for the purpose of basic earnings per share. The shares issued for nil consideration arising from the issuance of convertible securities have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2023.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<b>1,952,032</b>	2,121,231
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share ( <i>in thousands</i> )	<b>2,575,186</b>	2,630,863
Basic earnings per share ( <i>RMB cents</i> )	<b>75.80</b>	80.63

#### ***Diluted***

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
Profit attributable to equity holders of the Company, used to determine diluted earnings per share ( <i>RMB'000</i> )	<b>1,952,032</b>	2,121,231
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share ( <i>in thousands</i> )	<b>2,575,186</b>	2,630,863
Adjustment for the restricted shares ( <i>in thousands</i> )	<b>10,362</b>	6,252
Adjustment for the share option schemes ( <i>in thousands</i> )	<b>182</b>	3,251
Deemed weighted average number of shares for diluted earnings per share ( <i>in thousands</i> )	<b>2,585,730</b>	2,640,366
Diluted earnings per share ( <i>RMB cents</i> )	<b>75.49</b>	80.34

## 12. Dividends

*(a) Dividends payable to equity holders of the Company attributable to the current financial period*

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interim dividend declared after the end of the interim period of RMB37.75 cents per ordinary share of the Company (30 June 2023: RMB36.20 cents per ordinary share of the Company), payable/paid out of retained earnings of the Company	<b>976,016</b>	<b>954,636</b>

The interim dividend has not been recognised as a liability as at the end of the reporting period.

The percentage of the interim dividend payable/paid in respect of the period ended 30 June 2024 to profit attributable to equity holders of the Company is 50% (30 June 2023: 45%).

*(b) Dividends payable to equity holders of the Company attributable to the previous financial year*

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Final dividend in respect of the year ended 31 December 2023, approved and paid during the reporting period, of RMB18.54 cents per ordinary share of the Company (2022: RMB46.27 cents per ordinary share of the Company), paid out of share premium of the Company	<b>473,560</b>	<b>1,220,193</b>

## **DIVIDENDS**

The Board resolved to declare an interim dividend of RMB37.75 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the six months ended 30 June 2024 (30 June 2023: RMB36.20 cents). Such interim dividend is payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on 15 August 2024 and will not be subject to any withholding tax. Such interim dividend will be paid:

- (i) on 11 September 2024 to ordinary shareholders whose names shall appear on the register of members of the Company on 3 September 2024;
- (ii) on 11 September 2024 to holders of convertible securities issued under the open offer of offer securities of the Company as set out in the listing documents of the Company dated 9 January 2015 and remain outstanding on 3 September 2024; and
- (iii) on 16 September 2024 (i.e. the third business day after 11 September 2024) to holders of convertible securities issued under the open offer of convertible securities of the Company as set out in the listing document of the Company dated 27 March 2013 and remain outstanding on 3 September 2024.

For the avoidance of doubt, any convertible securities subject to a conversion notice completed, executed and deposited on or before the interim dividend record date (being 3 September 2024) shall be entitled to the distribution of such interim dividend of the Company. For details of calculation of distribution of the interim dividend entitled to the convertible securities, please refer to the listing documents of the Company dated 27 March 2013 and 9 January 2015 respectively.

The final dividend of RMB18.54 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2023 was declared payable and approved by the shareholders at the annual general meeting of the Company on 13 June 2024 and subsequently paid in June 2024.

## **CLOSURE OF REGISTER OF MEMBERS AND HOLDERS OF CONVERTIBLE SECURITIES**

For determining shareholders and holders of convertible securities of the Company who are ascertaining entitlement to the interim dividend, the register of members and register of holders of convertible securities of the Company will be closed as set out below:

Latest time to lodge transfer documents	4:30 p.m. on 30 August 2024 (Friday)
Period of closure of register of members and register of holders of convertible securities	2 September 2024 (Monday) to 3 September 2024 (Tuesday) (both days inclusive)
Interim dividend record date	3 September 2024 (Tuesday)

In order to qualify for the interim dividend, all transfer documents must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before the above latest time to lodge transfer documents. During the above closure periods, no transfer of shares or convertible securities of the Company will be registered.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL OVERVIEW

The key operating and financial performance indicators of the Group for the six months ended 30 June 2024 are set out below:

	<b>Unaudited</b>		<b>Change</b>
	<b>Six months ended 30 June</b>		<b>(%)</b>
	<b>2024</b>	<b>2023</b>	
<b>Income statement items</b>			
<i>(All amounts in RMB thousands unless otherwise stated)</i>			
Revenue	<b>14,345,288</b>	14,018,947	<b>2.3</b>
Gross profit	<b>7,235,602</b>	6,838,764	<b>5.8</b>
Operating profit	<b>2,401,895</b>	2,475,224	<b>(3.0)</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA) <i>(Note 1)</i>	<b>3,443,608</b>	3,425,450	<b>0.5</b>
Profit attributable to equity holders	<b>1,952,032</b>	2,121,231	<b>(8.0)</b>
Basic earnings per share <i>(RMB cents) (Note 2)</i>	<b>75.80</b>	80.63	<b>(6.0)</b>
<b>Key financial ratios</b>			
<b><i>Profitability ratios</i></b>			
Gross profit margin (%)	<b>50.4</b>	48.8	
Operating profit margin (%)	<b>16.7</b>	17.7	
Effective tax rate (%)	<b>25.3</b>	24.3	
Margin of profit attributable to equity holders (%)	<b>13.6</b>	15.1	
Return on equity attributable to equity holders (%) <i>(Note 3)</i>	<b>7.8</b>	8.5	
<b><i>Expenses to revenue ratios</i></b>			
Staff costs (%)	<b>8.5</b>	8.3	
Advertising and marketing expenses (%)	<b>8.7</b>	7.4	
Research and product development expenses (%)	<b>2.2</b>	2.1	
<b><i>Asset efficiency</i></b>			
Average inventory turnover <i>(days) (Note 4)</i>	<b>62</b>	57	
Average trade receivables turnover <i>(days) (Note 5)</i>	<b>15</b>	14	
Average trade payables turnover <i>(days) (Note 6)</i>	<b>46</b>	41	
	<b>30 June</b>	31 December	
	<b>2024</b>	2023	
Debt-to-equity ratio (%) <i>(Note 7)</i>	<b>37.2</b>	40.2	
Net asset value per share <i>(RMB cents) (Note 8)</i>	<b>1,006.27</b>	948.27	

