



LI NING COMPANY LIMITED

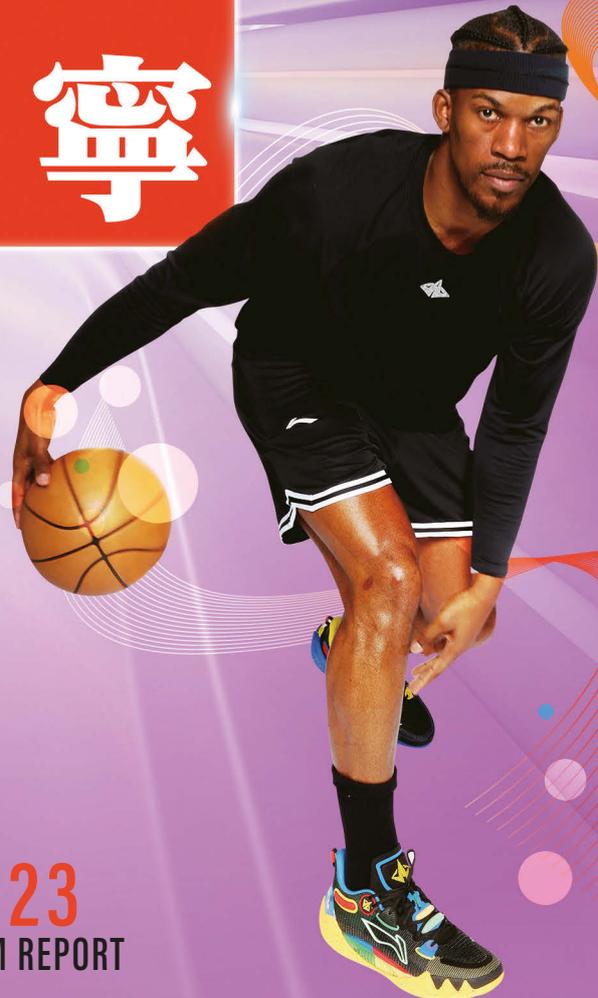
李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

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



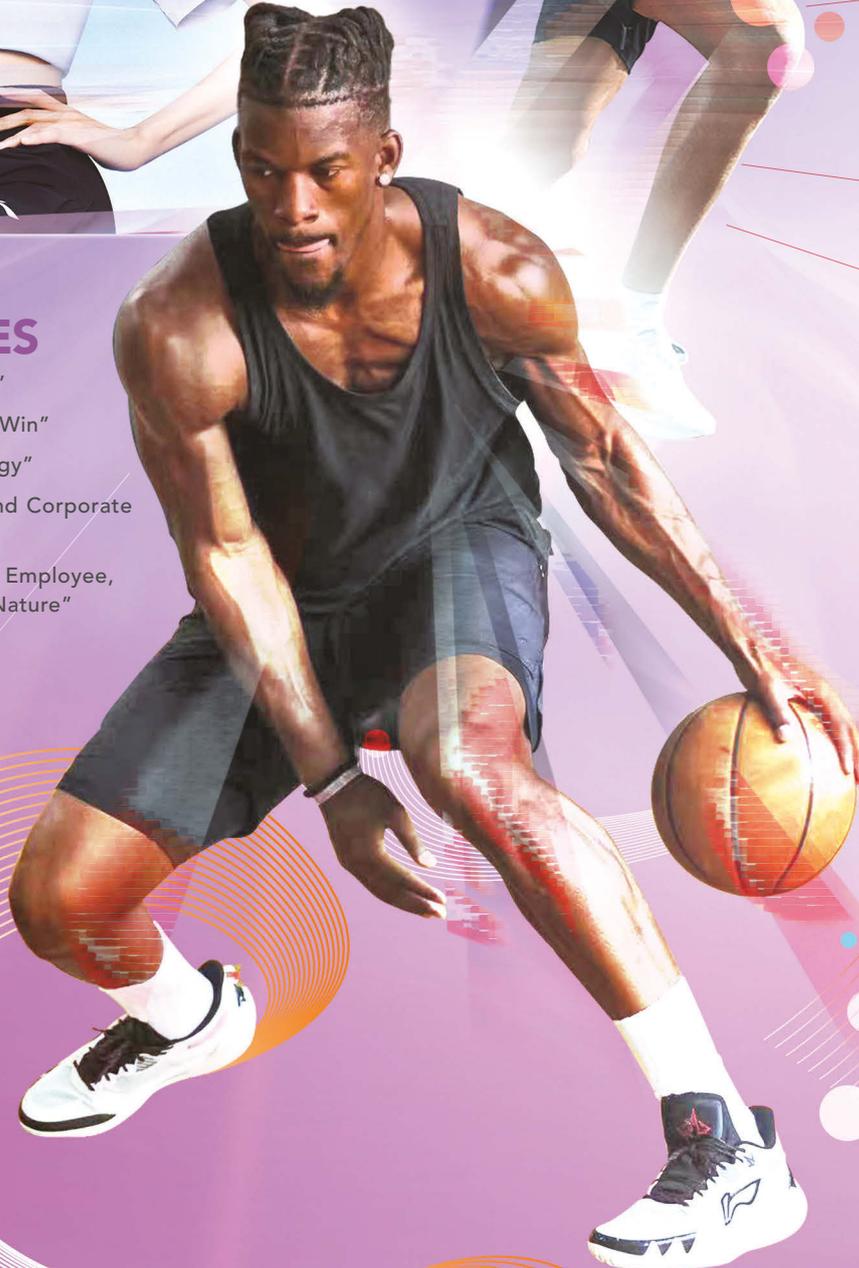
# 中國 李寧



2023  
INTERIM REPORT

## MISSION

Let Sports Light Your  
Passion



## CORE VALUES

- "Serve with Sportsmanship"
- "Go Above and Beyond to Win"
- "Individual and Team Synergy"
- "Fairness in Competition and Corporate Environments"
- "Perfect Harmony between Employee, Organization, Society and Nature"

## VISION

To be the most  
Prominent, Stylish,  
World-Leading  
Sports Brand from  
China

## ABOUT LI NING GROUP

Li Ning Company Limited is one of the leading sports brand companies in China, mainly operating professional and leisure footwear, apparel, equipment and accessories under the LI-NING brand. The Group has brand marketing, research and development, design, manufacturing, distribution and retail capabilities. It has established an extensive retail distribution network and supply chain management system in China. We are committed to be the most prominent, stylish, world-leading sports brand from China.

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

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# Corporate Information

## **BOARD OF DIRECTORS**

### *Executive Directors*

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

### *Independent non-executive Directors*

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

## **AUDIT COMMITTEE**

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

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **AUTHORISED REPRESENTATIVES**

Mr. LI Ning  
Ms. WANG Ya Fei

## **COMPANY SECRETARY**

Ms. TAI Kar Lei

## **REGISTERED OFFICE**

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

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

## **OPERATIONAL HEADQUARTERS**

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

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

## Corporate Information (Continued)

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **AUDITOR**

PricewaterhouseCoopers  
*Certified Public Accountants and Registered PIE Auditor*

### **LEGAL ADVISORS**

*Hong Kong law*  
LC Lawyers LLP

*Mainland China law*  
TAHOTA Law Firm

### **PRINCIPAL BANKERS**

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

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

# SPORTSMANSHIP

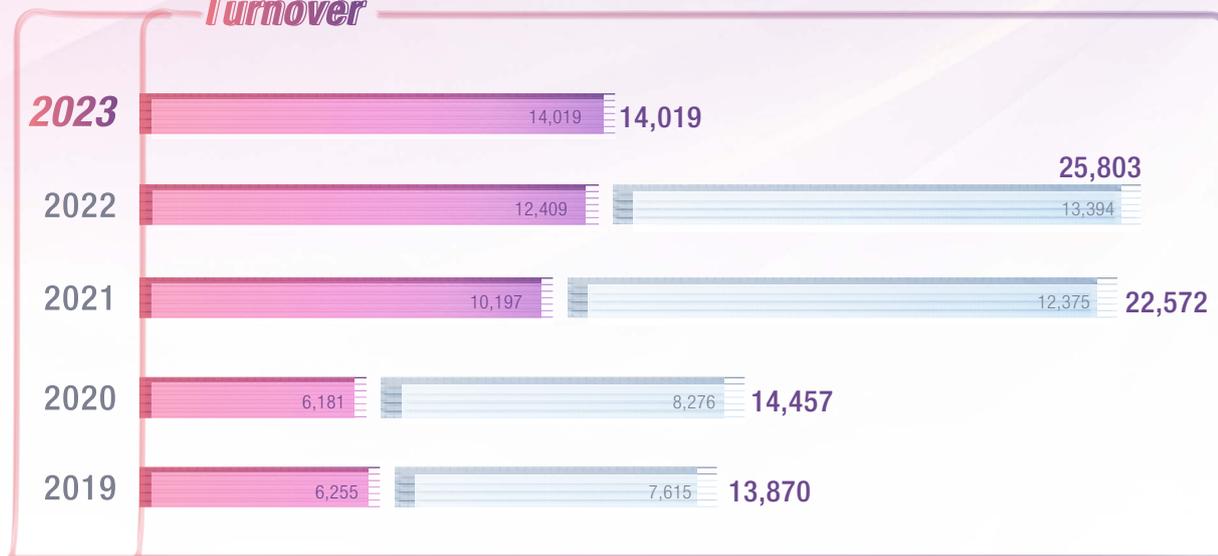
LI-NING





# 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 2023 are set out below:

|  | Unaudited                |            | Change (%) |
|--|--------------------------|------------|------------|
|  | Six months ended 30 June |            |            |
|  | 2023                     | 2022       |            |
| <b>Income statement items</b>  |                          |            |            |
| <i>(All amounts in RMB thousands unless otherwise stated)</i>                  |                          |            |            |
| Revenue  | 14,018,947               | 12,408,665 | 13.0       |
| Gross profit   | 6,838,764                | 6,200,775  | 10.3       |
| Operating profit   | 2,475,224                | 2,643,624  | (6.4)      |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) (Note 1) | 3,425,450                | 3,421,373  | 0.1        |
| Profit attributable to equity holders  | 2,121,231                | 2,189,308  | (3.1)      |
| Basic earnings per share (RMB cents) (Note 2)                                  | 80.63                    | 83.77      | (3.7)      |
| <b>Key financial ratios</b>  |                          |            |            |
| <b>Profitability ratios</b>  |                          |            |            |
| Gross profit margin (%)  | 48.8                     | 50.0       |            |
| Operating profit margin (%)  | 17.7                     | 21.3       |            |
| Effective tax rate (%)   | 24.3                     | 25.0       |            |
| Margin of profit attributable to equity holders (%)                            | 15.1                     | 17.6       |            |
| Return on equity attributable to equity holders (%) (Note 3)                   | 8.5                      | 10.1       |            |
| <b>Expenses to revenue ratios</b>  |                          |            |            |
| Staff costs (%)  | 8.3                      | 7.3        |            |
| Advertising and marketing expenses (%)   | 7.4                      | 7.9        |            |
| Research and product development expenses (%)                                  | 2.1                      | 1.9        |            |
| <b>Asset efficiency</b>  |                          |            |            |
| Average inventory turnover (days) (Note 4)                                     | 57                       | 55         |            |
| Average trade receivables turnover (days) (Note 5)                             | 14                       | 14         |            |
| Average trade payables turnover (days) (Note 6)                                | 41                       | 48         |            |
| <b>Additional ratios</b>   |                          |            |            |
| Debt-to-equity ratio (%) (Note 7)  | 35.2                     | 38.3       |            |
| Net asset value per share (RMB cents) (Note 8)                                 | 964.29                   | 926.23     |            |

### Notes:

1. The calculation of earnings before interest, tax, depreciation and amortisation (EBITDA) is based on profit for the period, excluding the sum of income tax expense, finance income – net, depreciation 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. Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue less shares held for Restricted Share Award Scheme during the period. Such weighted average number of shares outstanding shall be adjusted for events such as bonus issue and stock dividend.
  3. The calculation of return on equity attributable to equity holders is based on the profit attributable to equity holders of the Company for the period, divided by the average of opening and closing balances of capital and reserves attributable to equity holders of the Company of the period.
  4. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances of the period, divided by cost of sales and multiplied by the total number of days in the period.
  5. The calculation of average trade receivables turnover (days) is based on the average of opening and closing balances of trade receivables of the period, divided by revenue and multiplied by the total number of days in the period.
  6. The calculation of average trade payables turnover (days) is based on the average of opening and closing balances of trade payables of the period, divided by total purchases and multiplied by the total number of days in the period.
  7. The calculation of debt-to-equity ratio is based on total liabilities divided by capital and reserves attributable to equity holders of the Company at the end of the period/year.
  8. The calculation of net asset value per share is based on the net asset value, divided by the number of shares in issue less shares held for Restricted Share Award Scheme at the end of the period/year.
- \* *The aforesaid indicators provided by the Group may not necessarily be the same in terms of calculation methods as those provided by other issuers.*
- \*\* *The Group adopted the aforesaid non-GAAP financial indicators such as EBITDA, margin of profit attributable to equity holders, return on equity attributable to equity holders, 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 2023 amounted to RMB14,018,947,000, representing an increase of 13.0% as compared to the corresponding period of 2022. At the beginning of 2023, the PRC announced a major and decisive victory in epidemic prevention and control, and domestic economic and social activities quickly resumed normal. The successive resumption of diverse sports events fueled the participation in sports and willingness to consumption of the public. Meanwhile, the Group remained focused on product technology upgrades and developed a professional functional product matrix that combines sportsmanship + ethnic culture with a view to creating the ultimate consumer experience. Revenue from all channels recorded steady growth during the period: (1) as the pandemic prevention and control measures were lifted completely, consumers were allowed to engage in more outdoor activities, which led to an increase in the demand of sports and fitness consumption. Meanwhile, consumers tended to prefer offline stores as their purchase channel, and thus the revenue from offline retail stores recorded a period-on-period growth rate of 22.3%; (2) in addition to the impact of temporary changes in consumers' choice of consumption channels after the pandemic, the e-commerce channel maintained steady and efficient promotion and advertisement placement, thereby maintaining stable revenue with a slight period-on-period increase of 1.7%; and (3) franchised distributors remained confident about the future market after the pandemic situation has been stabilized, which led to an increase in orders from franchised distributors and a growth in revenue by 13.9% period-on-period.

