



LI NING COMPANY LIMITED
李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)



2021 INTERIM REPORT





MISSION

Let Sports Light Your
Passion

VALUES

"Live for Dream"

"Consumer Oriented"

"WE Culture"

"Breakthrough"

VISION

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

ABOUT LI NING GROUP

Li Ning Company Limited is one of the leading sports brand companies in China, mainly operating professional and leisure footwear, apparel, equipment and accessories under the LI-NING brand. Headquartered in Beijing, the Group has brand marketing, research and development, design, manufacturing, distribution and retail capabilities. It has established an extensive retail distribution network and supply chain management system in China. We are committed to becoming an internationally-renowned enterprise of Chinese origin featuring world-class professional sports brand with fashion attributes.

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



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. LI Ning
Ms. WANG Ya Fei

COMPANY SECRETARY

Ms. TAI Kar Lei

REGISTERED OFFICE

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Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

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Fax: +852 3102 0927

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Zhongguancun Science & Technology Area
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Fax: +8610 8080 0000

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

LEGAL ADVISORS

Hong Kong law
LC Lawyers LLP

PRC law
TAHOTA Law Firm

PRINCIPAL BANKERS

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

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

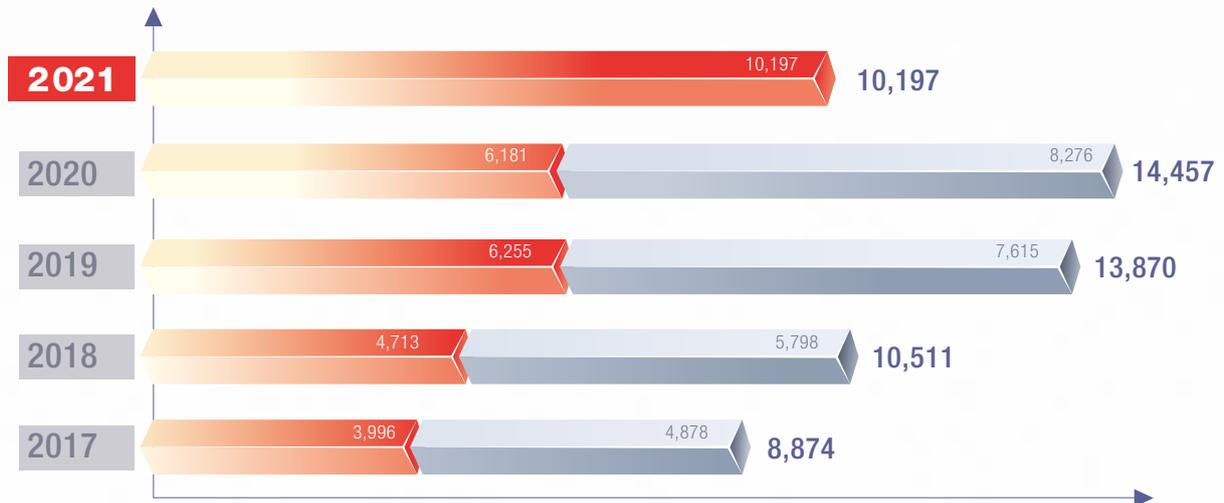
SPORTSMANSHIP



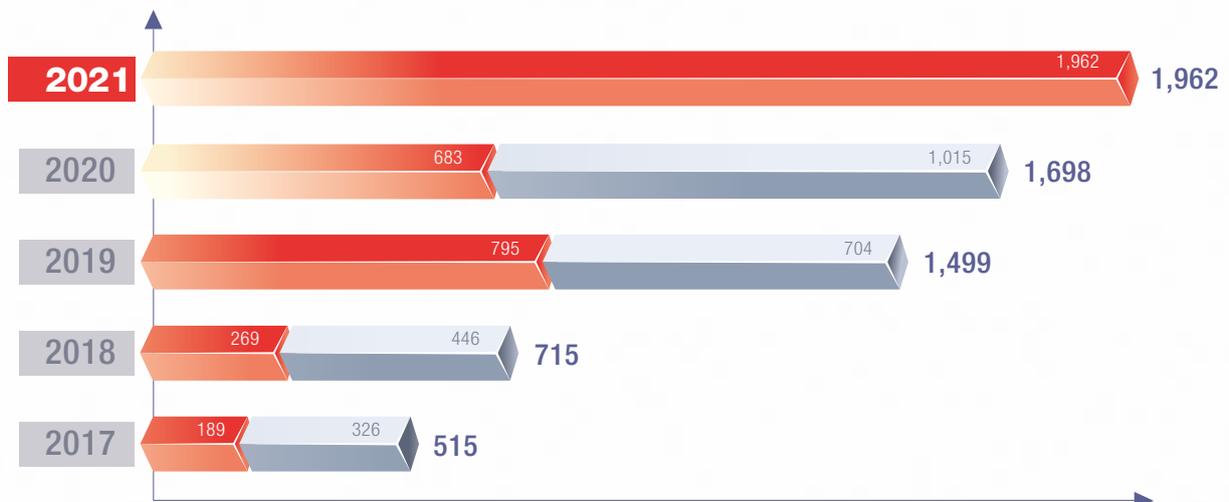


Five-year Financial Highlights

Turnover



Profit attributable to equity holders



(All amounts in RMB millions)

First half year

Second half year

Full year

Management Discussion and Analysis

Financial Overview

The key operating and financial performance indicators of the Group for the six months ended 30 June 2021 are set out below:

	Unaudited		Change (%)
	Six months ended 30 June 2021	2020	
Income statement items			
<i>(All amounts in RMB thousands unless otherwise stated)</i>			
Revenue (Note 1)	10,196,584	6,180,935	65.0
Gross profit	5,699,064	3,056,791	86.4
Operating profit	2,538,413	897,908	182.7
Earnings before interest, tax, depreciation and amortisation (EBITDA) (Note 1)	3,157,598	1,407,637	124.3
Profit attributable to equity holders (Note 2)	1,962,223	683,271	187.2
Basic earnings per share (RMB cents) (Note 3)	79.04	27.98	182.5
Key financial ratios			
Profitability ratios			
Gross profit margin (%)	55.9	49.5	
Operating profit margin (%)	24.9	14.5	
Effective tax rate (%)	25.3	24.7	
Margin of profit attributable to equity holders (%)	19.2	11.1	
Return on equity attributable to equity holders (%)	20.6	9.3	
Expenses to revenue ratios			
Staff costs (%)	8.2	10.1	
Advertising and marketing expenses (%)	7.3	9.0	
Research and product development expenses (%)	1.8	2.2	
Asset efficiency			
Average inventory turnover (days) (Note 4)	53	84	
Average trade receivables turnover (days) (Note 5)	13	22	
Average trade payables turnover (days) (Note 6)	53	76	
	30 June 2021	31 December 2020	
Debt-to-equity ratio (%) (Note 7)	70.8	68.0	
Net asset value per share (RMB cents)	415.22	351.24	

Management Discussion and Analysis (Continued)

Notes:

1. The calculation of earnings before interest, tax, depreciation and amortisation (EBITDA) is based on profit for the period, excluding income tax expense, finance (expenses)/income – net, depreciation on property, plant and equipment, depreciation on investment properties under operating leases, amortisation of land use rights and intangible assets and depreciation on right-of-use assets.
 2. Including profit attributable to equity holders for the period from 1 January to 31 March 2021: RMB709,349,000.
 3. The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period, divided by the weighted average number of shares in issue less ordinary shares held for Restricted Share Award Scheme.
 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.
- * *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, 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.*

Management Discussion and Analysis (Continued)

Revenue

The Group's revenue for the six months ended 30 June 2021 amounted to RMB10,196,584,000, representing a significant increase of 65.0% as compared to the corresponding period of 2020. During the period, various sales improvement initiatives of the Group that were designed for COVID-19 continued to bear fruits as the Chinese government stabilised the domestic pandemic situation with effective pandemic prevention and control measures. At the same time, the pursuit of a healthier lifestyle and the high recognition and vigorous support towards domestic sports brands among Chinese consumers resulted in solid revenue from all channels of the Group during the first half of 2021: (1) located mostly in first or second-tier cities, directly-operated stores took a particularly heavy hit from the pandemic in the same period last year, but offline terminal sales recovered and sell-through from directly-operated stores increased drastically by 88.5% during the current period, due to the success in pandemic control and consumers' preference towards Chinese brands; (2) given that the e-commerce channel is swift in responding to consumers' needs, the Group invested into the establishment of such channel and relevant products in recent years, which received recognition from consumers and contributed to the rapid revenue growth of 77.8% in the current period; and (3) the surge in orders from franchised distributors resulting from significantly-increased sell-through boosted sales revenue by 47.7% and demonstrated these distributors' confidence in the domestic market and brands.

Revenue breakdown by product category

	Six months ended 30 June				Revenue Change (%)
	2021	% of total	2020	% of total	
	RMB'000	revenue	RMB'000	revenue	
Footwear	4,594,177	45.1	2,924,956	47.3	57.1
Apparel	5,061,494	49.6	2,941,172	47.6	72.1
Equipment and accessories	540,913	5.3	314,807	5.1	71.8
Total	10,196,584	100.0	6,180,935	100.0	65.0

Management Discussion and Analysis (Continued)

Revenue breakdown (in %) by sales channel

	Six months ended 30 June		Change (%)
	2021 % of revenue	2020 % of revenue	
PRC market			
Sales to franchised distributors	45.0	50.3	(5.3)
Sales from direct operation	24.7	21.6	3.1
Sales from e-commerce channel	29.1	27.0	2.1
International markets	1.2	1.1	0.1
Total	100.0	100.0	–

Revenue breakdown by geographical location

	Note	Six months ended 30 June				Revenue Change (%)
		2021	2020	2021	2020	
		RMB'000	% of revenue	RMB'000	% of revenue	
PRC market						
Northern region	1	4,966,189	48.7	3,249,723	52.6	52.8
Southern region	2	3,844,473	37.7	2,134,725	34.5	80.1
South China region	3	1,264,165	12.4	728,218	11.8	73.6
International markets		121,757	1.2	68,269	1.1	78.3
Total		10,196,584	100.0	6,180,935	100.0	65.0

Notes:

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

Cost of Sales and Gross Profit

For the six months ended 30 June 2021, the overall cost of sales of the Group amounted to RMB4,497,520,000 (2020: RMB3,124,144,000), and the overall gross profit margin was 55.9% (2020: 49.5%). During the period, retail discount rates improved greatly; given the decrease in the original value of inventories and the improvement in the age of inventory, the Group decreased the provision for some inventories; and the revenue contribution of direct-to-consumer channels (direct operation and e-commerce channels) owning higher gross profit margin also increased. All factors above drove the significant increase in gross profit margin. As a result, the gross profit margin of the Group increased by 6.4 percentage points for the period as compared to the corresponding period last year.

Distribution Expenses

For the six months ended 30 June 2021, the Group's overall distribution expenses amounted to RMB2,857,021,000 (2020: RMB1,948,689,000), accounting for 28.0% (2020: 31.5%) of the Group's total revenue.

The distribution expenses of the Group increased by 46.6% as compared to the corresponding period last year, and its percentage to revenue fell by 3.5 percentage points. Along with the increase in revenue, rental, wages and bonuses of direct sales staff, investment in advertising and marketing, and commission for the e-commerce channel that related to revenue recorded increases to varying degrees. Nonetheless, their overall growth rate was lower than that of revenue. Thus, the percentage of distribution expenses to revenue declined in the current period.

Administrative Expenses

For the six months ended 30 June 2021, the Group's overall administrative expenses amounted to RMB437,460,000 (2020: RMB346,276,000), accounting for 4.3% (2020: 5.6%) of the Group's total revenue with a year-on-year decrease of 1.3 percentage point. Administrative expenses mainly comprised staff costs, management consulting fees, office rental, depreciation and amortisation charges, technological development fees, taxes and other miscellaneous daily expenses.

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

Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2021, the Group's share of profit of investments accounted for using the equity method amounted to RMB79,571,000 (2020: RMB21,767,000).

Significant Investment

As of 30 June 2021, the significant investment held by the Group is the 47.5% equity interest in Double Happiness (30 June 2020: 47.5%). The cost of the Group's investment in Double Happiness is RMB587,335,000 (30 June 2020: RMB587,335,000). As of 30 June 2021, the carrying value of the interest in Double Happiness held by the Group calculated using the equity method is RMB996,834,000 (30 June 2020: RMB953,176,000), representing a percentage of approximately 5.6% (30 June 2020: 7.5%) of the Group's total assets.

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

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

For the six months ended 30 June 2021, the Group's EBITDA amounted to RMB3,157,598,000 (2020: RMB1,407,637,000), representing a year-on-year increase of 124.3%.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Reconciliation of profit for the period to EBITDA:		
Profit for the period	1,962,223	683,271
Income tax expense	663,224	223,910
Finance income	(45,388)	(19,394)
Finance expenses (including amortisation of discount on lease liabilities)	37,925	31,888
Depreciation on property, plant and equipment	279,027	250,696
Amortisation of land use rights and intangible assets	19,624	19,706
Depreciation on right-of-use assets	219,909	217,560
Depreciation on investment properties under operating leases	21,054	–
EBITDA	3,157,598	1,407,637

Finance Income/(Expenses)- Net

For the six months ended 30 June 2021, the Group's net finance income amounted to RMB7,463,000 (2020: net finance expenses of RMB12,494,000). The change in net finance income/(expenses) was mainly due to the increase in the average disposable capital of the Group for the period as compared to the corresponding period last year, as well as the adjustment of the Group's currency investment portfolio where more funds were deposited in the form of fixed term deposits for more stable returns and led to the year-on-year growth of interest income. In addition, bank service charges and interest expenses recognised on lease liabilities increased as well, which partially offset the increase in interest income.