*Notes:*

1. The calculation of earnings before interest, tax, depreciation and amortisation (EBITDA) is based on profit for the period, excluding the sum of income tax expense, finance income – net, depreciation and impairment on property, plant and equipment, depreciation on investment properties under operating leases, amortisation of land use rights and intangible assets and depreciation and impairment on right-of-use assets.
  2. Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue less shares held for Restricted Share Award Scheme and Shares repurchased by the Company for cancellation during the period. Such weighted average number of shares outstanding shall be adjusted for events such as bonus issue and stock dividend.
  3. The calculation of return on equity attributable to equity holders is based on the profit attributable to equity holders of the Company for the period, divided by the average of opening and closing balances of capital and reserves attributable to equity holders of the Company of the period.
  4. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances of the period, divided by cost of sales and multiplied by the total number of days in the period.
  5. The calculation of average trade receivables turnover (days) is based on the average of opening and closing balances of trade receivables of the period, divided by revenue and multiplied by the total number of days in the period.
  6. The calculation of average trade payables turnover (days) is based on the average of opening and closing balances of trade payables of the period, divided by total purchases and multiplied by the total number of days in the period.
  7. The calculation of debt-to-equity ratio is based on total liabilities divided by capital and reserves attributable to equity holders of the Company at the end of the period/year.
  8. The calculation of net asset value per share is based on the net asset value, divided by the number of shares in issue less shares held for Restricted Share Award Scheme and Shares repurchased by the Company for cancellation at the end of the period/year.
- \* *The aforesaid indicators provided by the Group may not necessarily be the same in terms of calculation methods as those provided by other issuers.*
- \*\* *The Group adopted the aforesaid non-GAAP financial indicators such as EBITDA, 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 six months ended 30 June 2024 amounted to RMB14,345,288,000, representing an increase of 2.3% as compared to the corresponding period of 2023. In 2024, the Group unveiled the campaign titled "In My Name" (「以我為名」), as a part of its initiative to support the country's sports development, to encourage everyone to engage in sports activities and cultivate a positive and healthy lifestyle. Upholding the mission of serving sporters by technological innovation, the Group is committed to enabling sports event participants and consumers to have fun and acquire power in sports activities by providing professional sports packages. Changes in revenue from all channels during the period were as follows: (1) adjustments to the layout of directly-operated stores were further promoted during the period, and the retail sell-through maintained overall stability, resulting in slight period-on-period growth of 2.7% in the revenue from direct operation; (2) the e-commerce channel made greater achievements as it fostered development through new media and new platform, which was consolidated by the rebound of consumer traffic amid the gradual recovery of online consumption vibe, thus recording period-on-period growth of 11.4% in the revenue from e-commerce channel; (3) in view of the overall market conditions, the Group strengthened the delivery rhythm management of distributors to maintain a healthy channel inventory, and therefore recorded a slight period-on-period decrease of 2.0% in the revenue from sales to franchised distributors.

### Revenue breakdown by product category

	Six months ended 30 June				Revenue Change (%)
	2024	% of total revenue	2023	% of total revenue	
	RMB'000		RMB'000		
Footwear	7,844,159	54.7	7,514,672	53.6	4.4
Apparel	5,375,222	37.5	5,639,911	40.2	(4.7)
Equipment and accessories	1,125,907	7.8	864,364	6.2	30.3
<b>Total</b>	<b>14,345,288</b>	<b>100.0</b>	<b>14,018,947</b>	<b>100.0</b>	<b>2.3</b>

Revenue breakdown (in %) by sales channel

	Six months ended 30 June		Change (%)
	2024 % of revenue	2023 % of revenue	
The PRC market			
Sales to franchised distributors	46.0	48.0	(2.0)
Sales from direct operation	24.4	24.3	0.1
Sales from e-commerce channel	27.9	25.6	2.3
Other regions	1.7	2.1	(0.4)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>

Revenue breakdown by geographical location

	Note	Six months ended 30 June				Revenue Change (%)
		2024 RMB'000 % of revenue	2023 RMB'000 % of revenue	2024 RMB'000 % of revenue	2023 RMB'000 % of revenue	
The PRC market						
Northern region	1	6,841,952	47.7	6,655,059	47.4	2.8
Southern region	2	7,255,024	50.6	7,073,836	50.5	2.6
Other regions		248,312	1.7	290,052	2.1	(14.4)
<b>Total</b>		<b>14,345,288</b>	<b>100.0</b>	<b>14,018,947</b>	<b>100.0</b>	<b>2.3</b>

Notes:

1. The Northern region includes provinces, municipalities and autonomous regions covering Beijing, Tianjin, Shanxi, Shandong, Hebei, Inner Mongolia, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Gansu, Ningxia, Xinjiang and Qinghai.
2. The Southern region includes provinces, municipalities, 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 six months ended 30 June 2024, the overall cost of sales of the Group amounted to RMB7,109,686,000 (2023: RMB7,180,183,000), and the overall gross profit margin was 50.4% (2023: 48.8%). During the period, the gross profit margin increased by 1.6 percentage points as compared to the corresponding period of last year, which was mainly attributable to the improvement in the discount of new products during the period. The proportion of revenue from direct-to-consumer channels with higher gross profit margin increased period-on-period, and the provision for inventories decreased as compared with the corresponding period of last year. All the aforesaid factors stimulated the gross profit margin for the period to rise.

### ***Selling and Distribution Expenses***

For the six months ended 30 June 2024, the Group's overall selling and distribution expenses amounted to RMB4,326,883,000 (2023: RMB3,948,420,000), accounting for 30.2% (2023: 28.2%) of the Group's total revenue.

The selling and distribution expenses increased by 9.6% as compared to the corresponding period of last year, and its percentage to revenue grew by 2.0 percentage points as compared to the corresponding period of last year. During the period, the Group allocated greater input to marketing and promotion fields, and particularly, devoted greater efforts to content promotion to tap potential consumers in the livestream channel that was widely accepted by consumers, which contributed to the increase in advertising and marketing expenses. Further adjustments to the layout of directly-operated stores resulted in increased rentals. As a result of the revenue growth especially the growth in revenue from direct-to-consumer channels, commissions and logistics costs, both related to the revenue, recorded increases to different degrees.

### ***Administrative Expenses***

For the six months ended 30 June 2024, the Group's overall administrative expenses amounted to RMB680,297,000 (2023: RMB590,757,000), accounting for 4.7% (2023: 4.2%) of the Group's total revenue with a period-on-period increase of 0.5 percentage points. Administrative expenses mainly comprised staff costs, management consulting fees, office rental, depreciation and amortisation charges, research and product development expenses, taxes and other miscellaneous daily expenses.

The increase in administrative expenses was mainly attributable to the growth of wages and salaries, the investment in building the information system and the increase in depreciation and amortisation charges.

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

For the six months ended 30 June 2024, the Group's share of profit of investments accounted for using the equity method amounted to RMB110,860,000 (2023: RMB101,873,000).

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

For the six months ended 30 June 2024, the Group's EBITDA amounted to RMB3,443,608,000 (2023: RMB3,425,450,000), representing a period-on-period increase of 0.5%.

Reconciliations of EBITDA and the profit for the period are as follows:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Reconciliation of profit for the period to EBITDA:</b>		
<b>Profit for the period</b>	<b>1,952,032</b>	2,121,283
Income tax expense	<b>661,098</b>	679,518
Finance income	<b>(221,238)</b>	(305,070)
Finance expenses (including amortisation of discount on lease liabilities)	<b>120,863</b>	81,366
Depreciation on property, plant and equipment	<b>470,250</b>	427,779
Impairment of property, plant and equipment*	<b>18,389</b>	–
Amortisation of land use rights and intangible assets	<b>31,145</b>	26,958
Depreciation on right-of-use assets	<b>319,210</b>	363,257
Impairment of right-of-use assets*	<b>50,820</b>	–
Depreciation on investment properties under operating leases	<b>41,039</b>	30,359
	<hr/> <b>3,443,608</b> <hr/>	<hr/> 3,425,450 <hr/>
<b>EBITDA</b>	<b>3,443,608</b>	3,425,450

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

## ***Finance Income – Net***

For the six months ended 30 June 2024, the Group's net finance income amounted to RMB100,375,000 (2023: RMB223,704,000). The period-on-period decrease in net finance income was due to the increase of exchange losses for the period, and the decrease of interest income as a result of the decrease in fixed term deposits.

### ***Income Tax Expense***

For the six months ended 30 June 2024, the income tax expense of the Group amounted to RMB661,098,000 (2023: RMB679,518,000) and the effective tax rate was 25.3% (2023: 24.3%). Currently, the Group's income tax expense is almost in line with the standard level.