### Revenue breakdown by product category

|                           | Six months ended 30 June |              | 2022              |              | Revenue Change (%) |
|---------------------------|--------------------------|--------------|-------------------|--------------|--------------------|
|                           | 2023                     | % of total   | 2022              | % of total   |                    |
|                           | RMB'000                  | revenue      | RMB'000           | revenue      | (%)                |
| Footwear                  | 7,514,672                | 53.6         | 6,758,808         | 54.5         | 11.2               |
| Apparel                   | 5,639,911                | 40.2         | 4,906,647         | 39.5         | 14.9               |
| Equipment and accessories | 864,364                  | 6.2          | 743,210           | 6.0          | 16.3               |
| <b>Total</b>              | <b>14,018,947</b>        | <b>100.0</b> | <b>12,408,665</b> | <b>100.0</b> | <b>13.0</b>        |

### Revenue breakdown (in %) by sales channel

|                                  | Six months ended 30 June |              | Change (%) |
|----------------------------------|--------------------------|--------------|------------|
|                                  | 2023                     | 2022         |            |
|                                  | % of revenue             | % of revenue | (%)        |
| The PRC market:                  |                          |              |            |
| Sales to franchised distributors | 48.0                     | 47.5         | 0.5        |
| Sales from direct operation      | 24.3                     | 22.5         | 1.8        |
| Sales from e-commerce channel    | 25.6                     | 28.5         | (2.9)      |
| Other regions                    | 2.1                      | 1.5          | 0.6        |
| <b>Total</b>                     | <b>100.0</b>             | <b>100.0</b> | <b>-</b>   |

## Revenue breakdown by geographical location

|                 | Note | Six months ended 30 June |              | Six months ended 30 June |              | Revenue Change (%) |
|-----------------|------|--------------------------|--------------|--------------------------|--------------|--------------------|
|                 |      | 2023                     | 2022         | 2023                     | 2022         |                    |
|                 |      | RMB'000                  | % of revenue | RMB'000                  | % of revenue |                    |
| The PRC market: |      |                          |              |                          |              |                    |
| Northern region | 1    | 6,655,059                | 47.4         | 5,788,648                | 46.7         | 15.0               |
| Southern region | 2    | 7,073,836                | 50.5         | 6,433,838                | 51.8         | 9.9                |
| Other regions   |      | 290,052                  | 2.1          | 186,179                  | 1.5          | 55.8               |
| <b>Total</b>    |      | <b>14,018,947</b>        | <b>100.0</b> | <b>12,408,665</b>        | <b>100.0</b> | <b>13.0</b>        |

### Notes:

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

## Cost of Sales and Gross Profit

For the six months ended 30 June 2023, the overall cost of sales of the Group amounted to RMB7,180,183,000 (2022: RMB6,207,890,000), and the overall gross profit margin was 48.8% (2022: 50.0%). During the period, the gross profit margin decreased by 1.2 percentage points as compared to the corresponding period last year, which was mainly attributable to the increase of the Group's discount at online channel and retail stores to promote consumption; at the same time, the proportion of revenue from direct-to-consumer channels with higher gross profit margin decreased slightly period-on-period, and the provision for inventories increased as compared with the same period last year. All the aforesaid factors had an adverse impact on the gross profit margin for the period.

## Selling and Distribution Expenses

For the six months ended 30 June 2023, the Group's overall selling and distribution expenses amounted to RMB3,948,420,000 (2022: RMB3,382,990,000), accounting for 28.2% (2022: 27.3%) of the Group's total revenue.

The selling and distribution expenses increased by 16.7% as compared to the corresponding period last year, and its percentage to revenue grew by 0.9 percentage points as compared to the corresponding period last year. Along with the increase in revenue, rental, wages and bonuses of direct sales staff that related to revenue recorded increases to varying degrees. The advertising and marketing expenses, and depreciation on leasehold improvement also increased.

# Management Discussion and Analysis (Continued)

## Administrative Expenses

For the six months ended 30 June 2023, the Group's overall administrative expenses amounted to RMB590,757,000 (2022: RMB518,104,000), accounting for 4.2% (2022: 4.2%) of the Group's total revenue and remained flat on a period-on-period basis. 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 was mainly attributable to the growth of wages and salaries, taxes, as well as research and product development expenses.

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

For the six months ended 30 June 2023, the Group's share of profit of investments accounted for using the equity method amounted to RMB101,873,000 (2022: RMB101,646,000).

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

For the six months ended 30 June 2023, the Group's EBITDA amounted to RMB3,425,450,000 (2022: RMB3,421,373,000), representing a period-on-period increase of 0.1%.

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

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2023                     | 2022             |
|  | RMB'000                  | RMB'000          |
| <b>Reconciliation of profit for the period to EBITDA:</b>                  |                          |                  |
| <b>Profit for the period</b>   | <b>2,121,283</b>         | <b>2,189,308</b> |
| Income tax expense   | 679,518                  | 729,693          |
| Finance income   | (305,070)                | (228,608)        |
| Finance expenses (including amortisation of discount on lease liabilities) | 81,366                   | 54,877           |
| Depreciation on property, plant and equipment                              | 427,779                  | 344,493          |
| Amortisation of land use rights and intangible assets                      | 26,958                   | 23,911           |
| Depreciation on right-of-use assets  | 363,257                  | 278,060          |
| Depreciation on investment properties under operating leases               | 30,359                   | 29,639           |
| <b>EBITDA</b>  | <b>3,425,450</b>         | <b>3,421,373</b> |

## Finance Income – Net

For the six months ended 30 June 2023, the Group's net finance income amounted to RMB223,704,000 (2022: RMB173,731,000). The increase in net finance income was 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 period-on-period growth of interest income.

## Income Tax Expense

For the six months ended 30 June 2023, the income tax expense of the Group amounted to RMB679,518,000 (2022: RMB729,693,000) and the effective tax rate was 24.3% (2022: 25.0%). Currently, the Group's income tax expense is almost in line with the standard level.

## Overall Profitability Indicators

In the first half of the year, in the context of the overall recovery accompanied by challenges in the domestic market, the Group pursued the direction of stable progress and high-quality development. The revenue grew period over period, but the expense ratio increased slightly and other gains, such as government grants, declined. During the period, the Group's profit attributable to equity holders amounted to RMB2,121,231,000 (2022: RMB2,189,308,000). The margin of profit attributable to equity holders was 15.1% (2022: 17.6%). Return on equity attributable to equity holders was 8.5% (2022: 10.1%).

## Provision for Inventories

The Group's policy in respect of provision for inventories for the first half of 2023 was the same as that in 2022. 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 2023, the accumulated provision for inventories was RMB143,388,000 (31 December 2022: RMB120,531,000). During the period, the original value of inventory aged over 1 year increased from the beginning of the year. Therefore, the balance of provision for inventories also increased. The Group will continue to exercise control over the inventory ageing structure and inventory turnover rate so as to maintain the same at a reasonable level.

# Management Discussion and Analysis (Continued)

## Expected Credit Loss Allowance

The Group's policy in respect of expected credit loss allowance for the first half of 2023 was the same as that in 2022. 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 2023, the accumulated expected credit loss allowance was RMB146,535,000 (31 December 2022: RMB159,200,000), among which the accumulated expected credit loss allowance for trade receivables was RMB142,428,000 (31 December 2022: RMB152,511,000) and the accumulated expected credit loss allowance for other receivables was RMB4,107,000 (31 December 2022: RMB6,689,000). The trade receivables and other receivables of the Group written off during the six months ended 30 June 2023 as uncollectible and the effect of change in exchange rate amounted to RMB1,859,000 (2022: RMB9,484,000). The Group will continue to monitor the ageing structure and settlements to maintain a sound receivable turnover ratio.

## Liquidity and Financial Resource

The Group's net cash generated from operating activities for the six months ended 30 June 2023 amounted to RMB1,942,431,000 (2022: RMB1,583,232,000). As at 30 June 2023, 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 RMB6,410,689,000, representing a net decrease of RMB971,529,000, as compared with the position as at 31 December 2022. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB19,224,302,000, which represented a net increase of RMB175,464,000 as compared to 31 December 2022. The increase was due to the following items:

|  | Unaudited<br>Six months ended<br>30 June 2023<br>RMB'000 |
|--|--|
| <b>Item</b>  |  |
| <b>Operating activities:</b>   |  |
| Net cash generated from operating activities   | 1,942,431  |
| <b>Investing activities:</b>   |  |
| Net cash used in investing activities (including placement and redemption of short-term and long-term bank deposits) | (1,355,891)  |
| <b>Financing activities:</b>   |  |
| Net cash used in financing activities  | (1,637,835)  |
| Add: Exchange gains on cash and cash equivalents   | 79,766   |
| <b>Net decrease in cash and cash equivalents</b>   | <b>(971,529)</b>   |
| Add: Net increase in short-term and long-term bank deposits  | 1,146,993  |
| <b>Net increase in cash balance</b>  | <b>175,464</b>   |



## Management Discussion and Analysis (Continued)

During the period, revenue increased period-on-period while the efficiency of settlement remained stable, which, in conjunction with the reasonable purchase and payment plan, contributed to the period-on-period increase in net cash generated from operating activities. The Company will continue to place extra emphasis on its cash flow management to ensure stable development of the Company in the long run.

In order to benefit the Group's long term development by providing a good opportunity to raise additional funds to strengthen the financial position and to broaden Shareholders base and capital base to facilitate the further growth and development of the Group's business as well as to increase the liquidity of the Shares, on 27 October 2021, the Company, a wholly owned subsidiary of Viva China Holdings Limited (subsequently renamed as Viva Goods Company Limited) and the placing agents entered into the placing and subscription agreement, pursuant to which the parties jointly proceeded with the top-up placing of existing shares of the Company and the subscription of new shares of the Company under the general mandate, and agreed to the top-up placing and subscription of 120,000,000 shares of the Company at HK\$87.50 per share. On 3 November 2021, both parties completed the top-up placing and the subscription. The net proceeds from the top-up placing of shares amounted to HK\$10,433,042,000 (equivalent to approximately RMB8,571,787,000). Please refer to the announcements of the Company dated 28 October 2021 and 3 November 2021 respectively for details.

For the six months ended 30 June 2023, RMB1,067,086,000 of the net proceeds from the top-up placing had been used. As at 30 June 2023, RMB5,356,493,000 of the net proceeds from the top-up placing were unutilised and are intended to be used as follows:

## Management Discussion and Analysis (Continued)

| Intended use of net proceeds   | Percentage of total net proceeds<br>(approximately) | Unutilised net proceeds as at 31 December 2022<br>(approximately RMB'000) | Amount used during the six months ended 30 June 2023<br>(approximately RMB'000) | Unutilised net proceeds as at 30 June 2023<br>(approximately RMB'000) | Expected timeframe for utilising the unutilised net proceeds* |
|--|---|---|---|---|---|
| Investment in newly launched product categories as well as future business investments when opportunity arises, including international business expansion | 40%   | 2,630,853   | 466,527   | 2,164,326   | Before 31 December 2026                                       |
| Investment in reengineered infrastructure and further improvement of the supply chain system   | 30%   | 2,137,381   | 208,272   | 1,929,109   | Before 31 December 2026                                       |
| Development of the brand and IT system   | 20%   | 994,411   | 256,803   | 737,608   | Before 31 December 2024                                       |
| General working capital  | 10%   | 660,934   | 135,484   | 525,450   | Before 31 December 2024                                       |
| <b>Total</b>   | <b>100%</b>   | <b>6,423,579</b>  | <b>1,067,086</b>  | <b>5,356,493</b>  | <b>Before 31 December 2026</b>                                |

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

As at 30 June 2023, the Group's banking facilities amounted to RMB5,635,100,000, 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, Hong Kong and Macau use South Korean Won, Hong Kong Dollars and Macau Pataca, respectively, as their functional currencies. The Group has a partial amount of cash and bank deposits denominated in Hong Kong Dollars, United States Dollars, Euros, South Korean Won and Pound Sterling. The Company pays dividends in Hong Kong Dollars, certain license fees, sponsorship fees and consultation fees in United States Dollars or Euros, and certain investments in Hong Kong Dollars, United States Dollars or Pound Sterling.

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

### Significant Investment

As at 30 June 2023, the Group had no significant investment held.

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

For the six months ended 30 June 2023 and up to the date of this interim report, the Group did not enter into any material acquisitions or disposals of subsidiaries, associates and joint ventures.

### Future Plans for Significant Investments and Capital Assets

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

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

As of 30 June 2023, the Subsidiary had successfully acquired the land use right over the relevant land and had been making investments on the construction of the supply chain base. The total expenditure above did not exceed the percentage of 5% of the total assets of the Group as at 30 June 2023. The remaining investment amount will be funded by the Group's unutilised net proceeds from the top-up placing of shares and internal resources.