Income Tax Expense

For the six months ended 30 June 2021, the income tax expense of the Group amounted to RMB663,224,000 (2020: RMB223,910,000) and the effective tax rate was 25.3% (2020: 24.7%). Currently, the Group's income tax expense is almost in line with the standard level.

Overall Profitability Indicators

Benefiting from the government's effective prevention and control of the pandemic and consumers' support for domestic brands, the Group recorded significant growth in sales revenue and improvement of gross profit margin for the period. Meanwhile, effective cost control measures drove down expenses ratio and boosted overall profitability indicators drastically. During the period, the Group's profit attributable to equity holders amounted to RMB1,962,223,000 (2020: RMB683,271,000), representing a year-on-year increase of 187.2%. The margin of profit attributable to equity holders was 19.2% (2020: 11.1%). Return on equity attributable to equity holders was 20.6% (2020: 9.3%).

Provision for Inventories

The Group's policy in respect of provision for inventories for the first half of 2021 was the same as that in 2020. Inventories of the Group are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as provision for inventories. The Group considers this policy to be adequate in ensuring appropriate provision for inventories is made by the Group.

As at 30 June 2021, the accumulated provision for inventories was RMB85,257,000 (31 December 2020: RMB113,133,000). The original value of inventory decreased from the beginning of the year due to the growth in sales revenue generated from increased sell-through during the period. Credited to inventory control initiative, the Group witnessed improvement in the inventory ageing structure and inventory turnover rate as well. Therefore, the provision for inventories decreased.

Expected Credit Loss Allowance

The Group's policy in respect of expected credit loss allowance for the first half of 2021 was the same as that in 2020. The expected credit loss allowance was recorded at an amount equal to the lifetime expected credit losses of the trade receivables that do not contain a significant financing component, and 12 months expected credit losses or lifetime expected credit losses of other receivables, depending on whether there has been a significant increase in credit risk since initial recognition.

As at 30 June 2021, the accumulated expected credit loss allowance was RMB292,015,000 (31 December 2020: RMB287,344,000), among which the accumulated expected credit loss allowance for trade receivables was RMB288,549,000 (31 December 2020: RMB280,437,000) and the accumulated expected credit loss allowance for other receivables was RMB3,466,000 (31 December 2020: RMB6,907,000). The trade receivables and other receivables written off during the six months ended 30 June 2021 as uncollectible and the effect of exchange rate amounted to RMB1,951,000 (2020: RMB349,000). During the period, the original value of receivables rose with the growth of revenue, hence the expected credit loss allowance increased slightly.

Liquidity and Financial Resource

The Group's net cash from operating activities for the six months ended 30 June 2021 amounted to RMB3,324,543,000 (2020: RMB478,986,000). As at 30 June 2021, cash and cash equivalents (including cash at banks and in hand, and fixed term deposits with original maturity of no more than three months) amounted to RMB6,108,102,000, representing a net decrease of RMB1,078,937,000, as compared with the position as at 31 December 2020. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB8,311,806,000, which represented a net increase of RMB869,801,000 as compared to 31 December 2020. The increase was due to the following items:

	Unaudited Six months ended 30 June 2021 RMB'000
Item	
Operating activities:	
Net cash generated from operating activities	3,324,543
Investing activities:	
Net cash used in investing activities (including payment for short-term and long-term bank deposits)	(3,687,894)
Financing activities:	
Net cash used in financing activities	(713,900)
Add: Exchange losses on cash and cash equivalents	(1,686)
Net decrease in cash and cash equivalents	(1,078,937)
Add: Net increase in short-term and long-term bank deposits	1,948,738
Net increase in cash balance	869,801

The Group's cash flow from operating activities increased significantly year-on-year, which was attributable to the remarkable growth in revenue from all channels and the substantial improvement in settlements from franchised distributors. In addition, the Group completed the acquisition of equity and creditor's rights of Matsunichi Communications (Hong Kong) Limited during the period, which led to the drastic year-on-year increase in cash used in investing activities.

As at 30 June 2021, the Group's banking facilities amounted to RMB1,758,000,000, 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 reporting currency of the Group is Renminbi. The Group's subsidiaries in South Korea and Hong Kong use South Korean Won and Hong Kong Dollars as their respective functional currencies. The Group has a small amount of cash and bank deposits denominated in Hong Kong Dollars, United States Dollars, Euros and South Korean Won. The Company pays dividends in Hong Kong Dollars, certain license fees, sponsorship fees and consultation fees in United States Dollars or Euros, and certain investments in Hong Kong Dollars, United States Dollars or Pound Sterling.

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

Pledge of Assets

As at 30 June 2021 and 31 December 2020, the Group had no pledged assets.

Contingent Liabilities

As at 30 June 2021, the Group had no significant contingent liabilities.

Business Review

During the first half of 2021, against the backdrop of the globally volatile COVID-19 pandemic, China has maintained its stable situation in general despite some volatility in individual local areas. Following the increase in the vaccine take-up rate for COVID-19, China has solidified its achievement in containing the pandemic and thereby maintained the stable recovery of the economy. With a promising beginning of the year in view of the national economy of China, the GDP growth for the first half of 2021 achieved 12.7% year-on-year. The consumption market remained its good momentum of recovery with expanded demand and enhanced market vitality during the first half of year. Regarding the sports industry, the Chinese sports consumption market remained active. Amidst the post-pandemic era, it was expected that the public awareness of fitness and health would further increase across China, resulting in higher consumption demands for sports and health products and in turn facilitating the continuous consumption growth of sports products. As such, we continued to optimize the sales and marketing strategy based on the individual needs of consumers, striving to enhance customers' consumption experience and further focus on LI-NING's experience value. Meanwhile, in order to strengthen the core values of our brand and products, we have endeavored to build the reputation as a professional sports brand, keep ourselves abreast of fashion trends and stay in tune with the times. With enhancement in technological research and development, design capability and product quality, domestic brands have been gaining awareness and recognition from domestic consumers. Benefiting from this, during the first half of the year, the principal operational indicators of the Group have significantly improved with a substantial revenue growth and further enhanced profitability.

During the period, pursuing the strategy of “Single Brand, Multi-categories, Diversified Channels”, we put consistent efforts in upgrading our products, channels and retail capability as well as supply chain to consolidate LI-NING’s experience value. In terms of products, we continued to place emphasis on the development of the professional aspects and enhance the professional sports attributes of our products. We have dedicated to the research and development of sports technology with an aim to optimize product performance. At the same time, we paid close attention to the latest fashion trends in the market and the aspect of cultural creativity in an attempt to incorporate fashionable elements and diversified styles into our professional sports products, which has not only offered more diversified products and consumption choices to consumers, but also enhanced our brand value. In terms of operation, we continued to optimize the operation model, stress on enhancing the retail operation capability of our stores with diversifying development in various channels as our main strategic focus, and boost channel efficiency by improving the online and offline integrated operation mode. Meanwhile, we have promoted the strategy of expanding big stores with high efficiency across China, establishing an assortment and operation management model that embodies the sporty and trendy image of LI-NING brand. In addition, we have improved consumers’ experience by upgrading the image of stores to keep abreast of the times in a bid to enhance brand’s recognition and loyalty. In terms of supply chain, we have optimized the supply chain management in line with the business needs and continuously established our own supply chain system to increase flexibility of our supply. We also pushed forward the changes from passive production to proactive production.

Latest operational update for the second quarter of 2021

For the second quarter ended 30 June 2021, in respect of LI-NING point of sale (“POS”) (excluding LI-NING YOUNG) which have been in operation since the beginning of the same quarter of last year, the same-store-sales for the overall platform registered a low-eighties growth on a year-on-year basis. In terms of channels, retail (direct operation) channel registered a low-nineties growth and wholesale (franchised distributors) channel registered a low-seventies growth, while the e-commerce virtual stores business registered a high-eighties growth on a year-on-year basis.

For the second quarter ended 30 June 2021, the retail sell-through of LI-NING POS (excluding LI-NING YOUNG) for the overall platform increased by low-nineties on a year-on-year basis. In terms of channels, offline channel (including retail and wholesale) registered a low-nineties growth, with retail channel increased by high-eighties and wholesale channel increased by low-nineties, while the e-commerce virtual stores business registered a high-nineties growth.

As at 30 June 2021, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 5,704, representing a net decrease of 80 POS since the end of previous quarter and a net decrease of 208 POS since the beginning of this year. Among the net decrease of 208 POS, direct retail accounts for a net decrease of 61 POS, and wholesale accounts for a net decrease of 147 POS.

As at 30 June 2021, the total number of LI-NING YOUNG POS in China amounted to 1,041, representing a net increase of 26 POS since the end of previous quarter and a net increase of 20 POS since the beginning of this year.

Further promoting the strategy of “Single Brand, Multi-categories, Diversified Channels” to unleash our brand value continuously

Driving product upgrade with technology to build professional reputation of the brand

During the period, we stayed focused on our five core categories, namely basketball, running, training, badminton and sports casual. Placing emphasis on the scientific research of sports, we continued to conduct the R&D and upgrade of product technology platform to further strengthen the brand’s sports DNA. Meanwhile, we conveyed our brand value with unique design concepts which integrated the elements of both Chinese culture and popular culture as well as avant-garde arts.

In terms of professional aspect, by accelerating the layout of functional products, we continued to upgrade the technology and materials and promote the application of high-end technology on more categories and products, so as to communicate with consumers from all walks of life and further open consumers’ mind to enhance their recognition of the professional image of LI-NING and thereby further unleash the professional value of LI-NING brand.

- Running category accelerated the expansion of the matrix for professional running shoes based on multi-level demands of runners. The Boom series, represented by “Feidian 2.0 Elite” (飛電2.0 Elite), focused on the racing needs of elite runners and opened up the carbon plate running shoes market; “Shadow” (絕影) and “Shadow Essential” (絕影Essential) focused on jogging scenarios and integrated “LI-NING BOOM” (李寧轟) technology and “LI-NING JIANG” (李寧弼) structure technology to create a unique technological barrier. The focused lightweight and comfortable “Super Light 18th” (超輕18) utilized the “LI-NING BOOM” (李寧轟) technology, which not only ensures the functional professional experience of mass runners in daily jogging, but also meets the demands of ordinary consumers for casual needs.
- The basketball category focuses on more specific sports resources and star matrix. Through planning for professional star series products and integrating high-end technology and sports star resources, the category has enhanced the brand image and status of LI-NING basketball shoes in the industry. “Sonic IX” (音速IX), a well-recognised professional basketball shoes series for tournaments, was developed and has been fully exposed to public through the platform of CBA All-Star League, driving product sales. Continuing to further explore the business opportunities of “Yushuai XIV BOOM” (馭帥XIV轟), we successively launched multiple color matching story-packed themes and the player exclusive version of Jimmy Butler, which brought continuous output to meet demands from the professional basketball sector. “All City 9” (全城9) of the WADE series applied the “LI-NING BOOM” (李寧轟) technology for the first time, which was well recognized by fans in terms of on-site operating performance.
- The training category has refined the professional product matrix ranging from comprehensive training to sub-scenarios such as strength training and dance, providing functional products of different styles and degrees of professionalism to meet the growing demands for sports consumptions. Continuing to upgrade the protective outfit with wind- and water-proof functions and younger product style, we combined sports with the popular trend and created more dynamic techwear products. We also continued to upgrade “AT DRY” technological material so as to bring consumers better sports experience and product experience. Catering for the women’s market, we set up an exclusive product and design team to focus on the R&D of cutting-edged technological materials, the pattern design and craftsmanship. In view of the development trend of women’s sports, we expanded our core products oriented from the women’s favorite sports.

- We continued to enhance our badminton category in terms of its functional attributes. The “Ambush 9” (突襲9) rackets has applied the high-density anti-shock system for the first time. The handle grip for striking has been improved through the use of high technological light anti-shock materials aiming to reduce the risks of injury arising from sports. We have re-organised the rackets according to their performance and features into three categories: Attack, Speed and Control. A new generation of rackets series focusing on multiple performances have also been released. In addition, we have extended our classic IP of badminton shoes products and launched a new generation of “Flying shoe” (貼地飛行) for badminton games with the “LI-NING BOOM” (李寧轟) technology applied on the entire foot to provide better performance of kick-off and shock-relieving in sports games.

In respect of sports fashion, we have made breakthroughs with bold innovation. Our products have integrated with Chinese culture, avant-garde art and popular elements. We continued to launch products with distinctive design concepts in order to echo with the young consumer groups in pursuit of their own personality.

- Persisting in taking “Sports, Technology, Fashion” as its design DNA to enhance the sports attributes of basketball, the WADE series apparels have applied more technological fabrics and high street fashion elements while maintaining the high-class fashionable sporty style of the WADE series. Through the influence of NBA player D’Angelo Russell, the WADE series apparels were able to associate more with youth culture and basketball, which helped to attract more young consumers. Wade remained active in different areas despite his retirement. He showcased the high-end brand tonality of the apparel products of WADE series with his unique personality of heightened sense of fashion, thereby enhancing the loyalty of our original high-quality customers. Further, we have launched a limited-edition theme series “WE ARE ONE” with the French artist DFT, promoting the philosophy of the products and high-class style of The WADE series to consumers with the unique artistic line design.
- Persisting in applying “China”, “Street” and “Basketball” as the core concepts of the series’ development, our “BADFIVE” street basketball series continued to develop products with its own unique brand tonality leveraging the trend of popular culture and street basketball, allowing more young fashion consumers to experience the charm of the basketball culture successfully. Combining the inspiration from one-on-one battle on the street basketball court and the Chinese ancient and treacherous military tactics “Empty Fort Strategy” (空城計), we have launched the “Deception is fair in war” (兵不厭詐) packaged product on April Fools’ Day with enriched storyline and product tonality to boost product sales performance. We have also launched a new season of “Too Young To Stay” (少不入川) series partnering with Chengdu’s popular local brand and promoted consumer awareness of the limited-edition city series’ IP continuously, thus enhancing the popularity of the brand and the recognition of the mainstream consumers.
- As for sports casual products, we had in-depth communications with the young consumer groups continuously by such ways as product crossover and original IP story. We have published original packaged stories successively, namely “Rich Everyday” (日進斗金), “Cherry Blossoms” (櫻花) and “Earth Day” (地球日), integrating Chinese culture with the hot topics among teenager groups, which have stirred up overwhelming market response. We continued to crossover with DISNEY and LINE FRIENDS and launch high-quality products to make breakthroughs in daily life occasion for consumers’ fashion style and expand our products lines’ style to cover more target groups. Further, we have launched the skateboarding series products and developed sneaker culture group exclusively for Li Ning brand users so as to constantly echo with both skateboarding and popular culture bases.