### ***Overall Profitability Indicators***

During the period, the Group witnessed a mild revenue growth and a period-on-period improvement in the gross profit margin, but recorded increasing expenses and decline of profit attributable to equity holders. During the period, the Group's profit attributable to equity holders amounted to RMB1,952,032,000 (2023: RMB2,121,231,000). The margin of profit attributable to equity holders was 13.6% (2023: 15.1%). Return on equity attributable to equity holders was 7.8% (2023: 8.5%).

### ***Provision for Inventories***

The Group's policy in respect of provision for inventories for the first half of 2024 was the same as that in 2023. Inventories of the Group are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as provision for inventories. The Group considers this policy to be adequate in ensuring appropriate provision for inventories is made by the Group.

As at 30 June 2024, the accumulated provision for inventories was RMB143,914,000 (31 December 2023: RMB134,727,000). The Group will continue to exercise control over the inventory ageing structure and inventory turnover rate so as to maintain the same at a reasonable level.

### ***Expected Credit Loss Allowance***

The Group's policy in respect of expected credit loss allowance for the first half of 2024 was the same as that in 2023. 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 30 June 2024, the accumulated expected credit loss allowance was RMB55,977,000 (31 December 2023: RMB45,738,000), among which the accumulated expected credit loss allowance for trade receivables was RMB48,394,000 (31 December 2023: RMB38,215,000) and the accumulated expected credit loss allowance for other receivables was RMB7,583,000 (31 December 2023: RMB7,523,000). The trade receivables and other receivables of the Group written off during the six months ended 30 June 2024 as uncollectible and the effect of change in exchange rate amounted to RMB29,000 (2023: RMB1,859,000). The Group will continue to monitor the ageing structure and settlements to maintain a sound receivable turnover ratio.

## ***Liquidity and Financial Resource***

The Group's net cash generated from operating activities for the six months ended 30 June 2024 amounted to RMB2,730,305,000 (2023: RMB1,942,431,000). As at 30 June 2024, 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 RMB6,146,726,000, representing a net increase of RMB702,843,000, as compared with the position as at 31 December 2023. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB17,557,537,000, which represented a net decrease of RMB417,175,000 as compared to 31 December 2023. The decrease was due to the following items:

	<b>Unaudited Six months ended 30 June 2024 RMB'000</b>
<b>Item</b>	
<b>Operating activities:</b>	
Net cash generated from operating activities	2,730,305
<b>Investing activities:</b>	
Net cash used in investing activities (including placement and redemption of short-term and long-term bank deposits)	(1,084,184)
<b>Financing activities:</b>	
Net cash used in financing activities	(928,615)
Add: Exchange losses on cash and cash equivalents	(14,663)
	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>702,843</b>
Add: Net decrease in short-term and long-term bank deposits	(1,120,018)
	<hr/>
<b>Net decrease in cash balance</b>	<b>(417,175)</b>
	<hr/> <hr/>

During the period, revenue increased period-on-period while the efficiency of settlement remained stable, which, in conjunction with the reasonable purchase and payment plan, contributed to the period-on-period increase in net cash generated from operating activities. Payments made for acquisitions led to the significant amount of cash used in investing 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 (subsequently renamed as Viva Goods Company Limited) and the placing agents entered into the placing and subscription agreement, pursuant to which the parties jointly proceeded with the top-up placing of existing shares of the Company and the subscription of new shares of the Company under the general mandate, and agreed to the top-up placing and subscription of 120,000,000 shares of the Company at HK\$87.50 per share. On 3 November 2021, both parties completed the top-up placing and the subscription. The net proceeds from the top-up placing of shares amounted to HK\$10,433,042,000 (equivalent to approximately RMB8,571,787,000). Please refer to the announcements of the Company dated 28 October 2021 and 3 November 2021 respectively for details.

For the six months ended 30 June 2024, RMB2,129,282,000 of the net proceeds from the top-up placing had been used. As at 30 June 2024, RMB1,466,282,000 of the net proceeds from the top-up placing were unutilised and 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 2023  (approximately RMB'000)	Amount used during the six months ended 30 June 2024 <sup>(2)</sup>  (approximately RMB'000)	Unutilised net proceeds as at 30 June 2024  (approximately RMB'000)	Expected timeframe for utilising the unutilised net proceeds <sup>(1)</sup>
Investment in newly launched product categories as well as future business investments when opportunity arises, including international business expansion <sup>(3)</sup>	40%	1,421,939	1,421,939	–	–
Investment in reengineered infrastructure and further improvement of the supply chain system	30%	1,497,223	312,513	1,184,710	Before 31 December 2026
Development of the brand and IT system	20%	407,800	223,836	183,964	Before 31 December 2024
General working capital	10%	268,602	170,994	97,608	Before 31 December 2024
<b>Total</b>	<b>100%</b>	<b>3,595,564</b>	<b>2,129,282</b>	<b>1,466,282</b>	<b>Before 31 December 2026</b>

*Notes:*

- 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.
- The payments made for acquisitions for the period were funded by the Group's net proceeds from the top-up placing of shares and internal resources.
- As at 30 June 2024, the net proceeds allocated for investment in newly launched product categories as well as future business investments when opportunity arises, including international business expansion have been fully utilised.

As at 30 June 2024, the Group's banking facilities amounted to RMB8,743,000,000, without outstanding borrowings.

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

### ***Foreign Exchange Risk***

The Group's operations are mainly carried out in the PRC, with most transactions settled in Renminbi. The presentation currency of the Group is Renminbi. The Group's subsidiaries in South Korea, Hong Kong, Macau and Singapore use South Korean Won, Hong Kong Dollars, Macau Pataca and Singapore Dollars, respectively, as their functional currencies. The Group has a partial amount of cash and bank deposits denominated in Hong Kong Dollars, United States Dollars, Euros, South Korean Won, Pound Sterling, Macau Pataca and Singapore Dollars. 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 or United States Dollars.

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

### ***Significant Investments***

In order to satisfy the needs of the Group's commercialization layout, expand its international business by establishing a footing in Hong Kong and explore global business opportunities, a subsidiary of the Group (the "Purchaser") and a subsidiary of Henderson Land Development Company Limited (the "Vendor") entered into a sale and purchase agreement (the "SPA") on 10 December 2023. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner were independent third parties of the Company and its connected person(s). Pursuant to the SPA, the Purchaser conditionally agreed to (1) acquire the entire share capital of Vansittart Investment Limited (the "Target Company", a company incorporated in Hong Kong with limited liability) and (2) take up the assignment of the loan amount owing by the Target Company to one of its related parties as at the date of completion of the above acquisition (the "Acquisition"). The adjusted aggregate consideration for the Acquisition is HK\$2,221 million (equivalent to approximately RMB2,013 million). The Target Company is principally engaged in property investment and is the sole legal and beneficial owner of a property comprising 22 storeys of commercial/office space and two storeys of retail areas in Hong Kong (the "Property"), which is the principal asset of the Target Company. For details, please refer to the announcement of the Company dated 10 December 2023.

The completion of the Acquisition took place on 28 January 2024. Upon completion, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results of which are consolidated into the financial statements of the Group. Following the completion of the Acquisition, the Group will continue to perform the original leases of the major portion of the Property, and the remaining portion of the Property will be used as the Hong Kong headquarters of the Group. Up to the date of this announcement, the consideration for the Acquisition has been fully paid. The Acquisition was funded by the Group's net proceeds from the top-up placing of shares and internal resources.