### Pledge of Assets

As at 30 June 2023 and 31 December 2022, the Group had no pledged assets.

### Contingent Liabilities

As at 30 June 2023, the Group had no significant contingent liabilities.

## **BUSINESS REVIEW**

At the beginning of 2023, the PRC declared that it had secured a major decisive victory in the prevention and control of the COVID-19 pandemic with gradual recovery of economic and social activities in Mainland China. The general public has returned to their normal living and consumption patterns gradually, while offline retail stores, food and beverages consumption, production and supply chain, transportation and other industries, which were disrupted by the pandemic, have shown a trend of moderate recovery. Meanwhile, in order to fuel sustainable economic growth, the Chinese government continued to stimulate the growth of domestic demand by implementing various measures, including facilitating consumption upgrade, expanding the middle-income group and driving development of rural areas. Although it takes time for the consumption to be fully recovered, the consumer industry began to gradually pick up in the first half of 2023.

The sports industry in the PRC has been witnessing rapid development. The Chinese government listed sports development as an essential component of the national development strategies and adopted a series of policies and measures to boost the growth of the sports industry and propagate national fitness, thereby significantly increasing the public awareness of health. Furthermore, hosting a series of major international and national sports events, such as the Beijing Winter Olympics in 2022 and the forthcoming Hangzhou Asian Games in the second half of 2023, not only drove the development and commercialization of the sports industry in China, but also further underpinned China's leading presence in the global sports scene. In addition, the application and popularity of digitalization, the internet and artificial intelligence also drove the innovative development of the sports industry.

## Management Discussion and Analysis (Continued)

During the period, while focusing on professional sports, brand reputation and product innovation, the Group continued to pursue the core strategy of “Single Brand, Multi-categories, Diversified Channels”. It enhanced the operating efficiency of retail channels and improved the stability and flexibility of the supply chain to maximize LI-NING’s experience value. In the first half of 2023, with a robust growth in revenue, the fundamentals of the Group remained solid and resilient. The Group remained optimistic about the market outlook for sports products consumption.

In terms of products, with a focus on the core categories, the Group pursued synchronous improvement in the quality, functional features and fashionable style of products by continuously ramping up investment in research and development and expanding talent selection channels, in a bid to garner recognition among young consumers with professional features and outstanding design capabilities. For marketing, the Group has been committed to investments in professional resources, while placing emphasis on upgrading its brand image with transformation geared to attracting more young consumers. By means of product crossovers and collaboration with the entertainment sector, the Group appealed to young consumers and strengthened its professional and youthful brand image. In respect of operation, the Group made active efforts in upgrading the retail channel and accelerating channel efficiency, at the same time promoting the integration of online and offline channels to realize the transformation towards a new retail model. It also persisted in improving the structure of the supply chain and the logistics system, and adopted proactive inventory management based on consumers’ demand with rapid response capability.

In addition, The Stock Exchange of Hong Kong Limited launched the HKD-RMB Dual Counter Model on 19 June 2023. The securities of the Company became one of the first securities that can be traded in the dual counters model, offering both HKD (Stock Code: 2331) and RMB (Stock Code: 82331) counters. The Group believes that the launch of dual counter model will provide more investment flexibility and stock liquidity for the shareholders and potential investors.

### Latest operational update for the second quarter of 2023

For the second quarter ended 30 June 2023, the retail sell-through of LI-NING point of sale (“POS”) (excluding LI-NING YOUNG) for the overall platform increased by mid-teens on a year-on-year basis. In terms of channels, offline channel (including retail and wholesale) registered a high-teens increase, with retail (direct operation) channel increased by high-twenties and wholesale (franchised distributors) channel increased by mid-teens, while the e-commerce virtual stores business registered a low-teens increase.

As at 30 June 2023, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 6,167, representing a net decrease of 39 POS since the end of previous quarter and a net decrease of 128 POS since the beginning of this year. Among the net decrease of 128 POS, direct retail accounts for a net decrease of 7 POS, and wholesale accounts for a net decrease of 121 POS.

As at 30 June 2023, the total number of LI-NING YOUNG POS in China amounted to 1,281, representing a net increase of 28 POS since the end of previous quarter and a net decrease of 27 POS since the beginning of this year.

For the second quarter ended 30 June 2023, in respect of LI-NING 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-single-digit increase on a year-on-year basis. In terms of channels, retail (direct operation) registered a high-single-digit increase and wholesale (franchised distributors) registered a low-single-digit increase, while the e-commerce virtual stores business registered a low-single-digit increase.

### ***Push Forward the Strategy of “Single Brand, Multi-categories, Diversified Channels” to Upgrade LI-NING’s Experience Value Continuously***

#### **Continue to expand the professional product matrix and build a technology-driven image for the brand**

During the period, we stayed focused on our five core categories, namely basketball, running, fitness, badminton and sports casual. Focusing on innovative sports technology, we developed a comprehensive layout of functional products and demonstrated the sports DNA of the brand. We complemented our core brand proposition with Chinese and sports fashion culture to create a new image of professional and chic sports products.

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

- In respect of the running category, with a professional running shoes matrix featuring the “Super Light” (超輕), “Rouge Rabbit” (赤兔) and “Feidian” (飛電) series, LI-NING became the first domestic brand to develop a well-established professional product matrix, which drove the growth in running business. The running shoes under the three series applied the “LI-NING BOOM” (李寧轟), a high-performance midsole technology, on the entire foot area. During the first half of the year, the total sales volume of “Feidian 3 CHALLENGER” (飛電3 CHALLENGER) exceeded 0.7 million pairs of shoes, which became a phenomenal IP among the carbon plate running shoes. Launched as all-powerful racing shoes designed for racing training, the “Rouge Rabbit 6 PRO” (赤兔6 PRO) generated a total sales of more than 1.30 million pairs of shoes. The “Super Light 20th” (超輕20), an IP with the longest history among domestic brands, remained as beginning runners’ first choice and sold over 1.40 million pairs in total. Meanwhile, the brand new “Shadow 2” (絕影2代) and “Yueying 3” (越影3代) products under the anti-shock protection series targeting beginning runners will be launched in the second half of 2023. Taking a scenario-focused approach for running apparels, we satisfied the needs of runners by adopting different materials, blocks and functional technology based on their needs in two different scenarios, i.e. marathon race and daily running. As such, we built up the professional reputation of LI-NING’s running apparels by improving product experience.

## Management Discussion and Analysis (Continued)

- Despite keen competition in the industry, we steadily developed our basketball products by leveraging the technology platforms to upgrade the professional features and integrating brand resources with products to create storyline-based professional products. With an enhanced focus on mobility for basketball games, the newly launched “Sonic 11” (音速11) was fully optimized with an upgraded midsole configuration from “LI-NING BOOM” (李寧轟) with half-foot support to “LI-NING BOOM” (李寧轟) with both forefoot and rearfoot support. In addition, color options such as “Ocean Blue” (凌波) and “Galaxy” (星辰) were well-received by the market. The signature shoes of NBA star, Jimmy Butler 1, was one of the most premium featured products in LI-NING’s basketball shoes matrix, which was designed specifically for professional indoor courts and incorporated various technologies, including the “BOOM FIBER” (轟絲), “LI-NING BOOM” (李寧轟), carbon plate and Honeycomb Cellular LOC. The “All City 11” (全城11) series was launched with a themed story packs revolving around the classic “Dawn” color of the WADE series. This product also adopted the “LI-NING BOOM” (李寧轟) technology with full-foot support and lightweight and high resilience features as well as TPU materials, which were complimented with the use of strong mesh fabric on the shoe face to further boost its game performance.
- As to our badminton products, the launch of “Thunderstorm 100” (雷霆100) further enriched our product mix of badminton rackets. The current wide variety of products under the “Thunderstorm” (雷霆) series, “Shadow” (鋒影) series and “Halberd” (戰戟) series significantly increased the market competitiveness of LI-NING’s rackets. Having made a breakthrough in shaft technology, “Thunderstorm 100” (雷霆100) outperformed other mainstream products at the time and broke the current industry record of the slimmest shaft at 6.0 mm, which further demonstrated the technological capability and reserve of LI-NING’s rackets. The badminton jersey series of LI-NING is always popular and the centre of attention among the national team, international top-notch sports stars and consumers. During the period, we released the jersey for the national team and international sports stars. Employing the quick-dry technology “AT DRY” and the SEAMLESS technique, we offered supreme professional products with professional and fashionable features for competition to world-class sports teams and stars. In terms of footwear, the “HERO 2” (貼地飛行2) series enabled LI-NING to promote the features of its badminton shoes products to professional consumers. The distinctive design and color options that set it apart from existing products on the market allowed LI-NING to highlight the unique brand attributes of its badminton shoes products in the market.
- The fitness category continued to be oriented with functions and technologies and aimed to develop quality functional fitness equipment for all fitness enthusiasts with improving the sports performance and maintaining the best physical condition of the sports population as the starting point. During the period, building on the functions and technologies of “AIRSHELL Air Movement Technology” (AIRSHELL氣動科技), we fulfilled the clothing needs of different customer groups on different occasions by leveraging the core products of sports outfits with various functions. The newly launched “COOL SHELL Cooling Technology” (COOL SHELL涼爽科技) adopted the exclusive 3D cross yarns technique, which improved the quick-dry performance tremendously and reached the industry-leading level with significantly better functions than the national standards. Furthermore, we established the women’s product matrix for professional sports and all scenarios. With a focus on close-fitting wear, we offered women training products with the use of functional materials and sports-oriented block design customized for women under the “COOL SHELL” and “DYNAMIC SHELL” technology platforms. As for women yoga apparel, we launched the “SoftTouch” (柔感) series during the period, which integrated diversified technology themes such as Mellow SoftTouch (綿綿柔感) and Silky SoftTouch (絲絲柔感) to satisfy the seasonal demands for materials and enhance our communication with female consumers at the same time.

In respect of the sport casual category, leveraging the sports DNA inherited by our brand, we integrated traditional Chinese culture and sportswear fashion trends to enrich the cultural value of the brand and drive business growth. The trendy sports product matrix was developed to cater to the needs of diversified consumers and to maintain our interaction with consumers from the fashionable sports community on a continuous basis.

- The WADE series remained focus on professionalism and sports stars culture and continued to reinforce the positioning of “Professional Technology, High Street Basketball, Delicate Fashion” of products under the WADE series with an aim to create the international brand image featuring youth and basketball culture. Through the collaboration with artists and continuous exposure with NBA and CBA sports stars, arts and sports stars culture were integrated into our brand story to highlight the technology and craftsmanship used and the artistic interpretation of our apparel products, thereby bringing the experience of professionalism and basketball culture shock in the post-Wade era to our consumers. To celebrate Wade’s induction into the Hall of Fame, the WADE series will introduce the Way of Wade retro series in the future in order to communicate with young consumers and the Sneaker community through the replication and re-interpretation of the series’ classic products.
- The “BADFIVE” street basketball series continued to build its presence under street basketball scenarios from an oriental perspective. Through the equipment from on-court street basketball product matrix that lined up professional functions and technology, and street chic products with strong cultural attributes and storylines to be used at courtside or off-court, we have built up a strong linkage with the young street basketball communities to better resonate with them. Meanwhile, on the basis of consolidating its own street chic style, “BADFIVE” continued to optimize its professional functions and created overall matching outfit combinations with shoes and apparel for different occasions from on-court to off-court scenarios during basketball games based on the themed story packs, which attained high popularity among young consumers.
- For sports casual series, we continued to explore the deep connection between the Chinese culture and our target customer groups, and maintained our competitiveness in the industry through the development of story IP with unique cultural connotation and original designs. Infused with interesting and innovative designs, the “Rich Everyday” (日進斗金) series creatively combined the Chinese zodiac signs with auspicious elements such as the three gods of fortune, prosperity and longevity, as well as gold sycees from the traditional Chinese culture during the Chinese New Year to convey the best wishes for good fortune and unlock brand-new outfit ideas. Furthermore, the “Chinese Colors” (中國色) series injected vitality and comfort into daily looks through the portrayal of traditional color aesthetics. The series adopted a minimalistic design with the use of comfortable fabrics and simple cutting, and enriched the layering of the overall style through a skillful mixing of different textures. It has also made a breakthrough on fashion style by creating the natural tone-on-tone fashion vibe for multiple indoor and outdoor settings, which has become a new driving force for business growth.

## Management Discussion and Analysis (Continued)

- Taking the promotion of environmentalism on the Earth Day as carrier and inspiration for creative designs, China LI-NING developed the “LEAVE NO TRACE” (大地無痕) themed products and launched the new LI-NING x Steven Harrington crossover series. The “LEAVE NO TRACE” (大地無痕) themed products incorporated the environmental protection slogan “LEAVE NO TRACE” and the sports-fashion attitude, and created eye-catching visual effects and self-expression. On the other hand, the new season of LI-NING x Steven Harrington crossover series adopted whimsical and light-hearted art illustrations to advocate the concept that it’s everyone’s responsibility to protect the earth in a street style. Meanwhile, the popular model “001 Mountains & Seas” (001山海) refreshed its image with the use of mountain-ish color options. The concept of exploring the mountains and seas echoed with the main theme and encouraged the public to return to the nature. Inheriting the fashionable attributes of the popular IP “Furious Rider” (烈駿) of the brand, the new model “Furious Rider RUNNER” (烈駿RUNNER) infused environmental concepts and sustainable materials to reinvent the classic millennial styles, embodying the fashion attitude and core spirit of “Care for Nature, Integrate with Nature” of youngsters nowadays.