- China LI-NING series continued to promote new popularity through cross-sector collaboration. We cooperated with “Chinese Robots Godfather” Sun Shiqian (孫世前) to develop the first pair of robot-styled shoes in China “Xuan Kong” (玄空). With its unique design style and the globally leading performance of robotic art, it has perfectly showcased LI-NING brand’s current understanding and leadership of the world fashion trend. We have also launched a new footwear product “Never stop infinity” (超越infinity) and cooperated with Kiko Mizuhara (水原希子), a Japanese actress and model, for the promotional photoshoot to introduce more fashion elements in the product. Meanwhile, we collaborated with the popular movie under the same name “Never Stop” (《超越》) to the image of the main character “Hao Chaoyue” (郝超越) with the style of the footwear product, delivering to the market the brand image of self-breakthrough and our neverending pursuit of innovation of the “Never stop infinity” footwear product.

Continue to enrich diversified and comprehensive marketing resources matrix with a focus on characteristics of professional and sports casual categories

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

- In terms of professional basketball, we further strengthened the sponsorship and collaboration with the CBA League. We successfully created the CBA Championship project that integrates marketing of the Finals with the champion jersey, and adopts the innovative business model of product lucky draw, which successfully expanded CBA products beyond the existing fan base and enlarged the consumer group of the championship series. As international leading basketball resources continuously being added to the pipeline, we have gradually established the shoes and apparel product lines under the star player series. Meanwhile, we continued to expand the business layout of LI-NING basketball with Jimmy Butler as the major resources at the moment. On the basis of the player exclusive signature shoes, we launched storyline-based, sensational and professional star player shoes and apparel package with fashionable lifestyle elements to complement the sales of shoes products, which has received overwhelming market response.
- In regard to the basketball culture, inspired by one-on-one battle on street basketball courts, at the beginning of the year of Ox, we invited renowned artists in China to jointly created the “Bullfighting” (鬥牛) product package embodying overpowering basketball elements. We have also hosted the “Chinese Street Basketball Brand Contest” (中國街球籃球廠牌爭霸賽) and “BADFIVE One-on-one Finals” (反伍鬥牛總決賽) in Changsha in January, which posed a great influence on the street basketball culture in China and enhanced the status of branded basketball products. We have also conducted in-depth research on street basketball and deeply explored the special culture of various Chinese cities, so as to precisely determine the positioning of our products. In conjunction with activities such as “3+1” Street Basketball League (「3+1」街頭籃球聯賽), BADFIVE’s Night (反伍之夜) and sales of limited editions, we successively created themed products such as “Too Young To Stay” (少不入川), “Unstoppable Power of Chongqing” (霧都大勢) and “Deception is fair in war” (兵不厭詐), all of which have attracted the attention of more young and fashionable consumers.

- For our running products, we rapidly built up the reputation of our racing shoes under the “LI-NING BOOM” (李寧 轟) series by capitalizing on the marathon event in Qingdao. With the aid of the Boom series racing shoes, advanced runners not only secured the championships of four major categories, but also broke the match records of both the male and female full marathon categories with much faster times. This product also helped many runners to successfully surpass their own best records, which sparked media interest and discussions of netizens, and significantly raised the standard for the professional features of LI-NING’s racing products. Employing the “LI-NING BOOM” (李寧 轟) technology, “Super Light 18th” (超輕18) is a star IP product that brought in millions of sales. “Lightweight, High Resilience and Strong Kick-off” (輕彈 轟發) was featured as a key advertising headline for this product to create an image and impression of “the strongest IP + the strongest technology”. In large-scale promotional campaign, we highlighted its core features of lightweight and high resilience as selling points and positioned it as the must-have running shoes suitable for versatile scenarios, aiming to arouse more attention from consumers.
- As to our badminton products, our vision is to become the leading professional badminton sports brand for consumers in China. Centering on the theme of “China Li-Ning, Get along with You” (中國李寧·羽你更合拍), we engaged in brand and product promotion, sports marketing and amateur competitions, which were coupled with store activities to support the achievement of marketing goals and accomplish mutual growth of both our business and brand. In terms of sports resources, we continued to push forward internationalization and secure endorsement of our professional products with sports resources, with a view to facilitating promotion and enhancing demand. In connection with domestic contracted resources, we created “Thunderstorm” (雷霆), “Shadow” (鋒影) and “Thundercloud” (雲霆) series products for Olympic champions, Chen Long (諶龍) and Zhang Nan (張楠), respectively. These products first appeared in the Chinese National Games Qualification, and thus garnered unprecedented popularity.
- In respect of sports fashion, we further explored platforms where target consumer groups gather, such as Xiaohongshu (小紅書) and Dewu (得物), and highlighted the variety and playability of product matching by way of “unboxing and recommending matching ideas”. With the creative marketing approach targeting female consumers, we created exclusive IP series of LI-NING brand for female consumers so as to drive the business of our women’s products. We invited designers and fashion pioneers to participate in the themed party of “Sakura” series organized at offline stores, and improved in-store experience of consumers with themed ambience and display. We launched a crossover series with Steven Harrington and organized offline campaigns integrating pop culture and lifestyle by assembling top promotional resources from fashion and artistic sectors. Meanwhile, given the media matrix covering pop culture, fashion, artistic and lifestyle sectors formed to analyze in-depth the crossover series, products of the entire series were sold out promptly leveraging products with heated discussions.
- We diversified our entertainment marketing model by carrying out comprehensive and in-depth collaboration with variety shows, media and artists, ensuring multi-dimensional exposure of products from catalogues, personal fashions, variety shows and marketing events. We focused on resources from large-scale platforms for more exposure opportunities. In order to integrate the Company’s resources in both entertainment and sports, we invited Cai Chengyu (蔡程昱), an artist who we had in-depth cooperation relationship with, as the lead singer of national anthem during the CBA All-star Weekend. With full set of WADE series products as his outfit, we demonstrated the trendiness of our lifestyle products in sports events, thereby producing more topics and contents for promotion. We signed with Xiao Zhan (肖戰), a young actor and singer, to be the global spokesperson for LI-NING’s fashionable sports products. By joining hands with high-quality spokespersons, it is expected that the passion for sports fashion among consumers will be ignited from more perspectives and in a more diversified manner.

Accelerating the development of quality channels with a focus on expansion and optimization of channels

During the first half of 2021, the Company remained focused on optimizing the structure and efficiency of channels and enhanced the cooperation with high-quality retailers, which optimized the efficiency of retail channels and improved the quality of market coverage. During the period, the Company accelerated the development of quality channels with a focus on big stores in shopping malls and launched big stores with high efficiency including flagship stores on a continuous basis. Meanwhile, the Company further optimized the store structure by accelerating the closure of loss-making, low efficiency and small stores.

During the period, the Company continued to enhance the visual image of its stores, and expedited the development of the 8th generation image store in full force, at the same time phasing out old image stores such as the 6th generation ones. As at 30 June 2021, the percentage of 8th generation image stores has increased to over 30%. The Company also accelerated the innovation of store image with an emphasis on improving sports and shopping experience. The flagship store at Teemall (天河城) in Guangzhou innovatively adopted the ultra-high glass curtain wall, making it a popular spot for young consumers in Guangzhou to take photos. Types of store props have also been upgraded constantly to improve brand recognition among consumers. Meanwhile, it devoted more efforts in member and omni-channel development, so as to boost business growth through online and offline synergy.

As at 30 June 2021, the number of conventional stores, flagship stores, China LI-NING stores, factory outlets and multi-brand stores under LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 6,745, representing a net decrease of 188 POS as compared to 31 December 2020. The number of distributors was 63 (including sales channels of China LI-NING stores), representing a net decrease of 2 as compared to 31 December 2020. The number of POS breakdown as at 30 June 2021 is as follows:

LI-NING Brand	30 June 2021	31 December 2020	Change
Franchised	4,616	4,763	-3.1%
Directly-operated retail	1,088	1,149	-5.3%
LI-NING YOUNG	1,041	1,021	2%
Total	6,745	6,933	-2.7%

Number of LI-NING Brand POS by geographical location

Regions	30 June 2021			31 December 2020			Change
	LI-NING Core Brand	LI-NING YOUNG	Total	LI-NING Core Brand	LI-NING YOUNG	Total	
Northern Region (Note 1)	2,938	681	3,619	2,989	678	3,667	-1.3%
Southern Region (Note 2)	2,158	323	2,481	2,243	304	2,547	-2.6%
Southern China Region (Note 3)	608	37	645	680	39	719	-10.3%
Total	5,704	1,041	6,745	5,912	1,021	6,933	-2.7%

Notes:

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

Optimize product management system to improve product operation efficiency

During the first half of 2021, the Company continued to push forward the transformation and optimization of product operation models to facilitate continuous improvement of product operation efficiency.

- The Company has established and optimized the product management system. During the period, consumers demonstrated stronger preference for the LI-NING brand, which has driven significant growth in foot traffic and continuous improvement of store operation efficiency. Taking the advantages of the external environment, together with the constant improvement of internal product planning, the Company adopted measures such as "enhance the depth of core products" and "prevent out-of-stock or short-in-size" to ensure product inventory and efficiency with an aim to further unleash its product operation efficiency, which has underpinned the continuous rapid growth of sell-through of stores.
- The Company has strengthened inventory management and optimized the inventory structure. Since the outbreak of the pandemic, the Company firmly proceeded with destocking of the inventories of old products. Besides, by means of increasing the number of orders for products with multifold sales growth, the Company increased the investment in the core models of new products, through which it has optimized the level of total inventory and the inventory ageing structure, at the same time promoting the constant launch of new products.

- With a focus on the development of functional product categories, the Company has established and improved the footwear product matrix and hence increased the percentage of its footwear business. During the period, the Company has gradually established and continuously improved the footwear product matrix with “LI-NING BOOM” (李宁䨻) technology platform as the core, which increased the percentage of footwear sales and acted as a strong driving force for the professional products of the LI-NING brand.
- The Company continued to implement the product planning management system so as to improve product operation efficiency. Looking forward, the Company will stay focused on the implementation of the product sales planning system, enabling it to control the inventory risks of old products while ensuring reasonable inventory for new products. In addition, the Company will pay more attention to core products and enhance product operation efficiency so as to maintain strong momentum for business growth.

Explore standardized store operation model to promote the implementation of retail operation standards

During the first half of 2021, the Company remained focused on the exploration of highly-efficient and profitable single-store operation model and further developed the store business in a bid to realise standardized, professional and simplified operation of stores and terminals.

- The Company continued to explore operation model for big stores. Based on the three directions, namely establishing platform for headquarters, enhancing operation efficiency of stores and building standardized retail operation system, the Company has put into practice the operation model for big stores. It has also strengthened the support of the functional departments at headquarters for terminal business, which helped enhancing the single-store efficiency in terms of staff, product and space. Furthermore, the Company further clarified the personnel and organization system, business implementation system, conference and communication system and talent cultivation system of the big stores in an effort to enhance the single-store operation capability of the big stores on the basis of standardization.
- The Company edged up its efforts in sports marketing and improved the sports experience of customers. During the period, the Company established the sports marketing business system to facilitate further development of stores in local markets. By appointing professional sports consultants for basketball, running and training at stores for on-site marketing, the Company has highlighted the advantages and uniqueness of LI-NING brand in the field of professional sports, which has enhanced the recognition of LI-NING’s image of professional sports among consumers, and hence boosted the store sales and improved the sports experience of the customers simultaneously.
- Setting the retail operation standards. During the first half of 2021, the Company streamlined and optimized the retail operation manual, fundamental showcasing manual, daily work log and mentoring manual for stores comprehensively. Looking forward, all retail stores will adhere to these standards and implement the abovementioned operation standards and tools persistently to realize our retail operation sites of high standard. In the future, the Company will continue to achieve digitalization and systemization of various operation tools based on the trend of business development.

- Strengthening the retail platform management to drive implementation of the execution standards. During the period, through the retail operation system platform, the Company has developed the retail platform task system and transparent business closed-loop of full-process retail management which comprises processes such as giving and receiving business instructions, implementation at stores and confirmation at headquarters and on-site, thereby enabling the headquarters to make more prompt responses to the changing situations at stores.
- Enhancing the training for retail talents to develop expanded workforce for the transformation of retail. The Company has established the talent system for sustainable development and specified the job descriptions and standards of the business capability system for personnel of all levels based on the capability model of retail talents. Through improving the training system for retail talents, the Company enhanced the training culture in this respect and continued to upgrade the abilities of retail talents in organic development. In the future, the Company will prepare ways for talents of store functions to grow and develop with headquarters' functions so as to broaden the career paths of employees.

Optimizing the logistics network and strengthening construction of logistics supporting capacity continuously

During the first half of 2021, the Company continued to develop and improve the logistics service system. Based on the features of different business models and diversified business scenarios, the Company provided differentiated, refined and efficient logistics service support in line with the requirement of relevant business sectors for its principal business and each business division, which promoted the service support capability of the logistics system for all business units.