The investment cost of the Property was RMB2,021,450,000. The Group adopted the cost method for subsequent measurement of the portion of the Property classified as investment properties. As of 30 June 2024, the carrying value of the Property was RMB2,004,605,000 after depreciation, representing a percentage of approximately 5.6% of the Group's total assets.

### ***Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures***

During the six months ended 30 June 2024, other than those mentioned under "Significant Investments", the Group has not made any other material acquisitions or disposals of subsidiaries, associates and joint ventures.

### ***Future Plans for Significant Investments and Capital Assets***

In order to establish a high-end intelligent manufacturing and flexible supply chain base and a high-level research and development (R&D) and experience center to meet the Group's future development needs, a subsidiary of the Group (the "Subsidiary") entered into and updated an investment agreement with a local governmental authority in Guangxi Zhuang Autonomous Region of the PRC on 8 November 2019 and 23 May 2023 respectively, pursuant to which the Subsidiary had agreed to acquire the land use right over a piece of industrial land through the listing-for-sale bidding process, and construct a supply chain base over the land for the production and packaging of high-end sports equipment (including but not limited to sports shoes, sports apparels and sports equipment) to expand its production capacity and output of differentiated sports products, as well as focusing on putting resources into R&D and experience to enhance the Group's technological R&D capability and to provide consumers with better product experience, sports experience and consumption experience.

The maximum investment amount pursuant to the investment agreement was estimated to be approximately RMB3.3 billion, which refers to the total cost of completing the project and putting it into operation, including the cost of acquiring the land use right, the expenditure involved in the construction of the supply chain base, investment in purchasing machinery and equipment, and working capital.

As of 30 June 2024, the Subsidiary had successfully acquired the land use right over the relevant land and had been making investments on the construction of the supply chain base. The total expenditure above did not exceed 5% of the total assets of the Group as at 30 June 2024. The remaining investment amount will be funded by the Group's unutilised net proceeds from the top-up placing of shares and internal resources.

### ***Pledge of Assets***

As at 30 June 2024 and 31 December 2023, the Group had no pledged assets.

### ***Contingent Liabilities***

As at 30 June 2024, the Group had no significant contingent liabilities.

## **BUSINESS REVIEW**

In the first half of 2024, China's economy demonstrated an orderly recovery, with favorable national policies continuously injecting vitality into the market. Against the backdrop of the rising public health awareness, numerous international and national events have spurred public's enthusiasm for sports. Currently, overall consumer confidence still has room for recovery, and the market is in a gradual and positive adjustment phase.

As an industry leader, the Group adheres to the core strategy of "Single Brand, Multi-categories, Diversified Channels" focusing on seven major business transformation tracks and continuously strengthening its sports genes to establish a clear professional sports brand positioning. Leveraging the brand's professional sports background, the Group maximizes its insights into the sports industry, understanding of sports categories, and technological innovation capabilities, concentrating on five core categories of running, basketball, fitness, badminton, and sports casual. Through continuous R&D investment and technological innovation, the Company consistently enhances product capabilities, optimizes consumer experience, and ensures sustainable development in the long-run while expanding the Group's business. In the first half of 2024, the Group's overall performance remained stable with pragmatic growth. Revenue recorded a growth of 2.3%, and the profit margin performance was generally in line with expectations.

### **Latest Operational Update for the Second Quarter of 2024**

For the second quarter ended 30 June 2024, the retail sell-through of LI-NING point of sale ("POS") (excluding LI-NING YOUNG) for the overall platform recorded a low-single-digit decline on a year-on-year basis. In terms of channels, offline channel (including retail and wholesale) recorded a mid-single-digit decline, with retail (direct operation) channel remaining flat and wholesale (franchised distributors) channel recording a high-single-digit decline, while the e-commerce virtual stores business registered a high-single-digit growth.

As at 30 June 2024, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 6,239, representing a net increase of 25 POS since the end of the previous quarter and a net decrease of 1 POS since the beginning of this year. Among the net decrease of 1 POS, direct retail accounts for a net decrease of 3 POS, and wholesale accounts for a net increase of 2 POS.

As at 30 June 2024, the total number of LI-NING YOUNG POS in China amounted to 1,438, representing a net increase of 33 POS since the end of the previous quarter and a net increase of 10 POS since the beginning of this year.

## **Empowering Product Strength through R&D Innovation, Driving Future Growth with Technological Advancement**

After years of investment and accumulation, the Group has developed systematic and platform-based capabilities in technological innovation, enabling the transition from sports insights to technological innovation and, subsequently, product strength. Focusing on sports technology applications, the Company has established mature abilities in sports category expansion, product matrix within categories, and product series iteration. As a result, LI-NING's technological innovations not only enhance athletes' performance on the field but also achieve widespread application among the general public, becoming a core competitive advantage for the Company's business development.

In May 2024, the Group successfully held a technology conference with the theme of "In My Name, Tech LI-NING" (以我為名，科技李寧), which demonstrated that the Group has built two key pillars of product development and innovation consisting of technology research and development and sports science research through long-term accumulation of technological innovation. At the conference, the Group presented its six innovative technologies of "Carbon Core" (碳核芯), "Dual-Stage Assist Curves" (最速曲線系統), "Super Jiang" (超級弓), "GCU", "Super BOOM" (超級靚) and "Extreme Boom Fiber" (極限靚絲), and also unveiled three new innovations for the first time: the running shoes of "Shadow 3" (絕影3), the premium racing shoes of "Dragonflight" (龍雀) and dual-vent nanotechnology for rainstorm protection. In addition, the Group's innovative breakthrough in footwear environmental protection technology was demonstrated on the spot. The Group will launch fully degradable professional sports shoes to support environmental protection practices with technological innovation.

In the advancement of footwear technology, the Group has established four major technology platforms for midsoles, outsoles, uppers and structures. Building on the existing "LI-NING BOOM" (李寧靚) technology, the Group introduced "Super BOOM" (超級靚) technology, achieving innovative improvements in lightness and appearance. Meanwhile, the upper technology "Boom Fiber" (靚絲) was also upgraded to "Extreme Boom Fiber" (極限靚絲), which combines the characteristics of "cut resistance, high strength and ultra-durability" on the basis of "lightness, breathability and toughness". Additionally, the "Carbon Core Technology" (碳核芯科技), which breaks conventional midsole design, has been applied to four flagship basketball shoes of "Way of Wade" (韋德之道), "Yushuai" (馭帥), "Jimmy Butler" (吉米·巴特勒) and "Gamma" (伽馬), while the "Dual-Stage Assist Curves" (最速曲線系統) has been used in the LI-NING's premium racing shoe series "Feidian" (飛電), and the professional cross-country running shoe series "Dilu" (的盧), which is equipped with the "GCU Ground Control System" (GCU地面控制系統), was also launched in August 2023. The breakthroughs in technological research and development have continuously enabled the Group to improve its product strength.

The Group is not only deeply engaged in the innovation frontier of footwear technology but also drives comprehensive product updates across all categories with a forward-looking vision. The Group's newly introduced 5D functional three-dimensional pattern technology and ATC adaptive temperature control technology bring revolutionary improvements in comfort to running, basketball and fitness apparel. In the field of outdoor technology, the Group has made a breakthrough by using dual-vent nanomembranes for rainstorm protection, significantly enhancing the comfort and protection of outdoor sports equipment. Additionally, the Group has applied quick-drying and cooling technologies to short-sleeve products, meeting the growing consumer demand for high-performance sports gear.

In the first half of 2024, the Group accelerated the use of metal 3D printing technology in the production of footwear, significantly enhancing product precision and quality. The utilization rate of this technology is expected to reach 60-70% by 2025, further promoting the deep integration of technology and sustainable development.