### Promote diversified marketing resources layout in full swing and enhance the communication with young consumers on a continuous basis

With a focus on the characteristics of the professional functions and sports casual category, we strengthened our comprehensive marketing resources layout. Continuous exposure of our professional products through sports stars and professional events has established a professional image of LI-NING’s professional products among consumers and further scaled up our consumer groups. Besides, we further diversified the marketing with entertainment modes for the sports casual category and constantly created opportunities for experiencing our products and brought up various promotional topics. We have also established a platform for direct communication with consumers to increase brand competitiveness and appeal to consumers, and realized multi-dimensional exposure of our products.

- Leveraging the professional series, WADE series and BADFIVE series, LI-NING basketball continued to enhance the influence of LI-NING brand in the Chinese basketball market and further appeal to consumers through marketing activities for its brand and products based on key sports events and core athlete resources. With the exceptional performance of Jimmy Butler and D’Angelo Russell during the NBA Playoffs, we focused on the promotion of shoes models worn by the basketball players, thereby empowering the spirit of LI-NING brand of “Anything is Possible” with the real miracles on-court. The BADFIVE series reinforced the tonality of the series’ DNA and produced the promotional video showcasing the brand attitude of the LIVE WITH HOOPS series. Integrated with the insights of the core consumer groups, the series portrayed the BADFIVE spirit in street style, and demonstrated the real basketball culture with scenarios that are more accessible to the target audience, so as to promote the concept that basketball is an inseparable part of daily lives.

- For our running products, we continued to conduct content marketing for million IP running shoes using the matrix concept, emphasizing that each of our running shoes is designed to satisfy different needs of runners. During the period, new products were launched by leveraging the influence of media from the running and running shoes community, thereby establishing the conceptual cognition of the matrix of LI-NING running shoes among core runners. We organized the “LI-NING BOOM” (李寧轟) running competition on Tmall Gathering Day in an effort to convert the traffic values into business volumes through the interaction between online and offline operations, as well as celebrity endorsement. Riding on the marathon season, we created continuous endorsement for our products with the competition results to attract consumers. Our running shoes set new records for the best results of running shoes under Chinese brands at the Tokyo Marathon and Barcelona Marathon during the first half of the year consecutively, and our brand was selected as one of the most popular brands among elite runners at the Tokyo Marathon by the media.
- As to our badminton products, professional functions remained the focus of LI-NING badminton’s marketing. Continuing with the promotional theme of “We match better with you” (羽你更合拍), we focused on sponsorship resources, new product launch and amateur IP events for our online and offline promotion campaigns. In tandem with the integration of media platforms, we enhanced our brand reputation and developed various hot-selling products in support of the realization of the marketing goals. Under the theme of “It’s More Than a Competition” (不止是一場比賽), we continuously innovated the competition format and increased the number of division for badminton competitions. We have created a grand competition that welcomes the participation of the general public and incorporates both fun and professional elements. We aimed to establish the competition as our exclusive brand sports event which served as a diversified platform for product experience, sports experience and competition services. At the competition venues, we set up interactive badminton games, ran product placement of LI-NING badminton sports equipment experience and arranged professional racket stringers to provide racket stringing services, hence conveying the sportsmanship of LI-NING badminton through the badminton enthusiasts participating in the competition.
- For women fitness, with the objective to develop a professional and fashionable Chinese women fitness brand that can compete with the world’s leading brands, we communicated to consumers our new brand attitude of “Dare to be Me” (敢為自己) for women, which was further showcased by Elaine Zhong (鍾楚曦), our spokesperson, VaVa (毛衍七), our contracted artist, and Sunny Liu (劉詩雯), our contracted athlete. The campaign conveyed to the general consumers LI-NING’s brand attitude of “Women Power Matters”, which helped to build up the brand’s confident, self-caring, beautiful and powerful image for women fitness. Consistent efforts were made to develop the LI-NING “Possible” (可能) Women Space Community IP with a matrix of KOL and trainers in metropolitan and first-tier cities. By establishing long-term cooperation relationship with major gym centers and community organization in urban areas, we constantly developed a diverse range of fitness experience programmes and activities, and fostered a bonding relationship between the brand and fitness enthusiasts. We also collaborated with KEEP and other professional and vertically-related online fitness platform resources, through which we jointly created professional fitness programmes and challenges to provide fitness enthusiasts the opportunities to “check-in” their sports activities and experience our products online, thereby forming an online-offline interactive experience model.

## Management Discussion and Analysis (Continued)

- For the sports casual, we continued to pass on the “innovative ideas” and “sincerity” of our brand and products. Based on the promotional theme of “Conjure New Interpretations, Grow Rich Everyday” (自有新意·日進斗金), we strived to develop the “Rich Everyday” (日進斗金) series as the signature story pack for Chinese New Year under LI-NING brand and endowed the series with new concepts of wealth and values that emphasize the discovery of new values in lives through accumulation of wealth every day. During the first half of the year, marketing contents for the “Rich Everyday” themed products received over 700 million views across all platforms with remarkable growth in terms of both topic discussions and authentic output by users as compared with last year. Furthermore, we cooperated with “Riding is Living” (RE而意), a bicycle themed lifestyle brand, to jointly organized a eco-friendly bike ride event on the Earth Day. During the event, we invited about 20 lifestyle-related bloggers to wear our “Oasis” themed shoes products and substitute car engines with bicycle pedals in promoting an energy-saving and emission-reducing lifestyle, while the participants may check out the versatility and comfort of the themed shoes products through the riding experience that highlights the product features.
- For marketing campaigns with entertainment, we continued to work with Xiao Zhan (肖戰), the global spokesperson of LI-NING’s fashionable sports products, to light passion with sports, release the energy of fashion and boast diverse styles with high-end fashion elements to jointly build a future of “Anything is Possible”. During the period, TNT (Teens In Times) (時代少年團) was contracted as the global spokesperson of LI-NING’s youth sports products. With their distinctive character and lively teenager image, TNT demonstrated versatile mix-and-match style and conveyed a young, positive, optimistic and healthy sports and fashion attitude. Under the theme of “TNT brings you the unlimited possibilities of youth” (時代少年創造青春無限可能), this collaboration connected with Z-generation consumers that have a passion for sports and fashions to feel the charm of sports and create unlimited possibilities for youth together. In addition, actress Chloe Gao (高葉) was contracted as the promotion ambassador of products under LI-NING 1990 to interpret the gentle and oblique product style, leading a new trend of urban outfits with versatile styles.

### Continuously promote the upgrade of channel image with a focus on expansion and optimization of channels

During the first half of 2023, the Company remained focused on optimizing the channel structure and enhancing the channel efficiency. During the period, the Company launched big stores with high efficiency including flagship stores, benchmark stores and premium outlets on a continuous basis, while optimizing the store structure by accelerating the closure of low-efficiency stores. The Company continuously put greater effort in expanding channels, such as quality shopping malls owned by Hong Kong-invested enterprises and group-based outlets, so as to adapt to the new consumption trends and commercial changes in the post-pandemic era.

## Management Discussion and Analysis (Continued)

During the period, the development of the 9th generation image store was in full swing as the Company launched and promoted the new store image comprehensively with a view to providing better product experience, shopping experience and sports experience to all consumers. As of 30 June 2023, the number of conventional stores, flagship stores, China LI-NING stores, factory outlets and multi-brand stores under LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 7,448, representing a decrease of 155 POS as compared to 31 December 2022. The number of distributors was 48 (including sales channels of China LI-NING stores), representing a net decrease of 4 as compared to 31 December 2022. The number of POS breakdown as of 30 June 2023 is as follows:

| LI-NING Brand            | 30 June 2023 | 31 December 2022 | Change       |
|--------------------------|--------------|------------------|--------------|
| Franchised               | 4,744        | 4,865            | -2.5%        |
| Directly-operated retail | 1,423        | 1,430            | -0.5%        |
| LI-NING YOUNG            | 1,281        | 1,308            | -2.1%        |
| <b>Total</b>             | <b>7,448</b> | <b>7,603</b>     | <b>-2.0%</b> |

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

| Regions                  | 30 June 2023       |               |              | 31 December 2022   |               |              | Change       |
|--------------------------|--------------------|---------------|--------------|--------------------|---------------|--------------|--------------|
|                          | LI-NING Core Brand | LI-NING YOUNG | Total        | LI-NING Core Brand | LI-NING YOUNG | Total        |              |
| Northern Region (Note 1) | 3,139              | 762           | 3,901        | 3,184              | 786           | 3,970        | -1.7%        |
| Southern Region (Note 2) | 3,028              | 519           | 3,547        | 3,111              | 522           | 3,633        | -2.4%        |
| <b>Total</b>             | <b>6,167</b>       | <b>1,281</b>  | <b>7,448</b> | <b>6,295</b>       | <b>1,308</b>  | <b>7,603</b> | <b>-2.0%</b> |

#### Notes:

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

### Reinforce the product management mechanism and enhance product efficiency with increasing proportion of professional sports product

During the first half of 2023, the product management department continued to optimize customers' shopping experience. With key professional sports products as the core, the Company strengthened the management on inventories and products and hence enhanced the operation efficiency.

- Based on the core technology platform, the Company optimized its product planning and developed its core products by using materials with strong functional features to continuously enhance the core competitiveness of products, while increasing the number of distribution stores and the sales of core products at the same time. The Company also continued to improve the depth of inventory with key products as the core and optimized customers' shopping experience by lowering the "short-in-color" or "short-in-size" ratio. Meanwhile, through the continuous efforts in optimizing the operating mechanism with the synergy of "merchandise planning", "promotion and marketing planning" and "consignment site planning", the precision of sales was enhanced, hence maximizing the sales of the core products. Furthermore, with a focus on story packs, the Company enhanced the mechanism of assigning regular tasks to stores, specified the requirements for the consignment sites to follow and perform, and continued to enhance the standard of consignment sites.
- Oriented with the targets of annual business volume and inventory control, the Company established the monthly inventory target and analyzed the soundness of inventory through weekly inventory meetings, whereby it was able to forecast the inventory at the end of the year and formulated and implemented the business improvement measures in relation thereto. At the same time, based on the annual and quarterly target inventory ageing structure, the Company accelerated destocking of old inventories, ensured the proportion of new product inventory and implemented weekly inventory control of stores to prevent the stores from being out-of-stock or short-in-size, thereby fulfilling the vision of "doing business best with more reasonable inventories". The Company established a forecast and management mechanism based on the sales velocity of products in stores, i.e. being sold at a fast, moderate or slow pace. The mechanism not only enhanced the precision of inventory management and enabled the identification of inventory risk in relation to products sold at a slow or moderate pace as early as possible, but also accelerated the destocking of inventory on a timely basis.
- With professional running and basketball shoes as the core, the Company expanded the product matrix of "LI-NING BOOM" (李寧轟), its core technology platform with lightweight and high resilience features, and ensured the depth of the core products in order to prevent from being short-in-color and short-in-size. Meanwhile, the Company further improved the additional manufacturing order mechanism for professional running and basketball shoes, so that it may adjust the quantity and pace of product delivery to stores by leveraging its ability to produce a more accurate pre-sales forecast. Focusing on showcasing the professional product matrix of the core technology platform in stores, the Company carried out display and sales promotion of overall matching outfits with professional shoes and apparel products in order to foster product attraction at stores.

### Further explore single-store operation model to promote the implementation of retail operation standards

In the first half of 2023, the Company continued to explore the single-store operation model and entered a new stage with further improved retail operation and standard management, strengthened retail operation organisation, and the efficiency of store execution was enhanced. The Company also developed a new retail business system and optimised the operation efficiency of retail stores on a continuous basis.

- In ensuring the effective rollout of our big store sales plan, the Company strengthened the monthly sales plan management mechanism for big stores through optimising the sales planning instruments, improved the accuracy of sales plans, strictly implemented the plan confirmation mechanism for retail front managers, and executed the implementation and verification mechanism based on these plans. Meanwhile, the Company continued to validate and optimise the big store management system, and further expanded the scope of application of such management system in the retail end.
- The Company kept improving the retail operation standard system and completed the compilation of various standard manuals, including "LI-NING Retail Operation Manual" (2nd Edition), "Big Store Management Manual", "New Store Execution Manual" and "New Store Employee Operation Manual". Meanwhile, the Company continued to strengthen the internal monitoring of the implementation of the retail standards in stores to assess their standards execution capability, as well as the applicability and reasonableness of such standard system. The Company also optimised and improved the retail end proposal system and strengthened the support and prompt response of the headquarters function to stores to boost the efficiency of retail operations.
- The Company newly established a retail operation and execution team that focuses on the implementation and execution of retail business. Hence, a normalised management loop in respect of business execution at stores, namely "order giving by headquarters, information confirmation by retail end, business execution by stores and supervision by headquarters", which intensified the headquarters' communication with the retail end and improved the efficiency of store execution continuously. In the second half of the year, on the basis of the improved retail execution efficiency, the Company will continue to promote the development in three key management areas, namely the "improvement of retail front capability", "optimisation of headquarters' functions" and "refinement of operation issues", with a view to further improving the retail execution efficiency.
- In respect of new retail business, the Company's goal for the year was to build up four core competencies for its retail end, namely "community management", "content production", "live streaming business" and "live streaming talent cultivation". During the period, the Company conducted live streaming business in the core stores and initially built up the live streaming capability of its store employees. In the future, the Company will further improve the content production mechanism of stores, strengthen communication with consumers and customer loyalty, and improve the efficiency of community conversion and live streaming conversion, while further exploring the out-of-store transaction scenarios to better satisfy the shopping needs of customers thereunder and continue to improve the shopping experience of consumers.