- The Company continued to further optimize the existing logistics network and allocate resources based on key sales regions to enhance our service capability and quality. Coupling with the progressive efforts put in the entire product supply chain, the Company accelerated its pace to optimize and allocate resources for warehouse storage, manpower and transportation, allowing consumers to experience LI-NING brand products more conveniently and rapidly.
- The Company continued to align with the strategy of highly effective merchandising operation and accelerate the turnover of goods. It optimized the existing procedure of store deployment and return of goods, enabling the stores to deploy goods promptly and effectively with the aid of the information system. This has ensured the deployed goods to be delivered to the target stores ahead of the prime time of sales, so as to seize the business opportunities.
- The Company developed new regional logistics center model to fulfil the high demands for logistics arising from the increase in business volumes. During the period, the first regional logistics center has been put into operation and offered consumer experience of faster and more convenient logistics services by way of inventory centralization in close proximity to the regions of consumption. With the integration of national distribution centre ("NDC") and regional distribution centre ("RDC") by the regional logistics centers, we have sped up the delivery of products from factory to stores and increased the operating efficiency of warehouses at the same time.

Steady execution of omni-channel strategy to drive sustainable growth of e-commerce platform

In the first half of 2021, the e-commerce of Li Ning Company maintained its high operating efficiency while exploring new business opportunities. By optimizing the business structure and rationalizing the sustainable operation modes, it added great momentum to e-commerce growth in the future.

Complementing the key marketing resources of the Group, the e-commerce of Li Ning Company rolled out a series of marketing campaigns during the period. Centring on celebrity endorsement, product launch and fashion week, it reached out to various fan bases, capitalized on the influence of the artists and appealed to female consumers. In addition, it devoted more efforts to promote technology products such as basketballs and running shoes, which continuously shaped consumers' perception and raised their awareness of the professional features of the brand. In order to tap into new business opportunities, it took advantage of Douyin (抖音), Kuaishou (快手) and other emerging livestreaming platforms, where it interacted with consumers frequently through livestreaming marketing. This not only helped to increase brand exposure, but also offered access to new consumer groups.

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

At the same time, the Company made steady progress in member and omni-channel development. During the period, the full connection between the online channel system and the offline directly-operated stores was basically completed. The Company also sets up the preliminary member service system and the inter-connected member service mechanism across all channels. To facilitate long-term development, we will remain concentrated on four aspects including member recruitment, consumer communication and education, member service and interaction, and member data insights.

Looking forward, the e-commerce of Li Ning Company will continue to focus on the consumer big data and product data analysis system, thereby building its brand reputation and product competitiveness. Through online marketing campaigns and consumer education, it will maintain the operating efficiency of the e-commerce platform and support the sustainable growth of the e-commerce business.

Consolidating resources from supply chain to improve supply chain capabilities

In the first half of 2021, the “value supply chain” management model remained the centre of the supply chain system. To reduce wastage and improve efficiency, the Company used consumer satisfaction as the final indicator of supply chain value, so as to enhance product quality and price-performance ratio. It also carried on consolidating the resources of the footwear and apparel supply chain. In addition, it advanced the transition of the supply chain from “passive production” to “proactive production” by building a precise, flexible and efficient supply chain management system for more agile supply and rapid response.

- The Company focused on the promotion and adoption of R&D technology to pursue technology-driven business growth. To enhance the professional features, functionality, novelty and uniqueness of products, it engaged in cooperation and exchange of R&D projects in multiple aspects, enhanced the research collaboration with high-quality suppliers, and capitalized on their resources advantages in the R&D of functional materials. Furthermore, it continued to strengthen R&D and innovation capabilities, optimized the management and appraisal mechanism for R&D projects, created a culture of innovation among team members, and introduced competent talents in R&D and innovation. These efforts paved the way for the constant stream of innovative products.
- The Company collectively coordinated and managed supply chain resources to encourage resource sharing among various departments and product categories, which laid a foundation for bulk purchasing and centralised management. To restructure supply resources, it developed a system to retain high-quality suppliers and eliminate underperforming ones. It also continued to increase cooperation with good suppliers to ensure the efficiency and preciseness of supply chain resources.
- The Company pushed forward the transition of the supply chain from “passive production” to “proactive production”. It orchestrated merchandise, production and sales planning to form an effective interaction mechanism, and established a win-win mechanism for the long-term development and synergetic growth with strategic suppliers, so as to meet the business needs of diversified channels and boost business with top-quality supply chain resources.
- In respect of cost management, the Company maintained stringent cost planning and practised the concept of cost control and management in all areas ranging from design, development to various production stages, with a view to driving the optimization and upgrade of cost structure with concerted efforts. Meanwhile, the Company continued to tighten the requirements on labour, occupational health and environmental protection to ensure sustainable development.
- The Company maintained its focus on the establishment of its own supply chain system for more flexible and efficient performance. It was committed to gradually instilling the core industrial capabilities into LI-NING’s system over time. As a result, it strengthened its own supply chain management and the application of technological research and development knowledge, which led to a more precise and swift supply chain system.

NEW BUSINESS

LI-NING YOUNG

In the first half of 2021, LI-NING YOUNG positioned itself to be “the fashionable professional sports kidswear brand originated from China” and optimised the business model to drive brand growth.

- The Company launched professional sports products for kids as our key offerings. Under this context, we developed technology with professional functions for children, provided professional competition equipment for young athletes in China, and built a reputation as a professional sports brand for kids with a focus on basketball and running products. During the period, we completed the review of our current technology for children’s sports products. Leveraging the technological resources of the LI-NING brand, we will continue to develop the technology matrix for the kidswear business in the future.
- In terms of the supply chain, we continued to develop and enhance supply chain resources to improve the supply chain system of the kidswear business. We consolidated our production processes and resources advantages to minimize product cost, boost product efficiency, ensure product quality, optimize production procedures, promote the flexible response of the supply chain system and facilitate efficiency upgrade.
- For channel development, we focused on the mid-to-high tier market, strengthened the shopping mall and clearance channels, and improved store image to promote channel efficiency and health. In line with the omni-channel strategy of the Company, we actively expanded new retail channels and adapted to external changes to explore new sales channels and business opportunities.
- For brand marketing, we explored specific promotion and sales channels for kidswear such as Mama’s Community and members of WeChat groups by fully leveraging and consolidating existing promotional resources, including KOLs, sports experts, celebrities and business partners. With reference to the special features of the kidswear business, we made use of various digital marketing platforms, thereby continuously developing new sales channels and expanding brand and product influence.

As of 30 June 2021, LI-NING YOUNG business covered 31 provinces, municipalities and autonomous regions with a total of 1,041 stores. Looking forward, we will continue to intensely develop our kidswear business. Leveraging the LI-NING brand, we will enhance the marketing efforts of the kidswear brand, take a product-focused approach to upgrade core product technology and design, and advance the exploration of market demands and product categorization. Consistent efforts will be devoted to channel expansion, retail operations and supply chain resources, so as to develop LI-NING YOUNG into a leading professional sportswear brand for kids in China.

Human Resources

In the first half of 2021, based on the long-term development goal of the Company, the human resources department continued to optimize the Company's organisation, talents, incentives and cultural system.

- Regarding organisational development, in order to achieve breakthroughs in multi-categories, the Company established the female product team and e-commerce apparel supply chain, at the same time continuing to strengthen its research and development organisation and optimize the organisational structure of the Group's business systems, thereby fostering a more efficient organisational structure.
- In terms of talent management, the Company expedited the improvement of the talent supply chain management system and the dual career development paths for employees. It has also stepped up its efforts in nurturing internal retail talents so as to explore and recruit talents to drive business transformation on a continuous basis, and identify young talents for building up teams of hand-picked elites.
- In terms of remuneration and performance management, in order to realise performance growth stemmed from capability improvement, the Company has incorporated the strengthening of organizational capabilities into its business evaluation system. It has also improved the remuneration system for retail business with a view to enhancing its market competitiveness in terms of remuneration and hence pushing forward the reform of the Company's organizational capabilities and achieving its long-term goals.
- Regarding culture and staff relationship, the Company improved its culture management system with continuous efforts, aiming to further develop the core values of the Company, improve staff satisfaction and engagement and increase its staff's sense of honor and mission. Meanwhile, the Company has created a more positive, transparent, fair play and trustworthy corporate culture and nurtured a more active and cheerful working style.

In the future, the Company will remain focused on the exploration and consolidation of the domestic market in China, in a bid to become the most favourite sports brand of Chinese consumers. Pursuing its medium- and long-term goals, the Company will enhance its organisational efficiency and accelerate the development of talent teams as well as optimize the incentive mechanisms. The Company will effectively manage the investments in human resources, while continuing to strengthen its organisational capacity and employee competencies, which underpin the business growth of the Company.

As at 30 June 2021, the Group had 3,928 employees (31 December 2020: 3,625 employees), among which 3,755 employees were at the Group's headquarters and retail subsidiaries (31 December 2020: 3,466 employees), and 173 employees were at other subsidiaries (31 December 2020: 159 employees).

Outlook

In the first half of 2021, China has brought the COVID-19 pandemic generally under control, enabling the recovery trend of its national economy to continue. Against this favourable backdrop, we will consistently adhere to the strategy of “Single Brand, Multi-categories, Diversified Channels”, enhance LI-NING’s experience value and provide sustainable impetus to the growth of the Company’s results performance:

- In respect of products, we will continue to actively explore technological innovation, strengthen product research and development, strive to improve product performance and enhance the professional sports attributes of our products. Meanwhile, we will further closely keep up with fashion trends and sports culture, launch products better tailored to consumer needs, provide consumers with diversified consumption experience, expand consumer bases, improve customer loyalty and expand our brand influence;
- In respect of channel development, with the aim of improving efficiency, we will seek expansion of big stores with high efficiency and promote the synergistic effect of the omni-channel by establishing diversified sales channel network and optimizing the structure of channels so as to maximize the efficiency of our sales channels;
- In respect of retail operation and supply chain, we will continue to enhance the standards of store operation on the focused basis of both product and consumption experience, promote store management ability and further strengthen the online and offline integrated operation mode. In addition, we will consolidate and optimize the supply chain system to enhance our capabilities in terms of our own supply chain management and the application of technology and expertise resulted from the research and development;
- In respect of marketing, we will make full use of diversified platforms and digitalized approaches, give full play to our comprehensive marketing networks to increase consumers’ brand awareness and accessibility. Considering primarily the actual consumer demand, we will keep abreast of hot market trends and expand the brand influence to convey our brand value;
- In respect of new business, enhancing single store profitability will remain as our major development goal. We will make reasonable and prudent use of resources to explore business opportunities and market potential in order to foster new opportunities for the profit growth of the Company in the long run.

As the pandemic is generally under control, China’s economy is steadily recovering with increasing national consumer demand, which benefits sports consumption, facilitates the development of the sports industry and helps promote a healthy lifestyle of the public. Being optimistic about the prospects of China’s sports industry, we are confident in the huge potential of the sports industry in the future. We also believe Chinese consumers will pay more attention to health and fitness in the post-pandemic era. This will help boost the demand for sports and health consumption and may bring a new look to the sports industry, thereby promoting further breakthroughs and development of the industry. As one of the leading brands in the professional sports sector in China, LI-NING will keep closely abreast of the development trend of the industry, seize the new opportunities arising from the surging sports industry after the pandemic, and deliver more diversified and refined products and services to the public. We will continue our down-to-earth manner to actively explore more room for business development and develop LI-NING from a Chinese brand to an internationally recognized top-class global, fashionable and professional sports brand.



STANDING OUT



Condensed Consolidated Interim Financial Information

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,217,045	1,065,058
Right-of-use assets	8	978,793	1,065,979
Investment properties	9	1,790,520	115,200
Land use rights	10	164,478	166,377
Intangible assets	11	180,216	190,746
Deferred income tax assets		638,777	590,635
Other assets	14	–	138,518
Investments accounted for using the equity method	12	1,222,015	1,101,116
Investments measured at fair value through profit or loss		130,100	–
Other receivables	16	140,754	128,714
Long-term bank deposits		2,103,488	254,966
Total non-current assets		8,566,186	4,817,309
Current assets			
Inventories	13	1,307,280	1,345,539
Other assets – current portion	14	705,523	518,902
Trade receivables	15	800,679	658,796
Other receivables – current portion	16	66,503	65,196
Restricted bank deposits		1,076	1,084
Short-term bank deposits		100,216	–
Cash and cash equivalents		6,108,102	7,187,039
Total current assets		9,089,379	9,776,556
Total assets		17,655,565	14,593,865

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	17	228,717	228,285
Share premium	17	4,050,617	4,037,767
Shares held for Restricted Share Award Scheme	17	(47,471)	(148,995)
Other reserves	18	959,940	874,574
Retained earnings	18	5,142,253	3,695,232
		10,334,056	8,686,863
Non-controlling interests in equity		2,554	2,554
Total equity		10,336,610	8,689,417
LIABILITIES			
Non-current liabilities			
License fees payable	21	22,249	23,395
Derivative financial instruments		-	10,181
Lease liabilities		636,530	688,642
Deferred income tax liabilities		435,537	102,738
Deferred income	22	69,908	64,435
Total non-current liabilities		1,164,224	889,391
Current liabilities			
Trade payables	19	1,377,468	1,227,129
Contract liabilities		337,951	286,134
Lease liabilities - current portion		342,430	360,895
Other payables and accruals	20	3,296,404	2,500,991
License fees payable - current portion	21	74,552	39,494
Current income tax liabilities		716,184	591,860
Derivative financial instruments – current portion		9,742	8,554
Total current liabilities		6,154,731	5,015,057
Total liabilities		7,318,955	5,904,448
Total equity and liabilities		17,655,565	14,593,865