Through innovation and layout in technology and products, the Group has solidified its leading position and competitive advantage in the industry, further creating a professional, efficient and comfortable "LI-NING's Experience Value" for consumers.

### **Focus on the Strategy of "Single Brand, Multi-categories, Diversified Channels" to Comprehensively Enhance LI-NING's Experience Value**

#### **Consolidate a technology-driven image for the brand and actively deploy universal marketing**

In the first half of 2024, the Group continued to focus on the five core categories of running, basketball, badminton, fitness and sports casual, and continued to make efforts in the innovation in sports technology. At the same time, the Group also actively integrated with sports fashion culture, launched sports products with both technology and fashion attributes and continuously enhanced the core competitiveness of products. In addition, the Group actively deployed universal marketing to enhance consumers' awareness of the Company's products, continuously enhance brand influence and expand its consumer base.

In the midst of a great year for sports, the Group launched a campaign themed "In My Name" (以我為名), to encourage everyone to engage in sports activities and create their own highlight moments. Through delivering the brand proposition and spirit and telling stories of the athletes from the national gold medal team, top athletes in various categories and sports KOLs, as well as overall demonstrating LI-NING's technological strength, launching theme series products and creating atmosphere for themes at stores, the Group reinforces the professional brand image of LI-NING, realizes the whole chain from brand proposition to product experience, and deeply connects the brand with each consumer.

## Running

The Group continued to devote great efforts in the matrix of the professional running shoes, with the three core running shoe IPs “Super Light” (超輕), “Rouge Rabbit” (赤兔) and “Feidian” (飛電), which were built around the high-performance midsole technology of “LI-NING BOOM” (李寧轟), and iterative upgrading products were introduced sequentially. The cumulative sales volume of the three series of iterative running shoes in the first half of the year amounted to 5 million pairs, which provided strong support for the growth of the Group’s business. During the period, the flagship product “Dragonflight” (龍雀), which represented the brand’s most cutting-edge technological innovation and design standards, and “Shadow 3” (絕影3), which was updated and upgraded, were launched, delivering the brand’s commitment to the development of running and philosophy on products with forward-looking sports insights, the latest technological research and development and application standards, and the most distinctive design concept. As of 30 June 2024, the sell-through of the running category increased by 25% year-on-year, demonstrating the Company’s strong product strength and deep recognition by consumers.

In addition, in order to meet the needs of female consumers, the Group also launched the first women’s exclusive running shoe “Jinghong” (驚鴻) in the first half of the year, becoming one of the few running shoes IP brands in the market that exclusively caters to women, and being popular among a large number of female consumers. In terms of running apparel, the Group focuses on the needs of runner in different running scenarios, i.e. marathon race and daily running. Relying on the “AT” clothing technology system in LI-NING’s own “SHELL” technology platform, the Group conducts in-depth optimization and innovation in terms of materials, blocks and functional technology, especially detailed improvements in sun protection and breathable and quick-drying properties, which have greatly improved consumers’ wearing comfort.

In terms of marketing, the Group actively deployed universal marketing and professionally endorsed its products through endorsements by sports stars and cooperation with top events such as marathon race, so as to strengthen the recognition of the products under its professional running shoe series and accumulate a professional reputation for LI-NING’s running products. During the period, athletes signed by LI-NING’s professional products won a total of 30 marathons and cross-country championships, competed a total of 56 times, and set multiple national records and personal best results. Based on the running shoe matrix, the Group integrated online and offline resources to create a series of offline theme running activities such as “Running until your heart blooms” (跑到心花開), and collaborated with Tmall (天貓), Xiaohongshu (小紅書) and other popular platforms for joint marketing, triggering a high degree of interactive participation and achieving excellent business performance.

## Basketball

The Group has deepened its strategic layout in the field of basketball and released a matrix of four major basketball functions, including balance, mobility, speed and impact, to accurately correspond to the four new family product lines: “Yushuai” (馭帥), “Sonic” (音速), “Speed” (閃擊) and “Premium” (空襲), establishing the professional positioning of its products.

During the period, the Group gradually completed the product matrix equipped with high-end technology “Carbon Core” (碳核芯). The existing three series of “professional basketball” (專業籃球), “WADE” (韋德) and “BADFIVE” (反伍) accurately meet market demand, and has successively launched the balanced “Yushuai ULTRA” (馭帥ULTRA), the balanced “Way of Wade” (韋德之道) signature shoes and launching product “Gamma” (伽馬). As an important part of LI-NING basketball, WADE series has established communication with consumers through key products “Way of Wade” (韋德之道) and “All City” (全城) as well as sneaker stories. With the help of “Way of Wade Tour China” (韋德中國行) activities, it continues to increase the popularity of the series and maintains high exposure. The “BADFIVE” (反伍) series further penetrated into the outfield basketball market in 2024. The high orders and high sales of “BADFIVE 3 Low” (反伍3 Low) and the frequent appearances of “Rage 2” (狂怒2代) in street events attracted great attention from young consumers and sneaker media.

During the period, WADE series held a press conference at Aranya with “Way of Wade 11” (韋德之道11) as the core, conveying the high-end and pioneering style of WADE series. The design of “Way of Wade 11” (韋德之道11) combined futuristic and retro elements, and was equipped with LI-NING’s top-notch “Carbon Core Technology Platform” (碳核芯科技平台) for basketball shoes, which was sold simultaneously in many countries around the world and was strongly sought after by consumers. Through the continuous exposure of NBA and CBA stars, the integration of shoes and apparels and the collaboration with the artist, WADE apparels continued to bring basketball culture shock and a sense of freshness to consumers based on basketball and star culture, further enhancing the brand image and status of LI-NING’s basketball category in the industry on the basis of high sales.

The Group’s marketing strategy in the basketball field demonstrated precise market positioning and innovative brand communication. During the period, the Group continued and upgraded the launch of the “Basketball Shorts Wall” (籃球短褲牆) product matrix, leveraging star resources and exposure to high-end events, combined with innovative social media marketing and digital tools, to strengthen the market share of basketball functional products. In addition, the “BADFIVE” (反伍) series has broadened the matching scenarios of clothing and styling through cross-border cooperation and product design. Its “City” (城市) series also tells the real stories of young basketball enthusiasts around the world, engages in multi-dimensional and deep-level communication and interaction with consumers, and stimulates and strengthens emotional resonance with the target customers, further consolidating the LI-NING brand’s leadership in the field of basketball culture.

## **Fitness**

The fitness continued to take science and technology as the core, constantly improved the three major functional technological innovations of “AIRSHELL Air Movement Technology” (AIRSHELL 氣動科技), “COOLSHELL Cooling Technology” (COOLSHELL 涼爽科技) and “DYNAMIC SHELL Protective Technology” (DYNAMIC SHELL 防護科技), creating a product style with professionalism, sportiness and quality, to fulfil the clothing needs of different customer groups on different occasions.



For women's fitness, the Group conducted in-depth research on the preferences of female consumers, clarified sports scenarios and wearing needs, and refined professional products that have both sports functions and delicate touch. In the first half of 2024, the Group actively enriched its product matrix, and based on the launch of women's yoga apparel IP, "SoftTouch" (柔感) series, it continued to develop multi-scenario fitness suits that combine feminine functional technology and sports tailoring attributes, and continued to build female consumer awareness.

For men's fitness, the Group adhered to the product design direction of "professional function + sports gene" and continued to create functional sports items. During the period, based on the "AT" technology platform, the Group launched functional apparel with quick-dry, cooling and high elasticity as the core selling points, successfully upgraded and iterated popular products, and strengthened the unique positioning of men fitness category in the minds of consumers.