### Promote the digitalisation of logistics system to optimise logistics efficiency and quality

In the first half of 2023, the Company completed the construction of regional central warehouses to improve the operation efficiency of logistics centres, while stepping up its effort in enhancing logistics informatization to ensure transparency throughout the logistic information chain of products, which has in turn helped to improve the efficiency at retail front and provided strong logistics support for retail management.

- The Company continuously improved the quality of the logistics network. Following the completion of the four regional central warehouses in 2022, the Company has further established its warehouse and distribution network. During the period, the Company deepened the construction of the smart logistics centres, which improved the quality and timeliness of direct delivery of products to directly-operated stores and wholesale stores through efficient automated operation solutions.
- The Company continued to refine the management of the logistics business for higher logistics efficiency and quality, while formulating the warehouse and distribution business plan for each business division to help improve the quality of logistics services. During the period, the Company continued to improve the proportion of direct delivery at stores and the proportion of the use of same packaging box for the same product. The proportion of direct delivery to directly-operated stores and wholesale stores exceeded 70% and 20%, respectively, while the proportion of the use of same packaging box for the same product was 70%. At the same time, the Company commenced the medium-to-long-term planning of logistics, warehouse and distribution for individual business division to support the rapid development of kidswear, badminton, table tennis and other business divisions.
- The Company launched the logistics management platform in full, with its middle-end information platform fully covering all scenarios of the Company's logistics business, including warehousing appointment, delivery planning, transportation management and fee settlement. Meanwhile, the realisation of order visualisation and electronic receipt confirmation helped to streamline processes at retail front and enhance efficiency at stores.
- The Company kick-started the warehouse automation project, whereby the four logistics centres fully adopted automated operation for direct delivery orders and product returns. As a result, the efficiency of logistics operations, sorting operations and storage increased by over 20%, 60% and 120%, respectively.

### Further develop professional products and strengthen digitalization operation to consolidate the core competitiveness of e-commerce

The entire online sports industry faced challenges in the first half of 2023. Amidst the market environment with fluctuating demands, the e-commerce team of Li Ning Company guaranteed that all operation activities were carried out steadily and orderly while gradually improving its business performance through refined operational measures and long-running digitalization operation. During the period, the e-commerce business of Li Ning Company returned to the normal growth track.

The e-commerce of Li Ning Company remained focused on functional products and maintained a stable proportion of professional products. Based on the core strategies, the team gained in-depth customer insights and promoted communication with consumers, which gradually facilitated the operation at a steady and positive pace and hence consolidated the core competitiveness of e-commerce. Meanwhile, the e-commerce platform has been developing the COUNTERFLOW BY LI-NING series, which is an independent sports casual product line with cultural elements at its core. Inspired by traditional Chinese culture, the “COUNTERFLOW” series is an interpretation of Chinese cultural heritage and is dedicated to original designs. This crossover between ancient Chinese culture and trendy sports products aims to share the supreme aesthetics of Chinese civilization with the broader consumer community.

In respect of omni-channel and member development, the Company continued to push forward membership recruitment and operation during the period to strengthen the accumulation of membership as an asset. The total number of members and the cross-channel transaction volume through diversion of registered members online to offline transactions recorded a double-digit growth. In respect of consumer behavior insight among the members, the membership department continued to optimize the consumer analysis system and improved the consumer experience analysis system into a more powerful one for experience in respect of our products and services. By promoting the execution of omni-channel strategy in offline stores on an ongoing basis, more than 500 stores were newly integrated into our omni-channel system during the period. The e-commerce of Li Ning Company will continue to put greater efforts in exploring universal distribution, so as to enhance the interaction with consumers leveraging on the dual engines of contents and expertise.

Looking forward into the second half of the year, the e-commerce of Li Ning Company will continue to develop the professional sports sector while enhancing consumers’ recognition and loyalty to technological and professional products, and, on the basis of which, expand its business into the sports fashion segment gradually. Meanwhile, the development of universal distribution system for offline stores will be further strengthened. The business synergy strategy will also be constantly optimized and strictly implemented for online and offline operations.

### Develop an industry-leading flexible supply system for a sustainable supply chain

In the first half of 2023, the Company continued to pursue the essential task of strengthening the supply chain, and consolidated the enhancement in terms of production quality, lead time and cost, which laid a foundation for the transition from “passive production” to “proactive production”. It continued to push forward the development of the “value supply chain” with a view to creating greater value by reducing wastage and enhancing efficiency. Besides, the Company established an equal and win-win mechanism with suppliers and partners for, as part of performance of its environmental and social responsibilities, promoting environmentally-friendly products in an orderly manner. Innovative efforts have further build up our product competitiveness, enabling us to provide better product experiences to consumers.

- With consistent efforts devoted to the research and development of innovative technology, the Company has developed functional professional products with moisture-absorbing and quick-dry capability, among which the quick-dry capability of its yarn-knitted fabric has secured a leading position in the industry. During the period, the fabric has been applied to tops for running and training purposes. The scope of research and development in the later stage has been extended to the second-layer fabric of clothing, and the application of which has been expanded to the full range of products, including sports tops, sports pants and sports towels, thereby forming an application matrix of the yarn technology platform. Looking forward, the Company will increase the investment in front-end research, development and innovation in a bid to create industry-leading professional products with high performance. On the basis of “Comfoam”, the midsole technology applied to footwear under the “SOFT” series, the Company has also developed “Comfoam Plus” and “Comfoam Lite” formula which are more elastic and lightweight, respectively, which diversified the technology matrix of the “SOFT” product line. Additionally, the CPU and GCU integrated moulding technique for outsole materials helped reduce weight significantly and improved the comfort of sneakers.
- The Company further affirmed the adoption of quality management system throughout the supply chain, and strived to improve the quality management capability of suppliers from quality certification to training and assessment. Trainings for suppliers with strategic cooperation relationship have been completed, aiming to promote the alignment of factory processes and standards with that of our brand, and to improve work standards and efficiency. The Company also reorganized the quality management process and formulated corresponding operation guidelines, process control manuals and other regulations for on-site management. Upon communication and coordination with the front-end businesses and suppliers, the Company has established a business-oriented production plan control mechanism to shorten average lead time and improve its flexible supply capability.
- The Company continued to promote digitalisation with the newly launched system PLM (Product Lifecycle Management) already being applied to brand operations. In respect of suppliers, the Company simultaneously promoted the reinforcement of digitalisation of factories, which included supporting major partnering factories to upgrade the functions of their MESs (Manufacturing Execution Systems) to get them well-prepared for the integration of data between our brand and the suppliers. During the period, the Company studied the promotion and use of 3D printing moulds and continued to optimise the mould structure with a focus on the promotion of water pipe mould and its standardised application. The Company has applied for national utility model patent for the water pipe mould.

- In respect of social responsibility, the Company developed such policies and systems as the “Supplier Management System”, “Supplier Social Responsibility Management Manual of LI-NING” and “Implementation Guidelines on Social Responsibility of LI-NING’s Suppliers”, issued the “Management Commitment on Anti-forced Labor”, and formed internal system procedures such as the “Internal Risk Management Procedure for Anti-forced Labor in Supply Chain of Li Ning Company Limited”. In 2023, with reference to the domestic and international social responsibility indicators systems, we continued to improve the evaluation system of suppliers’ social responsibility, so as to strengthen the management over social risks of suppliers, and drive partners along our brand value chain to better fulfil their social responsibilities and hence build a sustainable value chain.
- In May 2023, the Company became a member of the United Nations Global Compact (UNGC), currently the largest international organisation in the world promoting corporate sustainability with more than 20,000 corporate and other stakeholder members from nearly 170 countries. Committed to the ten principles of UNGC in the four areas of human rights, labour standards, environment and anti-corruption, the Company incorporated sustainability into its corporate strategies and operations, and continued to perform its corporate social responsibility with high standards as always along its journey towards our vision of sustainability.
- The Company encouraged suppliers, where appropriate, to benchmark against the relevant domestic and international sustainability standards and obtain relevant certifications for responsible production. We attached importance not only to the social and environmental management of our suppliers, but also to their protection of animal welfare. Since 2014, the down factories cooperating with the Company have gradually obtained RDS (Responsible Down Standard) certification and have now achieved 100% coverage. Through the RDS certification, we took the humanitarian protection of animals as our starting point and envisioned to use downs and feathers from animals that have not been unnecessarily harmed in any way to the largest extent during our procurement and production process.

## NEW BUSINESS

### LI-NING YOUNG

In the first half of 2023, LI-NING YOUNG optimized its product mix, scaled up its efforts in the development of professional sports product lines and enhanced channel efficiency, with a view to promoting business growth on an ongoing basis.

- In respect of products, the Group continued to streamline various product lines and optimized its product structure. It has established the professional sports matrix with strong emphasis on running, professional basketball and integrated fitness, and continuous efforts have been made in the innovation of product technology, material, categorization and style. Based on the characteristics of the body shape of kids and their needs of sports, the Group has set tone for the block design and direction of research and development, thereby steadily establishing a technology matrix for kids in combination with the existing technology resources of the Company.

## Management Discussion and Analysis (Continued)

- For channel development, we continued to increase the proportion of stores in high-tier markets, improve store planning and consolidate the resources of low-efficiency stores. More efforts have been devoted to the development of direct operation business and channels, consolidation of distributors' resources and optimization of channel structure. The Group has put in place channel development strategies to further tap into the high-tier markets, at the same time paying attention to its outlets system. These initiatives have contributed to a higher proportion of high-tier market channels, thereby further optimizing the channel structure. The Group has expedited the development of high-efficiency stores with store efficiency enhancement as the main business focus. It has also perfected the digitalized system to strengthen its management capability of retail stores.
- For marketing, the Group consolidated its marketing resources and promoted the implementation of integrated marketing campaigns. Riding on the Group's marathon resources and the spring marketing cycle for running products, the Group promoted the professional running shoes "Super Light 20th YOUNG" (超輕20 YOUNG) and other integrated fitness and running apparel products via family activities of the running club, marathon events and live-streaming or on-site sales activities held in Wuxi, Shenzhen and Qingdao. Meanwhile, the Group also organized family activities for over 300 families in Guangzhou and Changsha, and facilitated the smooth running of the primary school basketball league in 15 cities. Furthermore, the Group sponsored and collaborated with organizations including Hubei Football Association, Wuhan Football Association and Beijing Football Association, which fueled the business growth of LI-NING YOUNG football.
- As of 30 June 2023, LI-NING YOUNG has a total of 1,281 stores. Looking forward, we will continue to intensely develop our kidswear business. Leveraging the LI-NING brand, we will enhance the marketing efforts of the kidswear brand, take a product-focused approach to upgrade core product technology and design, and advance the exploration of market demands and product categorization. Consistent efforts will be devoted to channel expansion, retail operations and supply chain resources, so as to develop LI-NING YOUNG into a leading professional sportswear brand for kids in China.

## HUMAN RESOURCES

Based on the strategic goal of the Company, the human resources department pushed forward organizational reform, talent development, upgrade of performance system and promotion of cultural values in an orderly manner, putting persistent efforts in building a "muscular organization".

- Regarding organizational development, the Company placed emphasis on promoting the development of a retail operation and management system to boost its retail operation capability and efficiency and to improve the standard of refined business management. Meanwhile, the Company reformed and upgraded the operating model of human resources organization to expedite the transformation of human resources. By innovating the organizational mechanism, the Company optimized the structure and enhanced the operation efficiency of the organization.

- In terms of talent management, the Company continued to optimize the talent supply chain management system by gradually building a reserve of multi-level talents, developing diversified channels for talent recruitment and accelerating the nurturing of management trainees. It stepped up its efforts in recruiting core talents for key positions and strengthening the reserve of young talents, with a view to providing sufficient talent guarantee for the strategic development of the Company.
- In terms of remuneration and performance management, the Company implemented a result-oriented remuneration and incentive system that values fairness, and made steady and orderly progress in the implementation of a corporate and employee performance indicator system, thereby fostering an organic connection between corporate performance and individual performance. The establishment of a result-oriented and high-performance culture that upholds strategic collaboration, fairness and integrity would ensure a consistent direction for overall development to create synergy across the Company.
- Regarding culture and staff relationship, the Company continued to promote the core values of its corporate culture by organizing seminars on core values for managers at different levels and offering trainings, learning activities and certification to all employees. It devoted continuous efforts in building a cultural value and atmosphere that motivate full engagement and collective commitment to foster the understanding and appreciation of the Company's core values among employees, which have been adopted as the code of conduct and judgement criteria to guide business practices. In addition, the Company cooperated with the labor union to hold a variety of company activities, such as tree planting activities, movie-viewing events, swimming, running and badminton games, as well as health and safety seminars for female employees, in a bid to enrich the leisure life of employees and continuously enhance their health awareness. Furthermore, activities on bringing love and warmth to employees were carried out to provide assistance to staff members of the Company in difficulty, which helped to enhance the satisfaction and engagement of employees.

In the future, the Company will invariably focus on business strategies and further promote the reform and digitalization of the human resources operating model. It will also optimize the remuneration and incentive system, improve talent review and training, and refine the application and implementation of the core values in business scenario, with a view to continuously fostering and iterating on the core organizational capacity of the Company.

As at 30 June 2023, the Group had 4,672 employees (31 December 2022: 4,610 employees), among which 4,495 employees were at the Group's headquarters, Guangxi Supply Base and retail subsidiaries (31 December 2022: 4,422 employees), and 177 employees were at other subsidiaries (31 December 2022: 188 employees).