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

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	6	10,196,584	6,180,935
Cost of sales	23	(4,497,520)	(3,124,144)
Gross profit		5,699,064	3,056,791
Distribution expenses	23	(2,857,021)	(1,948,689)
Administrative expenses	23	(437,460)	(346,276)
Provision for expected credit loss allowance for financial assets – net		(6,622)	(24,420)
Other income and other gains – net	24	140,452	160,502
Operating profit		2,538,413	897,908
Finance income	25	45,388	19,394
Finance expenses	25	(37,925)	(31,888)
Finance income/(expenses) – net	25	7,463	(12,494)
Share of profit of investments accounted for using the equity method	12	79,571	21,767
Profit before income tax		2,625,447	907,181
Income tax expense	26	(663,224)	(223,910)
Profit for the period		1,962,223	683,271
Profit is attributable to:			
Equity holders of the Company		1,962,223	683,271
Non-controlling interests		–	–
		1,962,223	683,271
Earnings per share attributable to equity holders of the Company for the period (expressed in RMB cents per share)			
Basic earnings per share	27	79.04	27.98
Diluted earnings per share	27	77.96	27.30

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

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Profit for the period		1,962,223	683,271
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(1,568)	2,737
Total comprehensive income for the period		1,960,655	686,008
Attributable to:			
Equity holders of the Company		1,960,655	686,008
Non-controlling interests		–	–
Total comprehensive income for the period		1,960,655	686,008

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

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Ordinary shares RMB'000 (Note 17)	Share premium RMB'000 (Note 17)	Shares held for Restricted Share Award Scheme RMB'000 (Note 17)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000 (Note 18)	Subtotal RMB'000	Non- controlling interests in equity RMB'000	Total equity RMB'000
As at 1 January 2021	228,285	4,037,767	(148,995)	874,574	3,695,232	8,686,863	2,554	8,689,417
Total comprehensive income for the period	-	-	-	(1,568)	1,962,223	1,960,655	-	1,960,655
Transactions with owners:								
Net proceeds from share issuance pursuant to share option schemes	431	27,036	-	-	-	27,467	-	27,467
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	-	18,937	-	18,937	-	18,937
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	-	(14,210)	-	14,210	-	-	-	-
Shares vested under Restricted Share Award Scheme	-	-	101,524	(101,524)	-	-	-	-
Shares converted from convertible securities	1	24	-	(25)	-	-	-	-
Dividends (Note 28)	-	-	-	-	(515,202)	(515,202)	-	(515,202)
Tax impact of employee share-based compensation scheme	-	-	-	155,336	-	155,336	-	155,336
As at 30 June 2021	228,717	4,050,617	(47,471)	959,940	5,142,253	10,334,056	2,554	10,336,610

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited							
	Ordinary shares RMB'000 <small>(Note 17)</small>	Share premium RMB'000 <small>(Note 17)</small>	Shares held for Restricted Share Award Scheme RMB'000 <small>(Note 17)</small>	Other reserves RMB'000 <small>(Note 18)</small>	Retained earnings RMB'000 <small>(Note 18)</small>	Subtotal RMB'000	Non- controlling interests in equity RMB'000	Total equity RMB'000
As at 1 January 2020	214,300	3,547,682	(276,664)	1,153,645	2,482,676	7,121,639	2,554	7,124,193
Total comprehensive income for the period	–	–	–	2,737	683,271	686,008	–	686,008
<i>Transactions with owners:</i>								
Net proceeds from share issuance pursuant to share option schemes	1,858	103,317	–	–	–	105,175	–	105,175
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	–	51,508	–	51,508	–	51,508
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	(10,499)	–	10,499	–	–	–	–
Shares vested under Restricted Share Award Scheme	–	–	106,627	(106,627)	–	–	–	–
Shares converted from convertible securities	10,785	294,912	–	(305,697)	–	–	–	–
Dividends <small>(Note 28)</small>	–	–	–	–	(377,821)	(377,821)	–	(377,821)
As at 30 June 2020	226,943	3,935,412	(170,037)	806,065	2,788,126	7,586,509	2,554	7,589,063

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

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Cash flows from operating activities:			
Cash generated from operations		3,761,843	1,058,050
Income tax paid		(437,300)	(579,064)
Net cash generated from operating activities		3,324,543	478,986
Cash flows from investing activities:			
– acquisition of subsidiaries, net of cash acquired	30	(1,294,246)	–
– payments for investments in joint ventures and an associate		(50,148)	(19,581)
– purchases of property, plant and equipment		(405,130)	(205,973)
– purchases of investment properties		(42,401)	–
– purchases of intangible assets		(10,080)	(17,494)
– purchases of land use rights		–	(98,713)
– proceeds on disposal of property, plant and equipment		455	1,715
– purchases of wealth management products		(4,775,000)	(4,944,000)
– redemption of the principal amounts of wealth management products		4,775,000	4,944,000
– purchases of long-term bank deposits		(1,870,000)	–
– purchases of short-term bank deposits		(100,000)	–
– redemption of bank deposits		34,966	–
– interest received from wealth management products	24	41,851	48,460
– interest received from bank deposits		31,212	17,407
– loans granted to a joint venture	31	–	(5,000)
– loan repayments from a joint venture	31	15,000	–
– payments for an investment measured at fair value through profit or loss		(39,486)	–
– payments for financial assets at fair value through other comprehensive income		–	(200,000)
– dividends from an associate		113	–
Net cash used in investing activities		(3,687,894)	(479,179)

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

	Note	Unaudited Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Cash flows from financing activities:			
– dividends paid	18	(515,202)	(377,821)
– proceeds from issuance of ordinary shares	17	27,467	105,175
– payment of lease liabilities		(226,165)	(133,959)
Net cash used in financing activities		(713,900)	(406,605)
Net decrease in cash and cash equivalents		(1,077,251)	(406,798)
Cash and cash equivalents at beginning of period		7,187,039	5,961,445
Exchange (losses)/gains on cash and cash equivalents		(1,686)	5,959
Cash and cash equivalents at end of period		6,108,102	5,560,606

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

Notes to Condensed Consolidated Interim Financial Information

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.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors (the “Board”) on 12 August 2021.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3. Accounting policies

The accounting policies applied to the preparation of this condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2020, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published but are not mandatory for reporting period commencing 1 January 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to Condensed Consolidated Interim Financial Information (Continued)

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow/fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Notes to Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk management (Continued)

5.3 Fair value estimation

(a) Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2021 and 31 December 2020 on a recurring basis:

At 30 June 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Private equity fund investments, measured at fair value through profit or loss	–	–	130,100	130,100
Financial liabilities				
Derivative financial instruments	–	–	9,742	9,742
At 31 December 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Derivative financial instruments	–	–	18,735	18,735

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

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

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

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

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk management (Continued)

5.3 Fair value estimation (Continued)

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

The following table presents the changes in level 3 instruments for the six months ended 30 June 2021:

	Wealth management products RMB'000	Investments measured at fair value through profit or loss RMB'000	Derivative financial instruments RMB'000	Total RMB'000
Opening balance				
31 December 2020	–	–	(18,735)	(18,735)
Additions	4,775,000	130,100	–	4,905,100
Settlements	(4,816,851)	–	8,820	(4,808,031)
Changes in fair value	41,851	–	173	42,024
Closing balance 30 June 2021	–	130,100	(9,742)	120,358
Changes in unrealised gains or losses for the period included in profit or loss for assets or liabilities as at the end of the six months ended 30 June 2021	–	–	173	173

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

5. Financial risk management (Continued)

5.3 Fair value estimation (Continued)

(c) Valuation techniques used to determine fair values

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

Description	Fair value at 30 June 2021 RMB'000	Valuation Technique	Significant unobservable inputs*	Value of inputs	Relationship of unobservable inputs to fair value
Financial assets					
Private equity fund investments (Note)	130,100	Net asset value	N/A as quantitative unobservable inputs are not developed by the Group	N/A	N/A
Financial liabilities					
Derivative financial instruments	9,742	Binomial model	Volatility rate	55.48%	The higher the volatility rate, the higher the fair value of the derivative financial liability
			Risk-free rate	0.02%	The higher the risk-free rate, the lower the fair value of the derivative financial liability
			Dividend yield	3.53%	The higher the dividend yield, the higher the fair value of the derivative financial liability

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

Note:

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

6. Segment information and revenue

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

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

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

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Footwear	4,594,177	2,924,956
Apparel	5,061,494	2,941,172
Equipment and accessories	540,913	314,807
Total	10,196,584	6,180,935

Geographical information of revenue

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
The PRC (including the Hong Kong Special Administrative Region and the Macau Special Administrative Region)	10,074,827	6,112,666
Other regions	121,757	68,269
Total	10,196,584	6,180,935

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

The Group has a large number of customers. For the six months ended 30 June 2021 and 2020, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

7. Property, plant and equipment

	Unaudited						
	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Office equipment and motor vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Six months ended							
30 June 2021							
As at 1 January 2021	311,636	565,396	53,725	43,695	47,428	43,178	1,065,058
Additions	9,868	176,159	27,293	5,588	5,510	109,850	334,268
Transfers	142,794	-	-	-	-	(142,794)	-
Acquisition of subsidiaries (Note 30)	-	-	-	-	16	-	16
Transfers from investment properties upon change of use (Note 9)	113,316	-	-	-	-	-	113,316
Disposals	-	(15,906)	-	(27)	(653)	-	(16,586)
Depreciation charge	(7,867)	(231,530)	(26,762)	(5,372)	(7,496)	-	(279,027)
As at 30 June 2021	569,747	494,119	54,256	43,884	44,805	10,234	1,217,045
Six months ended							
30 June 2020							
As at 1 January 2020	326,865	549,678	59,841	49,822	52,116	266	1,038,588
Additions	-	171,681	143	2,395	4,133	1,426	179,778
Transfers	-	-	-	267	-	(267)	-
Disposals	-	(9,315)	-	(639)	(690)	-	(10,644)
Depreciation charge	(7,623)	(209,757)	(19,470)	(5,887)	(7,959)	-	(250,696)
As at 30 June 2020	319,242	502,287	40,514	45,958	47,600	1,425	957,026

Depreciation expenses of RMB32,158,000 (30 June 2020: RMB22,021,000) has been charged to cost of sales, RMB237,151,000 (30 June 2020: RMB219,789,000) to distribution expenses and RMB9,718,000 (30 June 2020: RMB8,886,000) to administrative expenses.

Notes to Condensed Consolidated Interim Financial Information (Continued)

8. Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the condensed consolidated balance sheet

The condensed consolidated balance sheet shows the following amounts relating to leases:

Right-of-use assets	Unaudited Properties RMB'000
Six months ended 30 June 2021	
As at 1 January 2021	1,065,979
Additions	181,107
Disposal	(48,384)
Depreciation charge	(219,909)
As at 30 June 2021	978,793
Six months ended 30 June 2020	
As at 1 January 2020	981,422
Additions	174,707
Disposal	(50,022)
Depreciation charge	(217,560)
As at 30 June 2020	888,547

Notes to Condensed Consolidated Interim Financial Information (Continued)

8. Leases (Continued)

(ii) Amounts recognised in the condensed consolidated income statement

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

	Note	Unaudited	
		Six months ended 30 June 2021	2020
		RMB'000	RMB'000
Depreciation on right-of-use assets	23	219,909	217,560
Amortisation of discount – lease liabilities (included in finance expenses)	25	29,375	25,506
Expense relating to short-term leases (included in distribution expenses and administrative expenses)	23	102,435	60,314
Expense relating to variable lease payments not included in lease liabilities (included in distribution expenses)	23	244,854	130,647

The total cash outflow for leases for the six months ended 30 June 2021 was RMB566,175,000.

9. Investment properties

	Construction in progress	Buildings	Total
	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2021			
As at 1 January 2021	–	115,200	115,200
Acquisition of subsidiaries (Note 30)	158,197	1,640,113	1,798,310
Additions	13,328	–	13,328
Depreciation charge	–	(23,002)	(23,002)
Transfers to property, plant and equipment upon change of use (Note)	–	(113,316)	(113,316)
As at 30 June 2021	171,525	1,618,995	1,790,520
Six months ended 30 June 2020			
As at 1 January 2020	–	119,278	119,278
Depreciation charge	–	(2,195)	(2,195)
As at 30 June 2020	–	117,083	117,083

Note:

In June 2021, the Group changed the use of certain properties to owner-occupied properties, and such properties were transferred from investment properties to property, plant and equipment at the carrying amount of RMB113,316,000 (Note 7).

Notes to Condensed Consolidated Interim Financial Information (Continued)

10. Land use rights

	Unaudited RMB'000
Six months ended 30 June 2021	
As at 1 January 2021	166,377
Amortisation charge	(1,899)
As at 30 June 2021	164,478
Six months ended 30 June 2020	
As at 1 January 2020	72,233
Additions	98,713
Amortisation charge	(1,422)
As at 30 June 2020	169,524

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

Amortisation of RMB1,899,000 (30 June 2020: RMB1,422,000) has been charged to administrative expenses.

11. Intangible assets

	Goodwill RMB'000	Trademarks and patents RMB'000	Computer software RMB'000	License rights RMB'000	Total RMB'000
Six months ended 30 June 2021					
As at 1 January 2021	103,080	10,414	65,253	11,999	190,746
Additions	–	–	2,906	–	2,906
Acquisition of subsidiaries (Note 30)	4,304	–	–	–	4,304
Disposal	–	–	(15)	–	(15)
Amortisation charge	–	(734)	(10,991)	(6,000)	(17,725)
As at 30 June 2021	107,384	9,680	57,153	5,999	180,216
Six months ended 30 June 2020					
As at 1 January 2020	103,080	11,018	61,272	17,891	193,261
Additions	–	128	3,505	24,000	27,633
Amortisation charge	–	(684)	(10,109)	(7,491)	(18,284)
As at 30 June 2020	103,080	10,462	54,668	34,400	202,610

Amortisation of RMB6,000,000 (30 June 2020: RMB7,491,000) has been charged to distribution expenses and RMB11,725,000 (30 June 2020: RMB10,793,000) to administrative expenses.