For marketing campaigns, the Group took advantage of popular social topics to launch multi-scenario sports experience activities in cooperation with offline fitness vertical associations and clubs, and deployed online multi-scenario product promotion and professional evaluation, gradually established a professional and multi-scenario wearable category mentality, and continued to convey the differentiated concept of "experiencing freedom" (體會自在) in various sports scenarios. During the period, the search volume and exposure of the category on the Xiaohongshu (小紅書) platform increased significantly compared to the same period, and further achieved a synchronous increase in brand awareness and popularity among fitness enthusiasts.

## **Badminton**

The product matrix of the badminton category was further improved, and the sales volume continued to break the record high. In terms of equipment, the Group has always been committed to the exploration and application of cutting-edge technology, and has continuously developed and introduced higher-grade carbon fiber materials. In the first half of the year, the low-wind resistance racket frame "Shadow 900NEW" (鋒影900NEW) was launched to continuously enhance the product professionalism of speed-oriented rackets; in terms of apparel, the Group employed the "AT-DRY" quick-dry technology platform and the "SEAMLESS" technique to launch jersey series with the theme of "Colorful Spring and Summer, Colorful Badminton" (多彩春夏，多彩羽球), and continued to offer top-notch professional products with professional and fashionable features for competition to top-notch sports teams and stars in the world.

As to our badminton shoe products, the flagship model of the comprehensive balanced series, "Blade MAX" (刀鋒MAX), was newly upgraded to make the professional product both aesthetically pleasing and technologically advanced; the "HERO 2SE" (貼地飛行2SE) series shaped the unique characteristics of LI-NING badminton shoes with its distinctive appearance design and color options that set it apart from conventional products in the industry; in addition, classic series such as "Thunderstorm" (雷霆), "Thundercloud" (雲霆), and "Gyrfalcon" (鵟鷹) continued to offer more personalized options to consumers by introducing new color schemes.

For marketing campaigns, continuing with the promotional theme of “We match better with you” (羽你更合拍), LI-NING Badminton shaped a product image with professionalism as the core, focused on sponsorship resources, key international sporting events and brand campaigns for publicity and promotion of product launch. In tandem with the integration of resources on media platforms, it enhanced brand awareness and influence.

During the period, the Group signed a title sponsorship contract for the 2024-2026 LI-NING Hong Kong Open Badminton Championships, continued to expand international event sponsorship resources for LI-NING badminton; LI-NING badminton also actively built brand IP, among which the “Shadow 900NEW” (鋒影900NEW) new product experience officer recruitment event partnered with BADMINTONCN.COM (中羽在線) to launch a theme campaign for full-platform marketing, with a total of 900,000 interactions. The new product “Shadow 900NEW” (鋒影900NEW) became a mainstream high-end racket that was popular in the market before it was launched. In addition, the Group also explored the diversified possibilities of activating resources through the cross-border linkage between Xiao Zhan (肖戰), the global spokesperson of LI-NING’s fashionable sports products, and Chen Long (諶龍), the badminton world champion, to demonstrate the super athletic performance brought by innovative technology. LI-NING badminton is constantly deepening its marketing strategy, taking professionalism as the cornerstone, integrating more innovative elements and interactive gameplay, enhancing brand influence and reputation, and leading a new fashion in the badminton sports equipment industry.

## **Sports casual**

The sports casual built on the existing LI-NING brand advantages, took sports elements as inspiration and sportsmanship as pursuit, and continued to explore the connection between consumers’ daily lives and sportsmanship. At the same time, it focused on the brand vision of “inheriting Chinese cultural values” (傳承中國文化價值) to provide consumers with rich, diverse and distinctive and fashionable sports products.

In terms of the Chinese culture series, the Group continued to launch new styles for the “Rich Everyday” (日進斗金) series, which was themed on the traditional Spring Festival, constantly enriching the breadth of products; at the same time, the Group launched new apparel products inspired by the “Twisted Branch Pattern” (纏枝紋), focusing on Chinese culture and the needs of young consumers, and enriching the matrix of Chinese culture series products. Based on the deep insight into the current environment and consumer sentiment, the Group created marketing themes such as “Wonderful Meeting, New Wish, Rich Everyday” (妙會新願, 日進斗金), and leveraged on the influence of contracted entertainment resources such as Xiao Zhan (肖戰) and TNT (Teens In Times) (時代少年團) to effectively reach and attract a wider range of consumer groups.

For sports casual footwear, the Group focused on the daily walking and commuting scenarios of the general public and continued to develop the “SOFT” series, which had sold more than 2.6 million pairs in offline channels since its launch one year ago. In order to further improve the comfort of the products, the “COMFOAM Max” bottom formula technology was also launched in the first half of the year to consolidate the product mentality of “comfortable and wearable” (舒適, 好穿) in this series and solidify the “SOFT” series as a sustainable and steady business growth point in the lifestyle category.

In terms of connections and insights into young consumers, the Group continuously built emotional connections with the new generation of consumers through the co-branding with the Disney series images and LPL, and the continuous efforts in industries such as entertainment, street dance, extreme sports and e-sports. At the same time, the Group actively leveraged marketing methods such as IP cooperation on the Xiaohongshu (小紅書) platform and scientific seeding to help maximize marketing effects, laying a solid foundation for the long-term development of the brand.

During the period, the Group continued to build the high-end sports fashion line classic IP of “China LI-NING”, and successively launched a series of chic products such as ICECREAM, CRC family, BILLIONAIRE BOYS CLUB co-branded products, which, in combination with a number of trendy sports and events such as skateboarding, surfing and cross-country running, entered the young and fashionable crowd through marketing means such as trendy media content cooperation and fashion street pop-up stores. Among them, the “Keep it cool” environmental protection initiative and the “24H Street Never Closes” (24H街頭不打烊) series of theme stories jointly launched with the skateboard brand ICECREAM further shaped the sports and trend attributes and image of the “China LI-NING” IP while advocating the responsibility of protecting the earth in a street style.

“LI-NING 1990” continued to focus on high-end sports, clarified the brand positioning, took the golf series as the core, and made the layout from on-course to off-course, and connected the wearing scenarios between professional golf and sports classics. In the first half of the year, golf shoes were launched for the first time. The fashion design language of “LI-NING 1990” supported by LI-NING’s professional technology platform gained the support of a large number of golf enthusiasts, and the sold-out rate reached 50% in 2 months. In the first half of the year, the “Xuan Ji” (璦璣) retro running shoes, “Du Xing” (篤行) urban commuter running shoes and the continuation of the “Shufty” (掠影) fashion running shoes were also launched successively, which were widely loved by consumers. As a result, the proportion of footwear sales continued to increase, further improving the product matrix. In terms of apparel, the “Gold Medal” (金牌) series continued to dominate the segment, and the three-color medal ribbons continued to be combined with retro sports design. Through core categories such as sports outfits and knitted shirts, the retro sports design of the LI-NING brand was fully utilized to continue to precipitate the classic sportsmanship.

## **Supply chain integration and efficiency improvement, retail channel innovation and optimization**

In the first half of 2024, the Group was efficiently empowered in supply chain management, logistics platform, channel expansion and store upgrading, jointly building a solid foundation for the overall sales of the Group.