## OUTLOOK

Looking forward into the second half of 2023, with the weakening downside momentum of the global economy and the falling inflation of major economies, the global service sector will see a steady recovery. However, the revival of the manufacturing and commodity trading sectors will remain sluggish and face hardship. The overall Chinese economy will continue to recover with sustained moderate recovery of the consumption market, hence achieving both the goal of boosting consumer confidence and promoting consumption. While focusing on professional sports, brand reputation and product innovation, the Group will continue to pursue the core strategy of “Single Brand, Multi-categories, Diversified Channels” and realize sustainable growth and profitability of LI-NING by leveraging the organizational capacity as a “muscular” corporation.

- In respect of products, we will remain committed to the research and development for improvement of product functions and technological innovation. We aim to provide consumers with more professional and functional sports products integrated with fashionable elements, which will better showcase the sports fashion culture and provide consumers with diversified consumption experience, and hence expand our brand influence. Meanwhile, we will continue to optimize the professional product matrix and increase the proportion of professional products by upgrading the fabrics and enhancing the technology attributes of products;
- For channel layout, with optimization of channel structure and enhancement of channel efficiency as our focus, we will continue to develop the channel layout of big stores with high efficiency with a view to providing better product experience, shopping experience and sports experience to the consumers. At the same time, we will accelerate the rectification of low-efficiency stores with enhancing and optimizing store efficiency as our main business goal, so as to resume our high-quality growth trajectory;
- In respect of retail operation and supply chain, we will strengthen our product management and upgrade our logistics strategies to maintain the efficiency of inventory turnover. Channel upgrade and transformation in tandem with the integration of online and offline channels will be implemented in a bid to optimize the efficiency of retail operation. In order to improve the supply chain structure and logistics system, we will promote supply chain reform and adopt proactive production based on consumers’ demand to strengthen the agile supply and rapid response ability of the supply chain;
- For marketing, we will place emphasis on the investments in marketing resources and strive to constantly upgrade our professional brand image as well as deepen consumers’ awareness of LI-NING brand with an aim to establish the brand as consumers’ first-choice professional sports brand;
- In respect of new business, focusing on enhancing profitability as well as store efficiency and performance, we will flexibly utilize resources in an innovative manner, explore business opportunities and market potential in order to promote the growth and sustainability of our businesses.

Under the support of national policies, the Company will steer its efforts towards the development of public sports with Chinese characteristics, making new and greater contribution in building the country into a healthy and strong sports nation. The Company will seek to become widely accepted by the general public with more diversified channels and products, open up rooms for development in the longer-term, as well as create values for the society, the public and the industry, all the while leading the Chinese sports industry to expand its presence on the global stage and bringing the spirit of “Anything is Possible” into real practice.



# STANDING OUT



# Condensed Consolidated Interim Financial Information

## Interim Condensed Consolidated Balance Sheet

|   | Note | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|---|------|---|---|
| <b>ASSETS</b>   |      |   |   |
| <b>Non-current assets</b>                                 |      |   |   |
| Property, plant and equipment                             | 7    | 3,499,151                               | 3,234,563                                 |
| Right-of-use assets                                       | 8    | 2,449,070                               | 2,022,229                                 |
| Investment properties                                     | 9    | 1,991,010                               | 1,802,227                                 |
| Land use rights   | 10   | 156,882                                 | 158,781                                   |
| Intangible assets   | 11   | 223,633                                 | 217,236                                   |
| Deferred income tax assets                                |      | 737,824                                 | 693,402                                   |
| Other assets  | 14   | 2,142                                   | 287,707                                   |
| Investments accounted for using the equity method         | 12   | 1,469,255                               | 1,369,403                                 |
| Investments measured at fair value through profit or loss | 5.3  | –                                       | 174,597                                   |
| Other receivables   | 16   | 247,064                                 | 268,183                                   |
| Long-term bank deposits                                   |      | 10,275,722                              | 11,023,296                                |
| <b>Total non-current assets</b>                           |      | <b>21,051,753</b>                       | <b>21,251,624</b>                         |
| <b>Current assets</b>                                     |      |   |   |
| Inventories   | 13   | 2,119,552                               | 2,428,040                                 |
| Other assets – current portion                            | 14   | 789,678                                 | 831,578                                   |
| Trade receivables   | 15   | 1,200,008                               | 1,020,346                                 |
| Other receivables – current portion                       | 16   | 172,179                                 | 88,419                                    |
| Restricted bank deposits                                  |      | 1,011                                   | 970                                       |
| Short-term bank deposits                                  |      | 2,537,891                               | 643,324                                   |
| Cash and cash equivalents                                 |      | 6,410,689                               | 7,382,218                                 |
| <b>Total current assets</b>                               |      | <b>13,231,008</b>                       | <b>12,394,895</b>                         |
| <b>Total assets</b>                                       |      | <b>34,282,761</b>                       | <b>33,646,519</b>                         |

# Condensed Consolidated Interim Financial Information (Continued)

## Interim Condensed Consolidated Balance Sheet (Continued)

|   | Note | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|---|------|---|---|
| <b>EQUITY</b>   |      |   |   |
| <b>Capital and reserves attributable to equity holders of the Company</b> |      |   |   |
| Ordinary shares   | 17   | 240,510                                 | 240,320                                   |
| Share premium   | 17   | 10,422,650                              | 11,580,718                                |
| Shares held for Restricted Share Award Scheme                             | 17   | (146,541)                               | (180,839)                                 |
| Other reserves  | 18   | 1,830,628                               | 1,792,412                                 |
| Retained earnings   | 18   | 13,018,050                              | 10,896,819                                |
|   |      | 25,365,297                              | 24,329,430                                |
| <b>Non-controlling interests in equity</b>                                |      | –                                       | 2,498                                     |
| <b>Total equity</b>   |      | 25,365,297                              | 24,331,928                                |
| <b>LIABILITIES</b>  |      |   |   |
| <b>Non-current liabilities</b>  |      |   |   |
| License fees payable  | 21   | 12,151                                  | 15,531                                    |
| Lease liabilities   | 8    | 1,894,870                               | 1,473,905                                 |
| Deferred income tax liabilities   |      | 491,652                                 | 518,731                                   |
| Deferred income   | 22   | 76,009                                  | 65,591                                    |
| <b>Total non-current liabilities</b>                                      |      | 2,474,682                               | 2,073,758                                 |
| <b>Current liabilities</b>  |      |   |   |
| Trade payables  | 19   | 1,542,955                               | 1,584,424                                 |
| Contract liabilities  |      | 236,888                                 | 252,090                                   |
| Lease liabilities – current portion                                       | 8    | 689,501                                 | 667,762                                   |
| Other payables and accruals   | 20   | 3,227,783                               | 3,648,720                                 |
| License fees payable – current portion                                    | 21   | 99,726                                  | 50,540                                    |
| Current income tax liabilities  |      | 645,929                                 | 1,037,297                                 |
| <b>Total current liabilities</b>  |      | 6,442,782                               | 7,240,833                                 |
| <b>Total liabilities</b>  |      | 8,917,464                               | 9,314,591                                 |
| <b>Total equity and liabilities</b>                                       |      | 34,282,761                              | 33,646,519                                |

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<br>Six months ended 30 June |                  |
|--|------|---------------------------------------|------------------|
|  |      | 2023<br>RMB'000                       | 2022<br>RMB'000  |
| Revenue  | 6    | 14,018,947                            | 12,408,665       |
| Cost of sales  | 23   | (7,180,183)                           | (6,207,890)      |
| <b>Gross profit</b>  |      | <b>6,838,764</b>                      | <b>6,200,775</b> |
| Selling and distribution expenses  | 23   | (3,948,420)                           | (3,382,990)      |
| Administrative expenses  | 23   | (590,757)                             | (518,104)        |
| Reversal of expected credit loss allowance for financial assets – net  |      | 10,806                                | 7,341            |
| Other income and other gains – net   | 24   | 164,831                               | 336,602          |
| <b>Operating profit</b>  |      | <b>2,475,224</b>                      | <b>2,643,624</b> |
| Finance income   | 25   | 305,070                               | 228,608          |
| Finance expenses   | 25   | (81,366)                              | (54,877)         |
| Finance income – net   | 25   | 223,704                               | 173,731          |
| Share of profit of investments accounted for using the equity method   | 12   | 101,873                               | 101,646          |
| <b>Profit before income tax</b>  |      | <b>2,800,801</b>                      | <b>2,919,001</b> |
| Income tax expense   | 26   | (679,518)                             | (729,693)        |
| <b>Profit for the period</b>   |      | <b>2,121,283</b>                      | <b>2,189,308</b> |
| <b>Profit is attributable to:</b>  |      |                                       |                  |
| Equity holders of the Company  |      | 2,121,231                             | 2,189,308        |
| Non-controlling interests  |      | 52                                    | –                |
|  |      | <b>2,121,283</b>                      | <b>2,189,308</b> |
| <b>Earnings per share for profit attributable to equity holders of the Company for the period (expressed in RMB cents per share)</b> |      |                                       |                  |
| Basic earnings per share   | 27   | 80.63                                 | 83.77            |
| Diluted earnings per share   | 27   | 80.34                                 | 83.00            |

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

## Condensed Consolidated Interim Financial Information (Continued)

### Interim Condensed Consolidated Statement of Comprehensive Income

|   | Note | Unaudited<br>Six months ended 30 June |                  |
|---|------|---------------------------------------|------------------|
|   |      | 2023<br>RMB'000                       | 2022<br>RMB'000  |
| Profit for the period                                   |      | 2,121,283                             | 2,189,308        |
| Other comprehensive income/(loss):                      |      |                                       |                  |
| <i>Items that may be reclassified to profit or loss</i> |      |                                       |                  |
| Currency translation differences                        | 18   | 3,281                                 | (2,870)          |
| <b>Total comprehensive income for the period</b>        |      | <b>2,124,564</b>                      | <b>2,186,438</b> |
| Attributable to:  |      |                                       |                  |
| Equity holders of the Company                           |      | 2,124,512                             | 2,186,438        |
| Non-controlling interests                               |      | 52                                    | –                |
| <b>Total comprehensive income for the period</b>        |      | <b>2,124,564</b>                      | <b>2,186,438</b> |

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                                     |  |  |           |   |  |                     |  |                         |
|--|---|--|--|-----------|---|--|---------------------|--|-------------------------|
|  | Attributable to equity holders of the Company |  |  |           |   |  |                     |  |                         |
|  | Ordinary<br>shares<br>RMB'000<br>(Note 17)    | Shares held for                          |  |           | Other<br>reserves<br>RMB'000<br>(Note 18) | Retained<br>earnings<br>RMB'000<br>(Note 18) | Subtotal<br>RMB'000 | Non-controlling<br>interests in<br>equity<br>RMB'000 | Total equity<br>RMB'000 |
|  |   | Share<br>premium<br>RMB'000<br>(Note 17) | Restricted Share<br>Award Scheme<br>RMB'000<br>(Note 17) |           |   |  |                     |  |                         |
| As at 1 January 2023   | 240,320                                       | 11,580,718                               | (180,839)  | 1,792,412 | 10,896,819                                | 24,329,430                                   | 2,498               | 24,331,928   |                         |
| Total comprehensive income for the period  | -   | -  | -  | 3,281     | 2,121,231                                 | 2,124,512                                    | 52                  | 2,124,564  |                         |
| Transactions with owners:  |   |  |  |           |   |  |                     |  |                         |
| Net proceeds from share issuance pursuant to share option scheme                       | 189   | 6,031                                    | -  | -         | -   | 6,220  | -                   | 6,220  |                         |
| Value of services provided under share option scheme and Restricted Share Award Scheme | -   | -  | -  | 91,820    | -   | 91,820                                       | -                   | 91,820   |                         |
| Exercise of share options and vesting of shares under Restricted Share Award Scheme    | -   | 56,061                                   | 38,423   | (94,484)  | -   | -  | -                   | -  |                         |
| Shares purchased for Restricted Share Award Scheme                                     | -   | -  | (4,125)  | -         | -   | (4,125)                                      | -                   | (4,125)  |                         |
| Shares converted from convertible securities   | 1   | 33                                       | -  | (34)      | -   | -  | -                   | -  |                         |
| Dividends (Note 28)  | -   | (1,220,193)                              | -  | -         | -   | (1,220,193)                                  | -                   | (1,220,193)  |                         |
| Tax impact of employee share-based compensation scheme                                 | -   | -  | -  | 37,633    | -   | 37,633                                       | -                   | 37,633   |                         |
| Derecognition of non-controlling interests upon deregistration of a subsidiary         | -   | -  | -  | -         | -   | -  | (2,550)             | (2,550)  |                         |
| As at 30 June 2023   | 240,510                                       | 10,422,650                               | (146,541)  | 1,830,628 | 13,018,050                                | 25,365,297                                   | -                   | 25,365,297   |                         |