Notes to Condensed Consolidated Interim Financial Information (Continued)

12. Investments accounted for using the equity method

The amounts recognised in the condensed consolidated balance sheet are as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Associates	1,035,236	965,295
Joint ventures	186,779	135,821
	1,222,015	1,101,116

Share of profit/(loss) recognised in the condensed consolidated income statement are as follows:

	Unaudited Six months ended 30 June 2021 RMB'000	2020 RMB'000
Associates	67,113	36,870
Joint ventures	12,458	(15,103)
	79,571	21,767

Notes to Condensed Consolidated Interim Financial Information (Continued)

12. Investments accounted for using the equity method (Continued)

Except the investment in Shanghai Double Happiness Co., Ltd. (“Double Happiness”), an associate of the Group, none of the investments in associates or joint ventures is material to the Group.

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

During the six months ended 30 June 2021 and 2020, reconciliation of the net assets of Double Happiness to the carrying amount of the Group’s investment is as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Opening net assets as at 1 January	1,508,623	1,473,847
Profit for the period	135,857	77,341
Non-controlling interests	(2,476)	(1,095)
Dividends paid	–	–
Net assets of Double Happiness as at 30 June	1,642,004	1,550,093
Interest in an associate (47.5%)	779,952	736,294
Goodwill	216,882	216,882
Carrying value as at 30 June	996,834	953,176

Notes to Condensed Consolidated Interim Financial Information (Continued)

13. Inventories

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Raw materials	13,820	8,078
Work in progress	17,621	9,345
Finished goods	1,361,096	1,441,249
	1,392,537	1,458,672
Less: provision for write-down of inventories to net realisable value	(85,257)	(113,133)
	1,307,280	1,345,539

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB4,374,285,000 for the six months ended 30 June 2021 (30 June 2020: RMB3,026,834,000). Inventory provision and the amount of reversal have been included in cost of sales in the interim condensed consolidated income statement for the six months ended 30 June 2021 and 2020.

14. Other assets

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Other assets in relation to refunds (Note 20(a))	419,538	354,633
Advances to suppliers	95,911	20,694
Prepayment for advertising expenses	74,718	62,250
Input value-added tax to be certified	62,664	39,358
Prepaid rentals and other deposits	44,007	36,441
Prepayment for an investment measured at fair value through profit or loss	–	90,614
Prepayment for consideration for acquisition of subsidiaries (Note 30(b))	–	47,904
Others	8,685	5,526
	705,523	657,420
Less: non-current portion	–	(138,518)
Current portion	705,523	518,902

Notes to Condensed Consolidated Interim Financial Information (Continued)

15. Trade receivables

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Accounts receivable	1,089,228	939,233
Less: expected credit loss allowance for trade receivables	(288,549)	(280,437)
	800,679	658,796

Customers are normally granted credit terms within 90 days. As at 30 June 2021 and 31 December 2020, ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
0 – 30 days	738,724	437,604
31 – 60 days	29,425	193,041
61 – 90 days	49,392	44,213
91 – 180 days	44,782	35,026
Over 180 days	226,905	229,349
	1,089,228	939,233

The movement in the expected credit loss allowances for trade receivables is shown as follows:

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Opening balance	280,437	258,193
Provision for expected credit loss allowance for trade receivables	9,925	25,976
Trade receivables written off during the period as uncollectible and exchange rate impact	(1,813)	(563)
Closing balance	288,549	283,606

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

16. Other receivables

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Rental deposits	159,546	152,180
Loans to a joint venture (Note 31)	10,167	25,167
Staff advances and other payments for employees	656	612
Others	40,354	22,858
Less: expected credit loss allowance for other receivables	(3,466)	(6,907)
	207,257	193,910
Less: non-current portion	(140,754)	(128,714)
Current portion	66,503	65,196

Other receivables are measured at amortised cost and do not contain impaired assets. Non-current portion mainly comprises rental deposits.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of other receivables mentioned above. The Group does not hold any collateral as security.

17. Ordinary shares, share premium and shares held for Restricted Share Award Scheme

	Number of shares (Thousands)	Approximate amount HK\$'000
Authorised at HK\$0.10 each		
As at 30 June 2021 and 31 December 2020	10,000,000	1,000,000

Notes to Condensed Consolidated Interim Financial Information (Continued)

17. Ordinary shares, share premium and shares held for Restricted Share Award Scheme (Continued)

Issued and fully paid

	Number of share of HK\$0.10 each (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
As at 1 January 2021	2,473,959	228,285	4,037,767	(148,995)	4,117,057
Net proceeds from shares issued pursuant to share option schemes (Note a)	5,196	431	27,036	-	27,467
Shares converted from convertible securities (Note 18)	11	1	24	-	25
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	-	-	(14,210)	-	(14,210)
Shares vested under Restricted Share Award Scheme	10,282	-	-	101,524	101,524
As at 30 June 2021	2,489,448	228,717	4,050,617	(47,471)	4,231,863
As at 1 January 2020	2,289,659	214,300	3,547,682	(276,664)	3,485,318
Net proceeds from shares issued pursuant to share option schemes (Note a)	20,354	1,858	103,317	-	105,175
Shares converted from convertible securities (Note 18)	137,799	10,785	294,912	-	305,697
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	-	-	(10,499)	-	(10,499)
Shares vested under Restricted Share Award Scheme	10,513	-	-	106,627	106,627
Shares purchased for Restricted Share Award Scheme	(379)	-	-	-	-
As at 30 June 2020	2,457,946	226,943	3,935,412	(170,037)	3,992,318

- (a) During the six months ended 30 June 2021, the Company issued 5,196,000 shares (2020: 20,354,000 shares) to one director and certain employees of the Group at weighted-average issue price of HK\$6.36 (2020: HK\$5.66) per share pursuant to the Company's 2004 and 2014 Share Option Scheme (see Note 29).

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

18. Reserves

	Unaudited							
	Capital reserves	Statutory reserve funds	Share-based compensation reserve	Convertible securities (Notes)	Currency translation difference	Subtotal	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	144,517	593,595	154,238	2,750	(20,526)	874,574	3,695,232	4,569,806
Profit for the period	-	-	-	-	-	-	1,962,223	1,962,223
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	18,937	-	-	18,937	-	18,937
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	-	-	14,210	-	-	14,210	-	14,210
Shares converted from convertible securities (Note)	-	-	-	(25)	-	(25)	-	(25)
Shares vested under Restricted Share Award Scheme	-	-	(101,524)	-	-	(101,524)	-	(101,524)
Translation difference of foreign currency financial statements	-	-	-	-	(1,568)	(1,568)	-	(1,568)
Dividends (Note 28)	-	-	-	-	-	-	(515,202)	(515,202)
Tax impact of employee share-based compensation scheme	155,336	-	-	-	-	155,336	-	155,336
As at 30 June 2021	299,853	593,595	85,861	2,725	(22,094)	959,940	5,142,253	6,102,193
As at 1 January 2020	142,955	485,488	211,990	308,465	4,747	1,153,645	2,482,676	3,636,321
Profit for the period	-	-	-	-	-	-	683,271	683,271
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	51,508	-	-	51,508	-	51,508
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	-	-	10,499	-	-	10,499	-	10,499
Shares converted from convertible securities (Note)	-	-	-	(305,697)	-	(305,697)	-	(305,697)
Shares vested under Restricted Share Award Scheme	-	-	(106,627)	-	-	(106,627)	-	(106,627)
Translation difference of foreign currency financial statements	-	-	-	-	2,737	2,737	-	2,737
Dividends (Note 28)	-	-	-	-	-	-	(377,821)	(377,821)
As at 30 June 2020	142,955	485,488	167,370	2,768	7,484	806,065	2,788,126	3,594,191

Notes to Condensed Consolidated Interim Financial Information (Continued)

18. Reserves (Continued)

Notes:

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

- (a) In April 2013, the Company issued convertible securities (the "2013 CS") in the aggregate principal amount of approximately HK\$1,847,838,000 (equivalent to approximately RMB1,480,488,000). The 2013 CS are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK\$3.5 per ordinary share of the Company (subject to standard anti-dilution adjustments). Upon issuance, the 2013 CS can be converted into 527,953,814 ordinary shares of the Company.
- (b) In January 2015, the Company issued offer securities (qualifying shareholders can select either of subscribing ordinary shares or convertible securities collectively; referred to as "Offer Securities") in the aggregate principal amount of approximately HK\$1,553,530,000 (equivalent to approximately RMB1,229,930,000), under which 450,630,034 ordinary shares and 146,881,496 convertible securities (the "2015 CS") were issued. The 2015 CS are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK\$2.6 per ordinary share of the Company (subject to standard anti-dilution adjustments). Upon issuance, the 2015 CS can be converted into 146,881,496 ordinary shares of the Company.
- (c) The 2013 CS and 2015 CS (collectively referred to as "CS") cannot be redeemed unless the Company exercises the pre-emption right (but shall not be obliged) to redeem (or procure the purchase of) all or part of the principal amount of the CS.

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

- (d) During the six months ended 30 June 2021, CS with carrying value of HK\$31,000 (equivalent to approximate RMB25,000) were converted into 11,000 ordinary shares of the Company (Note 17).
- (e) Up to 30 June 2021, CS with an aggregate carrying value of HK\$2,167,784,000 (equivalent to approximately RMB1,732,195,000) had been converted into ordinary shares of the Company. As at 30 June 2021, CS with carrying value of HK\$3,482,000 (equivalent to approximately RMB2,725,000) were outstanding, which could be converted into 1,228,000 ordinary shares of the Company upon conversion.

Notes to Condensed Consolidated Interim Financial Information (Continued)

19. Trade payables

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

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
0 – 30 days	1,308,241	967,798
31 – 60 days	59,791	241,063
61 – 90 days	2,411	9,253
91 – 180 days	1,285	3,048
181 – 365 days	1,466	1,374
Over 365 days	4,274	4,593
	1,377,468	1,227,129

20. Other payables and accruals

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Accrued sales and marketing expenses	894,985	542,839
Refunds liabilities (a)	866,204	719,543
Sales rebates	483,686	356,043
Wages and welfare payables	343,830	305,350
Payable for property, plant and equipment	272,772	252,234
Other tax payables	187,516	141,290
Others	247,411	183,692
	3,296,404	2,500,991

- (a) When a customer has a right to return product within a given period, the Group recognises a refund liability for the amount of consideration received for which it does not expect to be entitled (30 June 2021: RMB866,204,000; 31 December 2020: RMB719,543,000). The Group also recognises a right to the goods expected to be returned measured by reference to the former carrying amount of the goods (30 June 2021: RMB419,538,000; 31 December 2020: RMB354,633,000; see Note 14). The costs to recover the products are not material because the customers usually return the product in a saleable condition.

Notes to Condensed Consolidated Interim Financial Information (Continued)

21. License fees payable

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

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

	Unaudited RMB'000
Six months ended 30 June 2021	
As at 1 January 2021	62,889
Additions	71,780
Payment of license fees	(38,958)
Amortisation of discount (Note 25)	1,300
Adjustment for exchange difference	(210)
As at 30 June 2021	96,801
Six months ended 30 June 2020	
As at 1 January 2020	55,930
Additions	32,651
Payment of license fees	(24,892)
Amortisation of discount (Note 25)	1,409
Adjustment for exchange difference	114
As at 30 June 2020	65,212

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Analysis of license fees payable:		
Non-current		
– the second to fifth year	22,249	23,395
Current	74,552	39,494
	96,801	62,889

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

21. License fees payable (Continued)

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

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Less than 1 year	74,890	39,779
Between 1 and 5 years	29,500	32,000
	104,390	71,779

22. Deferred income

	Unaudited Government grants RMB'000
Six months ended 30 June 2021	
As at 1 January 2021	64,435
Addition	17,905
Credited to income statement	(12,432)
As at 30 June 2021	69,908
Six months ended 30 June 2020	
As at 1 January 2020	53,821
Addition	250
Credited to income statement	(655)
As at 30 June 2020	53,416

Notes to Condensed Consolidated Interim Financial Information (Continued)

23. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of inventories recognised as expenses included in cost of sales	4,374,285	3,026,834
Depreciation on property, plant and equipment (Note a)	279,027	250,696
Amortisation of land use rights and intangible assets	19,624	19,706
Depreciation on right-of-use assets	219,909	217,560
Advertising and marketing expenses	746,551	555,709
Commission and trade fair related expenses	307,744	144,286
Staff costs, including directors' emoluments (Note a)	838,660	622,981
Short-term lease rentals and variable lease payments not included in lease liabilities and rental related expenses	347,289	190,961
Research and product development expenses (Note a)	187,549	139,007
Transportation and logistics expenses	376,240	225,563
Auditor's remuneration		
– Audit services	3,110	2,800
– Non-audit services	398	600
Management consulting expenses	38,099	30,775

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.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

24. Other income and other gains – net

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Government grants	64,652	92,384
License fees income	26,258	19,429
Interest income from wealth management products measured at fair value through profit or loss	41,851	48,460
Rental income	28,572	–
Depreciation on investment properties under operating leases	(21,054)	–
Fair value gains on derivative financial instruments measured at fair value through profit or loss	173	229
	140,452	160,502

25. Finance income and expenses

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Finance income		
– Interest income on bank balances and deposits	44,916	17,407
– Net foreign currency exchange gain	472	1,987
	45,388	19,394
Finance expenses		
– Amortisation of discount – license fees payable (Note 21)	(1,300)	(1,409)
– Amortisation of discount – lease liabilities (Note 8)	(29,375)	(25,506)
– Others	(7,250)	(4,973)
	(37,925)	(31,888)
Finance income/(expenses)– net	7,463	(12,494)

Notes to Condensed Consolidated Interim Financial Information (Continued)

26. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current income tax		
– Corporate income tax	730,393	329,745
Deferred income tax credit	(67,169)	(105,835)
Income tax expense	663,224	223,910

27. Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue less shares held for Restricted Share Award Scheme during the 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 the 2013 CS. In January 2015, the Company completed the issuance of Offer Securities which included the issuance of both ordinary shares and the 2015 CS. The below market subscription price of these two events had effectively resulted in 282,000 ordinary shares (30 June 2020: 286,000 ordinary shares) to be issued upon conversion for nil consideration (i.e. the bonus element), and such impact has been taken into account in calculating the weighted average number of shares for the purpose of basic earnings per share. The shares issued for nil consideration arising from the issuance of the CS have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2020.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	1,962,223	683,271
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	2,482,621	2,441,780
Basic earnings per share (RMB cents)	79.04	27.98

Notes to Condensed Consolidated Interim Financial Information (Continued)

27. Earnings per share (Continued)

Diluted

Diluted earnings per share are 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.