The Group made intensive efforts in supply chain management and constructed an all-round and high-efficiency supply chain ecosystem. It not only deeply explored and expanded high-quality supplier resources for high-end sports and outdoor products to form a strong supplier matrix, but also flexibly responded to market changes with a flexible supply strategy as the core. Since the expansion of production capacity this year, the supply chain has connected the upstream and downstream chains, not only meeting the demand of order growth, but also effectively improving overall efficiency and providing a solid guarantee for product quality. The Group strictly selected suppliers, which, combined with the information digitalization construction, enabled the Company to realize the refined management of production processes and product quality. Meanwhile, through strategies such as material integration, large-scale procurement and staggered production, cost expenditures were effectively controlled, and production efficiency and economic benefits were enhanced, which promoted the Company's steady progress in product strength, cost control and operational efficiency.

The Group adhered to the concepts of innovation and sustainable development, jointly fulfilled environmental and social responsibilities with suppliers, and promoted the development of environmentally friendly products. During the period, the implementation of the ESG strategy was effectively promoted by adopting environmentally-friendly materials and processes. The rapid integration of 3D digital technology can not only reduce material waste, but also shorten the product development cycle. It also accelerated the conversion from concept to physical object through digitalization, which won a head start in the market for the brand.

The efficiency of the logistics management platform continued to improve. With the efficient operation of the East China Smart Logistics Centres, the Central China, North China and South China Logistics Centres will be put into operation in the near future, further accelerating the speed of goods circulation. The Company adopted refined logistics plan management, customized strategies based on the characteristics of the business divisions, and optimized the process of goods warehousing and delivery. Meanwhile, the logistics informationization platform empowered distributors to share information in real time, improved the efficiency of store distribution, and further improved the quality of logistics services.

In terms of channel expansion and image upgrading, the Company actively optimized its channel layout, consolidated and expanded its competitive advantage in the high-end market by closing low-efficiency stores and strengthening the renovation and expansion of premium stores. Meanwhile, the active development of emerging markets, the new upgrading of the 9th generation stores, and the successful establishment of premium outlets further enhanced the brand image and market influence. In order to create an immersive experience of key events, 4,238 stores introduced key visual display designs featuring “In My Name” (以我為名) themes and core sports resources in the first half of the year, further enhancing consumers’ visual experience and brand awareness. In addition, the Company also actively explored new channel formats, such as campus stores and new pop-up stores, to reach consumers in a more flexible and diverse way.

As of 30 June 2024, the number of conventional stores, flagship stores, China LI-NING stores, LI-NING 1990 stores, factory outlets and brand stores under LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 7,677, representing a net increase of 9 POS as compared to 31 December 2023. The number of distributors was 44 (including sales channels of China LI-NING stores), representing a net decrease of 2 as compared to 31 December 2023, demonstrating the Company’s precision and efficiency in channel layout. The number of POS breakdown as of 30 June 2024 is as follows:

<b>LI-NING Brand</b>	<b>30 June 2024</b>	31 December 2023	<b>Change</b>
Franchised	<b>4,744</b>	4,742	<b>0.0%</b>
Directly-operated retail	<b>1,495</b>	1,498	<b>(0.2%)</b>
LI-NING YOUNG	<b>1,438</b>	1,428	<b>0.7%</b>
<b>Total</b>	<b><u>7,677</u></b>	<b><u>7,668</u></b>	<b>0.1%</b>

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

<b>Regions</b>	<b>30 June 2024</b>			<b>31 December 2023</b>			<b>Change</b>
	<b>LI-NING Core Brand</b>	<b>LI-NING YOUNG</b>	<b>Total</b>	<b>LI-NING Core Brand</b>	<b>LI-NING YOUNG</b>	<b>Total</b>	
Northern Region <i>(Note 1)</i>	<b>3,158</b>	<b>852</b>	<b>4,010</b>	3,163	845	4,008	<b>0.0%</b>
Southern Region <i>(Note 2)</i>	<b>3,081</b>	<b>586</b>	<b>3,667</b>	3,077	583	3,660	<b>0.2%</b>
<b>Total</b>	<b><u>6,239</u></b>	<b><u>1,438</u></b>	<b><u>7,677</u></b>	<b><u>6,240</u></b>	<b><u>1,428</u></b>	<b><u>7,668</u></b>	<b>0.1%</b>

*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.

In terms of retail operation, in the first half of the year, the Company deepened the innovation and practice of the single-store operating model to effectively promote the comprehensive implementation of retail operation standards. The store management efficiency has been significantly improved through the comprehensive promotion of its retail end sales planning system and the implementation of the system in core stores. While strengthening the efficiency of channel retail, the Company also leveraged digitalization to achieve a breakthrough. Through the online management platform, the efficiency and consistency of standard implementation were greatly improved. Centered on the big store management system, the Company promoted all-round upgrades in retail operation. In addition, the Company implemented project-based management and carried out special promotion on key operating issues such as new store business management and control and terminal allocation process, so as to complete the construction of a business mechanism from headquarters control to terminal self-execution.

In terms of new retail business, the Company strengthened community operations and content creation through digital transformation to achieve efficient conversion of private traffic, effectively improving sales and conversion efficiency. The improvement of the live streaming business and talent training system of core stores further enriched the diversity of content production of stores. In addition, the Company actively explored diversified business models, including attracting traffic through social platforms such as Douyin (抖音) and online business cooperation with core channels, constantly injecting new momentum into store sales, increasing the proportion of out-of-store sales in stores, and further enhancing the operating efficiency of stores.

In terms of e-commerce operation, despite the overall fierce competition in the online market of the industry, the Group achieved steady growth in its e-commerce business in the first half of the year through refined operations and management. The e-commerce of Li Ning Company continued to focus on breakthroughs in professional functional products, especially achieving rapid growth in the field of running shoes, while professional basketball shoe products also consolidated its market leading position. The Group's core IP products, such as the "Rouge Rabbit" (赤兔) and "Feidian" (飛電) series, continued to set new sales records. In addition, in terms of online exclusive IP, the Group has successfully created a number of IP that have gained volume and reputation in the industry, such as "Sharp Blade" (利刃), "Gamma" (伽馬), "Wushi" (吾適) series and other products. With the continuous expansion of its outdoor product line, the Group expects to launch a number of important footwear and apparel IP into the market, combined with well-planned marketing activities, to achieve market breakthroughs in the outdoor product sector. During the period, the Group achieved synergistic growth of e-commerce business and retail operation through effective integration and innovative practices across online and offline channels, driving a significant increase in sales performance and further strengthening of market share.

## **LI-NING YOUNG**

In the first half of 2024, adhering to the Group's professional sports heritage, LI-NING YOUNG defined its product strategy, improved its product structure, and strengthened LI-NING YOUNG's brand influence through multi-channel marketing. In terms of products, LI-NING YOUNG comprehensively streamlined the youth product matrix, clarified the core competitiveness of clothing and accessories, and improved the footwear product matrix. Meanwhile, the Group continued to develop products in various product segments such as outdoor, integrated fitness, swimwear and new accessories categories, to actively explore new categories and growth points. In addition, the Group continued to innovate in product technology, materials and other aspects, launched new products in line with market demand, and continuously enhanced product competitiveness.

For marketing, LI-NING YOUNG consolidated its marketing resources and actively explored omni-channel marketing and community operation. On the Children's Day, the theme activity of "Li Ning Sports Technology Parent-Child Day" (李寧運動科技親子日) was held to combine the technology, innovation and popularization of product with game tasks, which increased the interaction with consumers while promoting products. In addition, LI-NING YOUNG also actively cooperated with basketball star Wade and had offline parent-child parties with Wade and his son, further increasing the brand influence. LI-NING YOUNG also actively carried out various member community activities, completing a total of 561 in the first half of the year, and launched new celebrity athlete in-store opening activities to continuously improve consumer experience and drive store traffic. Online, LI-NING YOUNG actively promoted the brand on social media and formed an omni-channel marketing matrix covering all major social platforms.