# Condensed Consolidated Interim Financial Information (Continued)

## Interim Condensed Consolidated Statement of Changes in Equity (Continued)

|  | Unaudited                                     |             |                  |           |           |             |                 |              |
|--|---|-------------|------------------|-----------|-----------|-------------|-----------------|--------------|
|  | Attributable to equity holders of the Company |             |                  |           |           |             |                 |              |
|  | Ordinary                                      | Share       | Shares held for  | Other     | Retained  |             | Non-controlling |              |
|  | shares  | premium     | Restricted Share | reserves  | earnings  | Subtotal    | interests in    | Total equity |
| RMB'000  | RMB'000                                       | RMB'000     | RMB'000          | RMB'000   | RMB'000   | RMB'000     | RMB'000         | RMB'000      |
| (Note 17)  | (Note 17)                                     | (Note 17)   | (Note 18)        | (Note 18) |           |             |                 |              |
| As at 1 January 2022   | 238,759                                       | 12,637,277  | (37,840)         | 1,241,767 | 7,021,583 | 21,101,546  | 2,561           | 21,104,107   |
| Total comprehensive income for the period  | -   | -           | -                | (2,870)   | 2,189,308 | 2,186,438   | -               | 2,186,438    |
| Transactions with owners:  |   |             |                  |           |           |             |                 |              |
| Net proceeds from share issuance pursuant to share option scheme                       | 107   | 8,867       | -                | -         | -         | 8,974       | -               | 8,974        |
| Value of services provided under share option scheme and Restricted Share Award Scheme | -   | -           | -                | 110,502   | -         | 110,502     | -               | 110,502      |
| Exercise of share options and vesting of shares under Restricted Share Award Scheme    | -   | 5,065       | 1,204            | (6,269)   | -         | -           | -               | -            |
| Shares purchased for Restricted Share Award Scheme                                     | -   | -           | (52,008)         | -         | -         | (52,008)    | -               | (52,008)     |
| Shares converted from convertible securities   | -   | 4           | -                | (4)       | -         | -           | -               | -            |
| Dividends (Note 28)  | -   | (1,194,720) | -                | -         | -         | (1,194,720) | -               | (1,194,720)  |
| Tax impact of employee share-based compensation scheme                                 | -   | -           | -                | 7,173     | -         | 7,173       | -               | 7,173        |
| As at 30 June 2022   | 238,866                                       | 11,456,493  | (88,644)         | 1,350,299 | 9,210,891 | 22,167,905  | 2,561           | 22,170,466   |

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<br>Six months ended 30 June |                    |
|--|--------|---------------------------------------|--------------------|
|  |        | 2023<br>RMB'000                       | 2022<br>RMB'000    |
| <b>Cash flows from operating activities:</b>   |        |                                       |                    |
| Cash generated from operations   |        | 3,047,187                             | 2,872,865          |
| Income tax paid  |        | (1,104,756)                           | (1,289,633)        |
| <b>Net cash generated from operating activities</b>  |        | <b>1,942,431</b>                      | <b>1,583,232</b>   |
| <b>Cash flows from investing activities:</b>   |        |                                       |                    |
| – purchases of property, plant and equipment   |        | (636,136)                             | (659,195)          |
| – purchases of investment properties   |        | (2,468)                               | (58,381)           |
| – purchases of intangible assets   |        | (32,450)                              | (29,481)           |
| – proceeds from disposal of property, plant and equipment                                      |        | 2,253                                 | 5,847              |
| – purchases of wealth management products  |        | (3,567,000)                           | (9,271,600)        |
| – redemption of the principal amounts of wealth management products                            |        | 3,567,000                             | 9,271,600          |
| – placement of long-term bank deposits   |        | (1,000,000)                           | (3,800,000)        |
| – placement of short-term bank deposits  |        | –                                     | (200,000)          |
| – redemption of long-term bank deposits  |        | –                                     | 20,000             |
| – redemption of short-term bank deposits   |        | 50,000                                | 280,000            |
| – investment income from wealth management products  | 24     | 38,063                                | 77,271             |
| – interest received from bank deposits   |        | 43,323                                | 62,954             |
| – distribution received in relation to financial assets at fair value through profit or loss   |        | 179,504                               | –                  |
| – loan repayments from a joint venture   | 31(e)  | –                                     | 10,000             |
| – dividends from an associate  |        | 1,791                                 | –                  |
| – proceeds from deregistration of a joint venture  |        | 229                                   | –                  |
| – cash paid to settle the payables in relation to acquisition of subsidiaries in previous year |        | –                                     | (11,369)           |
| – payments for investments in joint ventures and an associate                                  |        | –                                     | (12,670)           |
| <b>Net cash used in investing activities</b>   |        | <b>(1,355,891)</b>                    | <b>(4,315,024)</b> |
| <b>Cash flows from financing activities:</b>   |        |                                       |                    |
| – dividends paid   | 17, 28 | (1,220,193)                           | (1,194,720)        |
| – proceeds from issuance of ordinary shares  | 17     | 6,220                                 | 8,974              |
| – purchases of shares for Restricted Share Award Scheme  |        | (4,125)                               | (52,008)           |
| – payment of principals and related interests of lease liabilities                             |        | (413,194)                             | (284,801)          |
| – proceeds from bank borrowings  |        | 750,000                               | 200,000            |
| – repayment of bank borrowings   |        | (750,000)                             | (200,000)          |
| – interest paid  |        | (3,993)                               | (1,539)            |
| – cash paid to non-controlling interests upon deregistration of a subsidiary                   |        | (2,550)                               | –                  |
| <b>Net cash used in financing activities</b>   |        | <b>(1,637,835)</b>                    | <b>(1,524,094)</b> |
| <b>Net decrease in cash and cash equivalents</b>   |        | <b>(1,051,295)</b>                    | <b>(4,255,886)</b> |
| Cash and cash equivalents at beginning of period   |        | 7,382,218                             | 14,744,899         |
| Exchange gains on cash and cash equivalents  |        | 79,766                                | 85,992             |
| <b>Cash and cash equivalents at end of period</b>  |        | <b>6,410,689</b>                      | <b>10,575,005</b>  |

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 10 August 2023.

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 2023 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 2022, 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 2022, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings. A number of new or amended standards have become applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

#### ***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 2023 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 condensed consolidated 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 2022.

### 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 2022.

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

#### 5.2 Liquidity risk

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

|  | Less than<br>1 year<br>RMB'000 | Between<br>1 and 2 years<br>RMB'000 | Between<br>2 and 5 years<br>RMB'000 | Over<br>5 years<br>RMB'000 |
|--|--------------------------------|-------------------------------------|-------------------------------------|----------------------------|
| <b>As at 30 June 2023</b>  |                                |                                     |                                     |                            |
| License fees payable   | 100,306                        | 9,500                               | 5,000                               | –                          |
| Trade payables   | 1,542,955                      | –                                   | –                                   | –                          |
| Other payables (excluding refunds liabilities, wages and welfare payables, and other tax payables) | 2,042,454                      | –                                   | –                                   | –                          |
| Lease liabilities  | 819,724                        | 650,370                             | 831,552                             | 971,888                    |
|  | 4,505,439                      | 659,870                             | 836,552                             | 971,888                    |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 5. Financial risk management (Continued)

#### 5.2 Liquidity risk (Continued)

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

#### 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.

As at 30 June 2023, the Group does not have any financial assets or financial liabilities measured at fair value. The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2022 on a recurring basis:

| At 31 December 2022   | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| <b>Financial assets</b>   |                    |                    |                    |                  |
| Private equity fund<br>investments, measured at<br>fair value through profit or<br>loss | –                  | –                  | 174,597            | 174,597          |

## **Notes to Condensed Consolidated Interim Financial Information** *(Continued)*

### **5. Financial risk management** *(Continued)*

#### **5.3 Fair value estimation** *(Continued)*

(a) *Fair value hierarchy (Continued)*

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 marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for private equity fund investments and investments in wealth management products with expected rates of return ranging from 1.75% to 3.26% for the six months ended 30 June 2023.

# Condensed Consolidated Interim Financial Information (Continued)

## 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 2023:

|  | Wealth management products<br>RMB'000 | Investments measured at fair value through profit or loss<br>RMB'000 | Total<br>RMB'000 |
|--|---------------------------------------|--|------------------|
| As at 1 January 2023   | –                                     | 174,597  | 174,597          |
| Additions  | 3,567,000                             | –  | 3,567,000        |
| Settlements  | (3,605,063)                           | (179,504)  | (3,784,567)      |
| Changes in fair value  | 38,063                                | 4,907  | 42,970           |
| <b>As at 30 June 2023</b>  | <b>–</b>                              | <b>–</b>   | <b>–</b>         |
| 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 2023 | –                                     | –  | –                |

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                    |                                   | Valuation Technique | Significant unobservable inputs* | Value of inputs as at     |                               | Relationship of unobservable inputs to fair value |
|-------------|-------------------------------|-----------------------------------|---------------------|----------------------------------|---------------------------|-------------------------------|---|
|             | Fair value as at 30 June 2023 | Fair value as at 31 December 2022 |                     |                                  | inputs as at 30 June 2023 | inputs as at 31 December 2022 |   |
|             | RMB'000                       | RMB'000                           |                     |                                  |                           |                               |   |

**Financial assets**

|  |   |         |                 |     |     |     |     |
|--|---|---------|-----------------|-----|-----|-----|-----|
| Private equity fund investments (Note a) | - | 174,597 | Net asset value | N/A | N/A | N/A | N/A |
|--|---|---------|-----------------|-----|-----|-----|-----|

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

Note a:

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

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

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

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 6. Segment information and revenue (Continued)

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

#### Revenue breakdown by product category

|                           | Unaudited                |                   |
|---------------------------|--------------------------|-------------------|
|                           | Six months ended 30 June |                   |
|                           | 2023                     | 2022              |
|                           | RMB'000                  | RMB'000           |
| Footwear                  | 7,514,672                | 6,758,808         |
| Apparel                   | 5,639,911                | 4,906,647         |
| Equipment and accessories | 864,364                  | 743,210           |
| <b>Total</b>              | <b>14,018,947</b>        | <b>12,408,665</b> |

#### Revenue breakdown by sales channel

|                                  | Unaudited                |                   |
|----------------------------------|--------------------------|-------------------|
|                                  | Six months ended 30 June |                   |
|                                  | 2023                     | 2022              |
|                                  | RMB'000                  | RMB'000           |
| The PRC market:                  |                          |                   |
| Sales to franchised distributors | 6,724,040                | 5,901,205         |
| Sales from direct operation      | 3,409,502                | 2,786,983         |
| Sales from e-commerce channel    | 3,595,353                | 3,534,298         |
| Other regions                    | 290,052                  | 186,179           |
| <b>Total</b>                     | <b>14,018,947</b>        | <b>12,408,665</b> |

Revenue by geographical location above 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 2023 and 2022, 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        | Leasehold              | Mould         | Machinery      | Office                                     | Construction-          | Total            |
|  | RMB'000          | improvement<br>RMB'000 | RMB'000       | RMB'000        | equipment and<br>motor vehicles<br>RMB'000 | in-progress<br>RMB'000 |                  |
| <b>Six months ended 30 June 2023</b>                         |                  |                        |               |                |  |                        |                  |
| As at 1 January 2023   | 553,862          | 911,779                | 106,420       | 87,365         | 79,224                                     | 1,495,913              | 3,234,563        |
| Additions  | -                | 277,639                | 22,933        | 31,891         | 21,863                                     | 570,629                | 924,955          |
| Transfers  | 974,003          | 8,728                  | -             | 91             | 6,880                                      | (989,702)              | -                |
| Transfers to investment properties<br>upon change of use (a) | (216,674)        | -                      | -             | -              | -  | -                      | (216,674)        |
| Disposals  | -                | (15,013)               | -             | (91)           | (810)                                      | -                      | (15,914)         |
| Depreciation charge (b)                                      | (16,538)         | (344,209)              | (45,782)      | (6,952)        | (14,298)                                   | -                      | (427,779)        |
| <b>As at 30 June 2023</b>                                    | <b>1,294,653</b> | <b>838,924</b>         | <b>83,571</b> | <b>112,304</b> | <b>92,859</b>                              | <b>1,076,840</b>       | <b>3,499,151</b> |
| <b>Six months ended 30 June 2022</b>                         |                  |                        |               |                |  |                        |                  |
| As at 1 January 2022   | 592,380          | 739,089                | 82,777        | 58,949         | 59,098                                     | 93,594                 | 1,625,887        |
| Additions  | 1,043            | 306,780                | 22,466        | 6,587          | 14,259                                     | 141,343                | 492,478          |
| Transfers  | (16,324)         | -                      | -             | -              | -  | 16,324                 | -                |
| Disposals  | -                | (8,870)                | -             | (50)           | (1,753)                                    | -                      | (10,673)         |
| Depreciation charge  | (11,782)         | (281,947)              | (34,687)      | (6,037)        | (10,040)                                   | -                      | (344,493)        |
| <b>As at 30 June 2022</b>                                    | <b>565,317</b>   | <b>755,052</b>         | <b>70,556</b> | <b>59,449</b>  | <b>61,564</b>                              | <b>251,261</b>         | <b>1,763,199</b> |

#### Notes:

- (a) During the six months ended 30 June 2023, the Group negotiated with a third party and a related party (collectively, the "Lessees") respectively, pursuant to which the Group agreed to lease certain properties to the Lessees for a lease term ranging from 18 months to 5 years. As a result of the negotiation about these lease agreements, the related properties were transferred from property, plant and equipment to investment properties at the aggregated carrying amount of RMB216,674,000 (Note 9).
- (b) Depreciation expenses of RMB50,351,000 (30 June 2022: RMB44,572,000) has been charged to cost of sales, RMB353,714,000 (30 June 2022: RMB291,804,000) to selling and distribution expenses and RMB23,714,000 (30 June 2022: RMB8,117,000) to administrative expenses.