	Unaudited Six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (RMB'000)	1,962,223	683,271
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	2,482,621	2,441,780
Adjustment for the restricted shares (in thousands)	10,034	21,023
Adjustment for the share option schemes (in thousands)	24,222	39,615
Deemed weighted average number of shares for diluted earnings per share (in thousands)	2,516,877	2,502,418
Diluted earnings per share (RMB cents)	77.96	27.30

As at 30 June 2021, there were no share options that could potentially have a dilutive impact in the future but were anti-dilutive during the six months ended 30 June 2021. As at 30 June 2020, there were 3,156,000 share options that could potentially have a dilutive impact in the future but were anti-dilutive during the six months ended 30 June 2020.

Notes to Condensed Consolidated Interim Financial Information (Continued)

28. Dividends

On 11 June 2021, the shareholders of the Company approved to declare a final dividend of RMB20.46 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2020. The final dividend was paid in June 2021.

On 12 June 2020, the shareholders of the Company approved to declare a final dividend of RMB15.47 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2019. The final dividend was paid in June 2020.

The Board did not propose interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

29. Share-based compensation

(a) 2004 Share Option Scheme

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

	Unaudited Six months ended 30 June			
	2021		2020	
	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	–	–	6.088	358
Exercised	–	–	6.056	(320)
As at 30 June	–	–	6.350	38
Exercisable as at 30 June	–	–	6.350	38

As at 30 June 2021 and 31 December 2020, there were no share options outstanding under this scheme.

During the six months ended 30 June 2021 and 2020, no expenses in relation to this scheme were charged to the condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Information (Continued)

29. Share-based compensation (Continued)

(b) 2014 Share Option Scheme

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

	Unaudited Six months ended 30 June			
	2021		2020	
	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	7.766	31,134	6.782	67,060
Exercised	6.363	(5,196)	5.654	(20,034)
Lapsed	6.120	(883)	–	–
As at 30 June	8.115	25,055	7.262	47,026
Exercisable as at 30 June	6.148	21,814	5.833	20,927

Share options outstanding under this scheme as at 30 June 2021 and 31 December 2020 have the following expiry date and exercise price:

Expiry date	Unaudited 30 June 2021		Audited 31 December 2020	
	Exercise price (per share) HK\$	Share options (Thousands)	Exercise price (per share) HK\$	Share options (Thousands)
	7 June 2026	3.300	2,600	3.300
31 December 2022	6.120	18,021	6.120	23,531
31 December 2023	9.090	136	9.090	193
31 December 2023	7.070	–	7.070	412
31 December 2024	13.360	407	13.360	407
16 May 2029	13.160	1,050	13.160	1,150
31 December 2027	22.520	2,841	22.520	2,841
		25,055		31,134

The fair value of the 2014 Share Option Scheme is charged to the consolidated income statement over the vesting period of the option. The amount charged to the condensed consolidated income statement during the six months ended 30 June 2021 was RMB5,590,000 (30 June 2020: RMB19,689,000).

Notes to Condensed Consolidated Interim Financial Information (Continued)

29. Share-based compensation (Continued)

(c) 2016 Restricted Share Award Scheme

Movements in the number of Restricted Shares granted and related fair value are as follows:

	Unaudited			
	Six months ended 30 June			
	2021		2020	
	Weighted average fair value (per share) HK\$	Number of Restricted Shares granted (Thousands)	Weighted average fair value (per share) HK\$	Number of Restricted Shares granted (Thousands)
As at 1 January	9.386	12,735	8.088	24,050
Granted	50.500	77	–	–
Vested	6.387	(10,282)	6.249	(10,513)
Lapsed	6.031	(303)	–	–
As at 30 June	25.110	2,227	9.517	13,537

The fair value of the 2016 Restricted Share Award Scheme is charged to the consolidated income statement over the vesting period of the awarded shares. The fair value of Restricted Shares charged to the condensed consolidated income statement was RMB13,347,000 during the six months ended 30 June 2021 (30 June 2020: RMB31,819,000).

Notes to Condensed Consolidated Interim Financial Information (Continued)

30. Business combination

(a) Summary of acquisition

On 31 December 2020, the Group entered into an equity and creditor's rights transfer agreement (the "Transfer Agreement") with two independent third parties (collectively, the "Transferors"), pursuant to which the Group has conditionally agreed to acquire (1) the entire share capital of Matsunichi Communications (Hong Kong) Limited (the "Target Company", a company incorporated under the laws of Hong Kong with limited liability) (the "Target Shares") and (2) the rights of the Transferors in the loans extended to the Target Company and its subsidiary (collectively, the "Target Group") respectively (collectively, the "Transferred Creditor's Rights"). The Target Company is an investment holding company and its principal asset is the entire equity interest in its subsidiary, which owns certain investment properties located in the Greater Bay Area of the PRC.

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

	RMB'000
Cash consideration for the Target Shares	495,497
Cash consideration for the Transferred Creditor's Rights	730,770
Provisional total purchase consideration (which is subject to adjustment as agreed in the Transfer Agreement)	1,226,267

Notes to Condensed Consolidated Interim Financial Information (Continued)

30. Business combination (Continued)

(a) Summary of acquisition (Continued)

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

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

30. Business combination (Continued)

(a) Summary of acquisition (Continued)

(i) Acquisition-related costs

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

(ii) Revenue and profit contribution

The acquired business contributed revenues and net profit of nil and RMB1,735,000 respectively to the Group for the period from 29 January 2021 to 30 June 2021. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the half-year ended 30 June 2021 would have been RMB10,196,584,000 and RMB1,896,622,000 (taking into consideration the one-off expense of RMB70,659,000 incurred by the Target Group in relation to the acquisition) respectively, which are calculated by aggregating the consolidated financial information of the Target Group and the Group.

(b) Purchase consideration – cash outflow

	Unaudited Six months ended 30 June 2021 RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration	1,226,267
Cash paid to settle the payables of the Target Group in relation to the business combination (which were included in other payables and accruals as at the date of acquisition)	153,978
Refundable consideration due from the Transferors	9,492
Less: Cash acquired	(47,587)
Prepayment for consideration for acquisition of subsidiaries	(47,904)
	1,294,246

Notes to Condensed Consolidated Interim Financial Information (Continued)

31. Related-party transactions

Besides as disclosed elsewhere in this condensed consolidated interim financial information, the Group has the following related-party transactions during the period:

(a) Sales of goods to:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Subsidiaries of Viva China Holdings Limited ("Viva China"), being controlled by a substantial shareholder of the Company	5,147	2,251
Others	1	–
	5,148	2,251

(b) Purchases of goods from:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Hubei Dong Neng Sports Goods Co., Ltd. ("Hubei Dong Neng") (an associate of the Group)	157,870	93,082
Guangxi Ning Tai Garment Co., Ltd. ("Guangxi Ning Tai") (a joint venture of the Group)	115,247	6,009
Subsidiaries of Viva China	10,581	1,195
Guangxi Ning Zhan Sports Technology Co., Ltd. ("Guangxi Ning Zhan", formerly known as Laibin Cheng Xin Materials Co., Ltd.) (a joint venture of the Group)	8,673	4,540
Subsidiary of Li-Ning Aigle Ventures Company Limited ("Li Ning Aigle Ventures"), being controlled by a joint venture of the Group	120	–
	292,491	104,826

Notes to Condensed Consolidated Interim Financial Information (Continued)

31. Related-party transactions (Continued)

(c) Sales of services to:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Subsidiaries of Viva China	687	650
Subsidiary of Li-Ning Aigle Ventures	327	287
Guangxi Ning Tai	17	–
	1,031	937

(d) Purchases of services from:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Subsidiaries of Viva China	113,536	110,125
Shanghai Double Happiness Co., Ltd. (an associate of the Group)	3,766	3,289
	117,302	113,414

In the opinion of the directors, these transactions were entered into at terms as agreed with the related parties in the ordinary course of business.

Notes to Condensed Consolidated Interim Financial Information (Continued)

31. Related-party transactions (Continued)

(e) Other transactions

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Loans to:		
Guangxi Ning Zhan (a joint venture of the Group)	–	5,000
Repayment of loans from:		
Guangxi Ning Zhan (a joint venture of the Group)	15,000	–

(f) Key management compensation

Details of compensation paid or payable to key management of the Group are as follows:

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Salaries and other benefits	18,382	18,649
Employee share schemes for value of services provided	14,672	34,165
Contribution to retirement benefit scheme	1,170	1,352
	34,224	54,166

Notes to Condensed Consolidated Interim Financial Information (Continued)

31. Related-party transactions (Continued)

(g) Period-end/year-end balances

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Prepayments to related parties:		
Subsidiaries of Viva China	–	20,589
Guangxi Ning Tai	–	5,292
	–	25,881
Trade receivables from related parties:		
Subsidiaries of Viva China	2,460	2,188
Guangxi Ning Tai	18	–
Others	1	–
	2,479	2,188
Other receivables from related parties:		
Guangxi Ning Zhan	10,167	25,167
Payables to related parties:		
Subsidiaries of Viva China	96,136	2,676
Hubei Dong Neng	30,828	49,794
Guangxi Ning Zhan	9,352	5,091
Guangxi Ning Tai	169	–
	136,485	57,561

Other Information

INTERIM DIVIDEND

The Board does not recommend to declare an interim dividend in respect of the six months ended 30 June 2021 (30 June 2020: Nil).

The proposed final dividend of RMB20.46 cents per Share issued or to be issued upon conversion of the CS for the year ended 31 December 2020 was declared payable and approved by the Shareholders at the annual general meeting of the Company on 11 June 2021.

LONG-TERM INCENTIVE SCHEMES

Share Option Scheme

Details of movements of the options granted under the 2014 Share Option Scheme for the six months ended 30 June 2021 are as follows:

Grantees	Date of grant	Exercise price per Share HK\$	As at 01/01/2021	Granted during the period	Number of Shares			As at 30/06/2021	Vesting period	Exercise period
					Exercised during the period	Lapsed during the period	Cancelled during the period			
Executive Director										
Kosaka Takeshi	19/09/2019	22.52	2,840,300	-	-	-	-	2,840,300	01/09/2020 to 01/09/2024	01/09/2020 to 31/12/2027
Independent non-executive Directors										
Koo Fook Sun, Louis	17/05/2019	13.16	250,000	-	-	-	-	250,000	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Wang Ya Fei	17/05/2019	13.16	300,000	-	-	-	-	300,000	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Chan Chung Bun, Bunny	17/05/2019	13.16	300,000	-	100,000 (Note 1(a))	-	-	200,000	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Su Jing Shyh, Samuel	17/05/2019	13.16	300,000	-	-	-	-	300,000	17/05/2020 to 17/05/2022	17/05/2020 to 16/05/2029
Employees of the Group										
In aggregate	08/06/2016	3.30	2,600,000	-	-	-	-	2,600,000	08/06/2017 to 08/06/2019	08/06/2017 to 07/06/2026
In aggregate	20/12/2017	6.12	23,531,000	-	4,626,580 (Note 1(b))	883,880	-	18,020,540	01/09/2019 to 01/04/2021 (Note 2)	01/09/2019 to 31/12/2022
In aggregate	30/05/2018	9.09	193,400	-	57,000 (Note 1(c))	-	-	136,400	01/09/2019 to 01/04/2021 (Note 2)	01/09/2019 to 31/12/2023
In aggregate	13/09/2018	7.07	412,000	-	412,000 (Note 1(d))	-	-	-	01/09/2019 to 01/04/2021 (Note 2)	01/09/2019 to 31/12/2023
In aggregate	15/04/2019	13.36	407,400	-	-	-	-	407,400	01/04/2020 to 01/04/2021 (Note 2)	01/04/2020 to 31/12/2024
			31,134,100	-	5,195,580	883,880	-	25,054,640		

Other Information (Continued)

Notes:

1.
 - (a) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$94.70.
 - (b) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$61.83.
 - (c) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$51.49.
 - (d) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$74.53.
2. The Board has resolved on 11 December 2019 to amend and accelerate the vesting dates of these share options to be vested in 2020 and 2021.