The Group will continue to intensely develop its LI-NING YOUNG business, take a product focused approach to upgrade core product technology and design, advance the exploration of market demands and product categorization and strengthen brand promotion, so as to develop LI-NING YOUNG into a leading professional sportswear brand for kids in China.

## **HUMAN RESOURCES**

Based on the strategic goal and business development needs of the Company, the human resources department continuously optimized the organizational structure and synergy model, putting persistent efforts in building a streamlined, agile, efficient and synergistic "muscular" organization.

Regarding organizational development, in an effort to enhance the competitiveness of the organization, the Group continued to optimize its organizational and operational functions via standard-setting by the headquarters, independent closed-loop management by business units as well as exploration of business models for wholesale and retail integration. It also constantly improved the Company's product capabilities, strengthened the horizontal integration of product planning functions in the footwear and apparel systems. Meanwhile, the Group enhanced the outdoor products and capacity building, coordinated and integrated the outdoor product strategy, planning and other functions, to help achieve the Company's medium and long-term strategic goals.

In terms of talent cultivation and development, the Group increased investment on a continuous basis to optimize its talent structure. It strengthened the capacity building of the managerial development team via establishing a multi-dimensional talent training system, and paid attention to the cultivation of young talents, especially the growth of the management trainees, to promote their accumulation and learning of professional skills continuously. At the same time, it perfected the talent development mechanism, optimized the mechanism and process for talent evaluation, review and assessment for appointment based on the talent standards, to support the steady growth of talents.

In terms of performance incentive management, the Group made substantive efforts to propel the organic connection between the Company's strategic key tasks and the performance goals of organizations at all levels, and emphasized the performance management of two-way communication between the employees and the organization, steadily pushing forward the cultural development of the performance system. Meanwhile, the Group continued to improve the compensation and benefit system by strengthening welfare guarantees on one hand and designing differentiated short-, medium- and long-term incentive projects on the other hand, to maximize incentive for employees from different positions.

Regarding culture and staff relationship, the Group has newly set up a reward and punishment committee and launched quarterly honor incentive and instant recognition medal program to reward and motivate employees for their outstanding behaviors in order to set up a role model, and has devoted continuous efforts in building a cultural atmosphere to motivate full engagement and joint practice by all employees, and persistently promoted the core values of its corporate culture from knowing to implementation. In addition, the Company actively cooperated with the labor union to organize activities such as tree planting, movie-viewing, club competitions and festival campaigns in a bid to enrich employees' life. It also continuously improved employee satisfaction and dedication via actively listening to the voices of employees through the addition of a cultural mailbox and the operation of online communities, in order to enhance their sense of belonging.

As at 30 June 2024, the Group had 5,003 employees (31 December 2023: 4,845 employees), among which 4,806 employees were at the Group's headquarters, Guangxi Supply Base and retail subsidiaries (31 December 2023: 4,662 employees), and 197 employees were at other subsidiaries (31 December 2023: 183 employees).



## OUTLOOK

With the ongoing deepening of supply-side reforms and the continuous nurturing of new quality productive forces, the Group actively embraces the national advocacy for high-quality development, continuously enhancing our innovation capabilities and keenly recognizing the importance of this opportunity for industry upgrade. In the context of a rising tide of national fitness awareness, sports consumption is progressively becoming an indispensable lifestyle choice. Adhering to the concept of driving product innovation with technology, the Group is committed to providing consumers with professional and high-quality product experience and sports experience. The Company will continue to practice its core strategy of “Single Brand, Multi-categories, Diversified Channels”, persistently strengthen its product capabilities and integrate its operational resources to propel the Group towards stable and enduring growth by leveraging the organizational capability as an efficient corporation.

With an eye on the future, the nation’s implementation of a series of deepening the market reform policies will provide the Group with a dynamic market environment that unlocks even broader growth prospects. The Group will adhere to its established development strategy, and further consolidate the Company’s leading position in the sports consumption market through the following strategic initiatives.

- **Develop the basic business with stability.** The Company will continue to amplify the market influence of the LI-NING brand, focusing on the development of its five core categories including running, basketball, fitness, badminton and sports casual. Through investment in research, development and innovation, the Company will achieve continuous upgrading of its product matrix to meet the growing consumer demand for high-quality and personalized sports equipment, thereby reinforcing and expanding the Company’s market leading position in core areas.
- **Optimize and upgrade the product structure.** The Company will further upgrade its diversified product matrix under the single-brand strategy, aligning with the evolving market trends and consumer preferences. By fully leveraging the complementary functions of “China LI-NING” and “LI-NING 1990” in the sports casual sector, and expanding multiple dressing occasions, the Company will enhance the competitiveness of its brands in diverse scenarios.
- **Look to the future and seize opportunities to make a breakthrough.** The Company will actively explore breakthroughs and take the lead in entering new tracks in sports consumption. By tapping the huge potential of the women’s, outdoor and youth markets, formulating targeted marketing strategies and launching products that meet the needs of the target groups, the Company aims to make breakthroughs in these new areas.
- **Optimize market expansion strategy.** To achieve comprehensive market coverage, the Company will optimize the allocation of resources to existing high-level markets to improve market efficiency. Concurrently, by actively exploring emerging markets and formulating strategies for overseas markets, the Company strives to achieve significant breakthroughs in overseas markets while keeping a steady and sustainable momentum.

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

The Company did not redeem any of its shares during the six months ended 30 June 2024. Except for the purchase of shares by the trustee of the restricted share award scheme of the Company (the "Restricted Share Award Scheme") pursuant to the trust deed and the rules of the Restricted Share Award Scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the period.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group does not have any significant event requiring disclosure under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") that has taken place subsequent to 30 June 2024 and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

For the period from 1 January 2024 to 30 June 2024, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules with the exception of code provision C.2.1 of the CG Code.

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 separated and should not be performed by the same individual. During the six months ended 30 June 2024, Mr. Li Ning, the Executive Chairman and Joint Chief Executive Officer (the "Joint CEO"), and Mr. Kosaka Takeshi, the Executive Director and the Joint CEO, jointly assumed the role of chief executive officer of the Company. Therefore, there was no separation of the roles of the chairman and the chief executive as both roles were undertaken by Mr. Li Ning during the period. 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 the Executive Chairman and the Joint CEO by Mr. Li Ning will provide the Group with consistent and steady leadership, and is particularly beneficial to the planning and implementation of the Group's business strategies. The Board also believes that Mr. Li Ning and Mr. Kosaka Takeshi can complement 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.

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code") contained in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the directors and reminded directors of the Company regularly of their obligations under the Model Code. Following specific enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2024.

The audit committee of the Company, consisting of three independent non-executive directors of the Company, has reviewed the accounting principles and practices adopted by the Group, and has also reviewed the auditing, risk management, internal control and financial reporting matters, including the review of the interim results for the six months ended 30 June 2024.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2024 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

By order of the Board  
**Li Ning Company Limited**  
**Li Ning**  
*Executive Chairman and  
Joint Chief Executive Officer*

Hong Kong, 15 August 2024

*As at the date of this announcement, the executive directors of the Company are Mr. Li Ning, Mr. Kosaka Takeshi and Mr. Li Qilin. The independent non-executive directors of the Company are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei, Dr. Chan Chung Bun, Bunny and Ms. Wang Yajuan.*