Other Information (Continued)

Restricted Share Award Scheme

Details of movements of the Restricted Shares granted under the 2016 Restricted Share Award Scheme for the six months ended 30 June 2021 are as follows:

Date of grant	Fair value per Restricted Share HK\$ (Note 1)	As at 01/01/2021	Number of Restricted Shares			As at 30/06/2021	Vesting period
			Granted during the period	Vested during the period	Lapsed during the period		
06/09/2017	5.74	2,233,160	-	2,162,200	70,960	-	06/09/2019 – 01/04/2021 (Note 2)
23/11/2017	6.18	45,920	-	45,920	-	-	06/09/2019 – 01/04/2021 (Note 2)
20/12/2017	6.12	7,541,400	-	7,309,360	232,040	-	01/09/2019 – 01/04/2021 (Note 2)
29/05/2018	8.80	65,200	-	65,200	-	-	01/09/2019 – 01/04/2021 (Note 2)
04/07/2018	8.21	430,400	-	430,400	-	-	01/09/2019 – 01/04/2021 (Note 2)
12/09/2018	6.69	95,840	-	95,840	-	-	01/09/2019 – 01/04/2021 (Note 2)
02/04/2019	12.48	131,134	-	121,766	-	9,368	01/04/2020 – 01/09/2022 (Note 2)
14/05/2019	12.52	12,200	-	6,100	-	6,100	01/04/2020 – 15/06/2022 (Note 2)
19/09/2019	22.40	790,734	-	-	-	790,734	01/09/2020 – 01/09/2022
19/09/2019	22.40	1,111,950	-	-	-	1,111,950	01/09/2020 – 01/09/2024
29/11/2019	25.10	31,068	-	-	-	31,068	01/09/2020 – 01/09/2022
20/10/2020	40.70	1,000	-	-	-	1,000	20/10/2022 – 20/10/2030
02/12/2020	42.05	135,000	-	44,999	-	90,001	01/04/2021 – 01/04/2023
02/12/2020	42.05	109,800	-	-	-	109,800	01/09/2021 – 01/09/2023
31/03/2021	50.50	-	14,100	-	-	14,100	01/09/2021 – 01/09/2023
31/03/2021	50.50	-	62,800	-	-	62,800	01/04/2022 – 01/04/2024
		12,734,806	76,900	10,281,785	303,000	2,226,921	

Notes:

- The fair values of the Restricted Shares were based on the closing price per Share at the date of grant.
- The Board has resolved on 11 December 2019 to amend and accelerate the vesting dates of these Restricted Shares to be vested in 2020 and 2021.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares	Total (Long Position)	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	274,349,722	790,734	275,140,456 (Note 1)	11.03%
Kosaka Takeshi	Personal interest	150	3,952,250 (Note 2)	3,952,400	0.16%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	272,277,543	–	272,277,543 (Note 3)	10.92%
Koo Fook Sun, Louis	Personal interest	–	250,000 (Note 4)	250,000	0.01%
Wang Ya Fei	Personal interest	488,645	300,000 (Note 4)	788,645	0.03%
Chan Chung Bun, Bunny	Personal interest	103,130	200,000 (Note 4)	303,130	0.01%
Su Jing Shyh, Samuel	Personal interest	–	300,000 (Note 4)	300,000	0.01%

* The percentage has been calculated based on 2,494,339,806 Shares in issue as at 30 June 2021.

Other Information (Continued)

Notes:

1. Mr. Li Ning is interested in 274,349,722 Shares, among which 3,148,179 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China Development Limited ("Viva China BVI"). Moreover, Mr. Li Ning is interested in 790,734 underlying Shares. Details are as follows:
 - (a) Viva China BVI, a wholly-owned subsidiary of Viva China Holdings Limited ("Viva China"), is interested in 271,201,543 Shares. As at 30 June 2021, Viva China is owned as to approximately 17.61% by Victory Mind Assets Limited ("Victory Mind"), approximately 22.35% by Lead Ahead Limited ("Lead Ahead") and approximately 20.96% by Dragon City Management (PTC) Limited ("Dragon City") respectively. Mr. Li Ning has personal interest of approximately 0.23% shareholding in Viva China. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun, a substantial shareholder of the Company, respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li Ning is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settlor). Dragon City is the trustee of a unit trust, the units of which are owned as to 60% by a discretionary trust of which Mr. Li Ning is a settlor and 40% by a discretionary trust of which Mr. Li Chun is a settlor. As a result, by virtue of the SFO, Mr. Li Ning is deemed to be interested in the 271,201,543 Shares held by Viva China. Mr. Li Ning is also an executive director, the chairman and chief executive officer of Viva China.
 - (b) Mr. Li Ning is interested in 790,734 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
2. Mr. Kosaka Takeshi is interested in 2,840,300 share options granted under the 2014 Share Option Scheme at an exercise price of HK\$22.52 each and 1,111,950 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
3. Mr. Li Qilin is interested in 272,277,543 Shares, among which 1,076,000 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China by virtue of the SFO. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva China.
4. The underlying Shares are the share options granted by the Company to the respective Directors under the 2014 Share Option Scheme at an exercise price of HK\$13.16 each.

Save as disclosed above, so far as was known to any Director, as at 30 June 2021, none of the Directors or chief executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares, underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2021, the register of substantial shareholders kept under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions which represent 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares	Total	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	274,349,722	790,734	275,140,456 (L) (Note 1)	11.03%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	272,277,543	–	272,277,543 (L) (Note 2)	10.92%
Li Chun	Interest of controlled corporations	271,201,543	–	271,201,543 (L) (Note 3)	10.87%
Viva China Holdings Limited	Interest of controlled corporation	271,201,543	–	271,201,543 (L) (Note 1(a))	10.87%
Citigroup Inc.	Investment manager	130,074,908	–	130,074,908 (L)	5.22%
	Investment manager	4,488,500	–	4,488,500 (S)	0.18%
BlackRock, Inc.	Investment manager	129,428,880	–	129,428,880 (L)	5.19%

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

* The percentage has been calculated based on 2,494,339,806 Shares in issue as at 30 June 2021.

Other Information (Continued)

Notes:

1. Mr. Li Ning is interested in 274,349,772 Shares, among which 3,148,179 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China BVI. Moreover, Mr. Li Ning is interested in 790,734 underlying Shares. Details are as follows:
 - (a) Viva China BVI, a wholly-owned subsidiary of Viva China, is interested in 271,201,543 Shares. As at 30 June 2021, Viva China is owned as to approximately 17.61% by Victory Mind, approximately 22.35% by Lead Ahead and approximately 20.96% by Dragon City respectively. Mr. Li Ning has personal interest of approximately 0.23% shareholding in Viva China. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun, a substantial shareholder of the Company, respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li Ning is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settlor). Dragon City is the trustee of a unit trust, the units of which are owned as to 60% by a discretionary trust of which Mr. Li Ning is a settlor and 40% by a discretionary trust of which Mr. Li Chun is a settlor. As a result, by virtue of the SFO, Mr. Li Ning is deemed to be interested in the 271,201,543 Shares held by Viva China. Mr. Li Ning is also an executive director, the chairman and chief executive officer of Viva China.
 - (b) Mr. Li Ning is interested in 790,734 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
2. Mr. Li Qilin is interested in 272,277,543 Shares, among which 1,076,000 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China by virtue of the SFO. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva China.
3. As disclosed in Note 1(a) above, Mr. Li Chun is deemed to be interested in 271,201,543 Shares held by Viva China. He is the brother of Mr. Li Ning and the father of Mr. Li Qilin.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any person (other than a Director or chief executive of the Company or their respective associate(s)) of any interest and short position in the Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

CONVERTIBLE SECURITIES

The Company issued convertible securities (the "2013 Convertible Securities") with an aggregate principal amount of HK\$1,847,838,349 which is convertible into a total of 527,953,814 Shares on 22 April 2013. Please refer to the announcement of the Company dated 18 April 2013 for details.

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

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

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

During the six months ended 30 June 2021, the 2013 Convertible Securities in an aggregate principal amount of approximately HK\$34,987.54 had been converted into 10,992 Shares. As at 30 June 2021, the outstanding 2013 Convertible Securities amounted to approximately HK\$3,909,413.17 and the outstanding 2015 Convertible Securities amounted to HK\$200.20 which are convertible into a total of 1,228,216 Shares and 77 Shares respectively.

Assuming all outstanding CS were converted into Shares as at 30 June 2021, set out below is the shareholding structure of the Company before and after such conversion:

Name of Substantial Shareholder (Note 1)	No. of Shares before conversion of outstanding CS	% of holdings	No. of Shares convertible under the CS	No. of Shares after including shares convertible under the outstanding CS	% of holdings
Li Ning	274,349,722	11.00%	–	274,349,722	10.99%
	(Note 2)				
Public	2,219,990,084	89.00%	1,228,293	2,221,218,377	89.01%
Total	2,494,339,806	100.00%	1,228,293	2,495,568,099	100.00%

Other Information (Continued)

Notes:

1. The substantial shareholder has the same meaning ascribed to it under the Listing Rules.
2. Mr. Li Ning is interested in 274,349,722 Shares, among which:
 - 3,148,179 Shares are held as personal interest; and
 - 271,201,543 Shares are held by Viva China Holdings Limited.

Mr. Li Qilin, the nephew of Mr. Li Ning and the son of Mr. Li Chun, is deemed to be interested in 271,201,543 Shares held by Viva China Holdings Limited. Please refer to Notes 1(a) and 2 in the section headed “Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares” of this Report for details of his deemed interest.

Mr. Li Chun, the brother of Mr. Li Ning and the father of Mr. Li Qilin, is deemed to be interested in 271,201,543 Shares held by Viva China Holdings Limited. Please refer to Notes 1(a) and 3 in the section headed “Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares” of this Report for details of his deemed interest.

As the Company has no contractual obligation to settle the CS in cash, it is at the Company’s own discretion to determine whether or not to redeem all or part of the principal amount of the CS. The CS Holders have substantially the same economic interest as the equity holders (other than voting rights) and the CS are already included in the basic earning per share calculation. For details, please refer to note 27 to the condensed consolidated interim financial information.

In view of the above, an analysis on the Company’s share price at which it would be equally financially advantageous for the CS Holders to convert or redeem the CS based on implied internal rate of return at a range of dates in the future is not applicable.

CHANGES OF DIRECTORS AND CHANGES IN DIRECTORS’ INFORMATION

1. Mr. Su Jing Shyh, Samuel ceased to be an independent non-executive Director and the chairman of nomination committee of the Company with effect from 5 July 2021.
2. Mr. Li Ning was appointed as the chairman of nomination committee of the Company with effect from 5 July 2021.
3. Ms. Wang Ya Fei was appointed as a member of nomination committee of the Company with effect from 5 July 2021.
4. Dr. Chan Chung Bun, Bunny ceased to be a member of the Council for Sustainable Development with effect from 28 February 2021.
5. Dr. Chan Chung Bun, Bunny was awarded the Grand Bauhinia Medal in July 2021 by the Hong Kong Government.

Save as disclosed above, there has been no other changes of directors and changes in directors’ information since the date of the annual report of the Company for the year ended 31 December 2020, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its Shares during the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code regarding securities transactions by the Directors. Directors are reminded regularly of their obligations under the Model Code. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021, except for the non-compliance as disclosed below.

Pursuant to paragraph A.3 of the Model Code, a director of a listed issuer must not deal in any securities of the listed issuer on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results of the listed issuer, unless the circumstances are exceptional.

Further, pursuant to paragraph B.8 of the Model Code, a director of a listed issuer must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director (otherwise than himself/herself) designated by the board for the specific purpose and receiving a dated written acknowledgement.

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

The Company has taken immediate remedial action to re-circulate the Model Code to all Directors and received acknowledgements from them. To further enhance the Directors' knowledge and awareness of good corporate governance practices, the Company has conducted trainings in respect of internal control, corporate governance and compliance with the Listing Rules in June 2021 for the Directors and senior management of the Company.

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

CORPORATE GOVERNANCE

For the period from 1 January 2021 to 30 June 2021, the Company has complied with all the code provisions of the Corporate Governance Code ("Code Provisions") contained in Appendix 14 to the Listing Rules with the exception of paragraph A.2.1 of the Code Provisions.

Other Information (Continued)

According to paragraph A.2.1 of the Code Provisions, the roles of the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. During the six months ended 30 June 2021, Mr. Li Ning, the Executive Chairman and Joint Chief Executive Officer (“Joint CEO”) of the Company, and Mr. Kosaka Takeshi, the Executive Director and Joint CEO, jointly assumed the role of chief executive officer of the Company. Therefore, there was no separation of the roles of the chairman and the chief executive as both roles were undertaken by Mr. Li Ning. Notwithstanding the above, the Board is of the view that given that Mr. Li Ning is familiar with the business operations and management of the Group, the assumption of the roles of Executive Chairman and Joint CEO by Mr. Li Ning will provide the Group with consistent and steady leadership, and is particularly beneficial to the planning and implementation of the Group’s business strategies. The Board also believes that Mr. Li Ning and Mr. Kosaka Takeshi can complement with each other in performing the roles of the Joint CEOs, and create synergy effect which is in the interest of the Company and the Shareholders as a whole.

The audit committee of the Company, consisting of three independent non-executive Directors, 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 2021.

The Company’s external auditor, PricewaterhouseCoopers, has performed a review of the Group’s interim financial information for the six months ended 30 June 2021 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
Executive Chairman and Joint CEO

Hong Kong, 12 August 2021

Information for Investors

SHARE INFORMATION

Listing: Main Board of the Hong Kong Stock Exchange on 28 June 2004

Stock code: 2331

Board lot: 500 Shares

No. of issued Shares as at 30 June 2021: 2,494,339,806 Shares

Market capitalization as at 30 June 2021: approximately HK\$236,463,413,609

INTERIM DIVIDEND FOR 2021

Nil

FINANCIAL CALENDAR

Announcement of 2021 interim results: 12 August 2021

Announcement of 2021 annual results: March 2022

CORPORATE WEBSITES

Li Ning Official Website: <http://www.lining.com>

Li Ning IR Website: <http://ir.lining.com>

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Glossary

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

"2013 Open Offer"	the open offer of convertible securities issued by the Company as set out in the listing document of the Company dated 27 March 2013
"2014 Share Option Scheme"	the share option scheme adopted by the Company on 30 May 2014
"2015 Open Offer"	the open offer of offer securities issued by the Company as set out in the listing document of the Company dated 9 January 2015
"2016 Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on 14 July 2016
"Articles of Association"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company" or "Li Ning Company"	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"CS"	convertible securities issued under 2013 Open Offer or 2015 Open Offer
"CS Holder(s)"	holder(s) of CS
"Director(s)"	the director(s) of the Company
"Group" or "Li Ning Group"	the Company and its subsidiaries
"HK\$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China



Glossary (Continued)

“Restricted Shares”	shares granted under the 2016 Restricted Share Award Scheme which are subject to restrictions and limitations
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.