# Condensed Consolidated Interim Financial Information (Continued)

## 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 interim condensed consolidated balance sheet

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

|                            | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|----------------------------|---|---|
| <b>Right-of-use assets</b> |   |   |
| Properties                 | 2,449,070                               | 2,022,229                                 |
|                            |   |   |
|                            |   |   |
|                            |   |   |
|                            |   |   |
| <b>Lease liabilities</b>   |   |   |
| Current                    | 689,501                                 | 667,762                                   |
| Non-current                | 1,894,870                               | 1,473,905                                 |
|                            | 2,584,371                               | 2,141,667                                 |

Additions to the right-of-use assets during the six months ended 30 June 2023 was RMB832,374,000 (30 June 2022: RMB562,154,000).

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 8. Leases (Continued)

#### (ii) Amounts recognised in the interim condensed consolidated income statement

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

|   | Note | Unaudited                     |         |
|---|------|-------------------------------|---------|
|   |      | Six months ended 30 June 2023 | 2022    |
|   |      | RMB'000                       | RMB'000 |
| Depreciation on right-of-use assets   | 23   | 363,257                       | 278,060 |
| Amortisation of discount – lease liabilities (included in finance expenses)   | 25   | 67,319                        | 44,117  |
| Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)             | 23   | 241,468                       | 150,087 |
| Expense relating to variable lease payments not included in lease liabilities (included in selling and distribution expenses) | 23   | 342,956                       | 263,079 |

The total cash outflow for leases for the six months ended 30 June 2023 was RMB984,767,000 (30 June 2022: RMB650,832,000).

### 9. Investment properties

|  | Construction in progress | Unaudited          |                  |
|--|--------------------------|--------------------|------------------|
|  |                          | Land and buildings | Total            |
|  | RMB'000                  | RMB'000            | RMB'000          |
| <b>Six months ended 30 June 2023</b>                                     |                          |                    |                  |
| As at 1 January 2023   | 5,298                    | 1,796,929          | 1,802,227        |
| Additions  | –                        | 2,468              | 2,468            |
| Transfers from property, plant and equipment upon change of use (Note 7) | –                        | 216,674            | 216,674          |
| Transfers  | (5,298)                  | 5,298              | –                |
| Depreciation charge  | –                        | (30,359)           | (30,359)         |
| <b>As at 30 June 2023</b>  | <b>–</b>                 | <b>1,991,010</b>   | <b>1,991,010</b> |
| <b>Six months ended 30 June 2022</b>                                     |                          |                    |                  |
| As at 1 January 2022   | –                        | 1,850,045          | 1,850,045        |
| Additions  | –                        | 7,709              | 7,709            |
| Depreciation charge  | –                        | (29,639)           | (29,639)         |
| <b>As at 30 June 2022</b>  | <b>–</b>                 | <b>1,828,115</b>   | <b>1,828,115</b> |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 10. Land use rights

|                               | Unaudited<br>RMB'000 |
|-------------------------------|----------------------|
| Six months ended 30 June 2023 |                      |
| As at 1 January 2023          | 158,781              |
| Amortisation charge           | (1,899)              |
| <b>As at 30 June 2023</b>     | <b>156,882</b>       |
| Six months ended 30 June 2022 |                      |
| As at 1 January 2022          | 162,579              |
| Amortisation charge           | (1,899)              |
| <b>As at 30 June 2022</b>     | <b>160,680</b>       |

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 2022: RMB1,899,000) has been charged to administrative expenses.

### 11. Intangible assets

|                               | Goodwill<br>RMB'000 | Trademarks<br>and patents<br>RMB'000 | Unaudited<br>Computer<br>software<br>RMB'000 | License<br>rights<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------|---------------------|--------------------------------------|--|------------------------------|------------------|
| Six months ended 30 June 2023 |                     |                                      |  |                              |                  |
| As at 1 January 2023          | 107,384             | 8,586                                | 88,142                                       | 13,124                       | 217,236          |
| Additions                     | –                   | 503                                  | 30,953                                       | –                            | 31,456           |
| Amortisation charge           | –                   | (1,038)                              | (17,458)                                     | (6,563)                      | (25,059)         |
| <b>As at 30 June 2023</b>     | <b>107,384</b>      | <b>8,051</b>                         | <b>101,637</b>                               | <b>6,561</b>                 | <b>223,633</b>   |
| Six months ended 30 June 2022 |                     |                                      |  |                              |                  |
| As at 1 January 2022          | 107,384             | 9,785                                | 68,512                                       | 1,999                        | 187,680          |
| Additions                     | –                   | 35                                   | 18,920                                       | 26,250                       | 45,205           |
| Amortisation charge           | –                   | (820)                                | (13,629)                                     | (7,563)                      | (22,012)         |
| <b>As at 30 June 2022</b>     | <b>107,384</b>      | <b>9,000</b>                         | <b>73,803</b>                                | <b>20,686</b>                | <b>210,873</b>   |

Amortisation of RMB6,563,000 (30 June 2022: RMB7,563,000) has been charged to selling and distribution expenses and RMB18,496,000 (30 June 2022: RMB14,449,000) to administrative expenses.

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 12. Investments accounted for using the equity method

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

|                | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|----------------|---|---|
| Associates     | 1,174,323                               | 1,093,768                                 |
| Joint ventures | 294,932                                 | 275,635                                   |
|                | <b>1,469,255</b>                        | <b>1,369,403</b>                          |

Share of profit recognised in the interim condensed consolidated income statement are as follows:

|                | Unaudited<br>Six months ended 30 June<br>2023<br>RMB'000 | 2022<br>RMB'000 |
|----------------|--|-----------------|
| Associates     | 82,347   | 94,384          |
| Joint ventures | 19,526   | 7,262           |
|                | <b>101,873</b>   | <b>101,646</b>  |

Management is of the view that none of the Group's associates or joint ventures is individually material to the Group as at 30 June 2023.

### 13. Inventories

|   | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|---|---|---|
| Raw materials   | 36,814                                  | 19,302                                    |
| Work in progress  | 22,213                                  | 31,783                                    |
| Finished goods  | 2,203,913                               | 2,497,486                                 |
|   | <b>2,262,940</b>                        | <b>2,548,571</b>                          |
| Less: provision for write-down of inventories to net realisable value | <b>(143,388)</b>                        | <b>(120,531)</b>                          |
|   | <b>2,119,552</b>                        | <b>2,428,040</b>                          |

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB7,002,447,000 for the six months ended 30 June 2023 (30 June 2022: RMB6,059,912,000), which included inventory provision of RMB22,857,000 (30 June 2022: RMB12,986,000).

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 14. Other assets

|   | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|---|---|---|
| Other assets in relation to refunds (Note 20(a))          | 414,106                                 | 513,836                                   |
| Input value-added tax to be certified                     | 114,585                                 | 162,224                                   |
| Advances to suppliers                                     | 95,511                                  | 23,153                                    |
| Prepayment for advertising expenses                       | 86,668                                  | 54,739                                    |
| Prepaid rentals   | 50,564                                  | 50,984                                    |
| Prepayment for purchases of property, plant and equipment | 2,142                                   | 287,707                                   |
| Others  | 28,244                                  | 26,642                                    |
|   | 791,820                                 | 1,119,285                                 |
| Less: non-current portion                                 | (2,142)                                 | (287,707)                                 |
| Current portion   | 789,678                                 | 831,578                                   |

### 15. Trade receivables

|  | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|--|---|---|
| Accounts receivable  | 1,342,436                               | 1,172,857                                 |
| Less: expected credit loss allowance for trade receivables | (142,428)                               | (152,511)                                 |
|  | 1,200,008                               | 1,020,346                                 |

Customers are normally granted credit terms within 90 days. As at 30 June 2023 and 31 December 2022, ageing analysis of trade receivables based on invoice date is as follows:

|               | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|---------------|---|---|
| 0 – 30 days   | 850,206                                 | 579,558                                   |
| 31 – 60 days  | 186,597                                 | 305,891                                   |
| 61 – 90 days  | 95,363                                  | 99,031                                    |
| 91 – 180 days | 96,543                                  | 74,865                                    |
| Over 180 days | 113,727                                 | 113,512                                   |
|               | 1,342,436                               | 1,172,857                                 |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 15. Trade receivables (Continued)

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

|  | Unaudited                |                |
|--|--------------------------|----------------|
|  | Six months ended 30 June |                |
|  | 2023                     | 2022           |
|  | RMB'000                  | RMB'000        |
| As at 1 January  | 152,511                  | 208,281        |
| Reversal of expected credit loss allowance for trade receivables | (7,891)                  | (5,342)        |
| Trade receivables written off during the period as uncollectible | (2,872)                  | (14,287)       |
| Effect of change in exchange rate                                | 680                      | 488            |
| <b>As at 30 June</b>   | <b>142,428</b>           | <b>189,140</b> |

### 16. Other receivables

|   | Unaudited      | Audited       |
|---|----------------|---------------|
|   | 30 June        | 31 December   |
|   | 2023           | 2022          |
|   | RMB'000        | RMB'000       |
| Rental deposits                                 | 344,714        | 306,492       |
| Staff advances and other payments for employees | 757            | 773           |
| Others  | 77,879         | 56,026        |
| Less: expected credit loss allowance            | (4,107)        | (6,689)       |
|   | 419,243        | 356,602       |
| Less: non-current portion                       | (247,064)      | (268,183)     |
| <b>Current portion</b>                          | <b>172,179</b> | <b>88,419</b> |

Other receivables are measured at amortised cost. 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.

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

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

|   | Number of shares<br>(Thousands) | Approximate amount<br>HK\$'000 |
|---|---------------------------------|--------------------------------|
| Authorised at HK\$0.10 each             |                                 |                                |
| As at 30 June 2023 and 31 December 2022 | 10,000,000                      | 1,000,000                      |

#### Issued and fully paid

|   | Number of share<br>of HK\$0.10<br>each<br>(Thousands) | Number of<br>shares held for<br>Restricted Share<br>Award Scheme<br>(Thousands) | Ordinary shares<br>RMB'000 | Share<br>premium<br>RMB'000 | Shares held for<br>Restricted Share<br>Award Scheme<br>RMB'000 | Total<br>RMB'000  |
|---|---|---|----------------------------|-----------------------------|--|-------------------|
| As at 1 January 2023  | 2,633,920   | (6,933)   | 240,320                    | 11,580,718                  | (180,839)  | 11,640,199        |
| Net proceeds from shares issued pursuant to share option scheme (Note a)            | 2,110   | -   | 189                        | 6,031                       | -  | 6,220             |
| Shares converted from convertible securities (Note 18)                              | 13  | -   | 1                          | 33                          | -  | 34                |
| Exercise of share options and vesting of shares under Restricted Share Award Scheme | -   | 1,467   | -                          | 56,061                      | 38,423   | 94,484            |
| Shares purchased for Restricted Share Award Scheme                                  | -   | (106)   | -                          | -                           | (4,125)  | (4,125)           |
| Dividends (Note 28)   | -   | -   | -                          | (1,220,193)                 | -  | (1,220,193)       |
| <b>As at 30 June 2023</b>   | <b>2,636,043</b>                                      | <b>(5,572)</b>  | <b>240,510</b>             | <b>10,422,650</b>           | <b>(146,541)</b>   | <b>10,516,619</b> |
| As at 1 January 2022  | 2,616,546   | (4,158)   | 238,759                    | 12,637,277                  | (37,840)   | 12,838,196        |
| Net proceeds from shares issued pursuant to share option schemes (Note a)           | 1,275   | -   | 107                        | 8,867                       | -  | 8,974             |
| Shares converted from convertible securities (Note 18)                              | 2   | -   | -                          | 4                           | -  | 4                 |
| Exercise of share options and vesting of shares under Restricted Share Award Scheme | -   | 72  | -                          | 5,065                       | 1,204  | 6,269             |
| Shares purchased for Restricted Share Award Scheme                                  | -   | (1,000)   | -                          | -                           | (52,008)   | (52,008)          |
| Dividends (Note 28)   | -   | -   | -                          | (1,194,720)                 | -  | (1,194,720)       |
| <b>As at 30 June 2022</b>   | <b>2,617,823</b>                                      | <b>(5,086)</b>  | <b>238,866</b>             | <b>11,456,493</b>           | <b>(88,644)</b>  | <b>11,606,715</b> |

- (a) During the six months ended 30 June 2023, the Company issued 2,110,000 shares to an employee of the Group (30 June 2022: 1,275,000 shares issued to one director, certain employees and other participant of the Group) at weighted-average issue price of HK\$3.30 (30 June 2022: HK\$8.33) per share pursuant to the Company's 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 (Note) | 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 2023   | 610,409          | 951,521                 | 259,545                          | 2,408                         | (31,471)                        | 1,792,412        | 10,896,819        | 12,689,231        |
| Profit for the period  | -                | -                       | -                                | -                             | -                               | -                | 2,121,231         | 2,121,231         |
| Value of services provided under share option scheme and Restricted Share Award Scheme | -                | -                       | 91,820                           | -                             | -                               | 91,820           | -                 | 91,820            |
| Exercise of share options and vesting of shares under Restricted Share Award Scheme    | -                | -                       | (94,484)                         | -                             | -                               | (94,484)         | -                 | (94,484)          |
| Shares converted from convertible securities (Note)                                    | -                | -                       | -                                | (34)                          | -                               | (34)             | -                 | (34)              |
| Translation difference of foreign currency financial statements                        | -                | -                       | -                                | -                             | 3,281                           | 3,281            | -                 | 3,281             |
| Tax impact of employee share-based compensation scheme                                 | 37,633           | -                       | -                                | -                             | -                               | 37,633           | -                 | 37,633            |
| <b>As at 30 June 2023</b>  | <b>648,042</b>   | <b>951,521</b>          | <b>256,881</b>                   | <b>2,374</b>                  | <b>(28,190)</b>                 | <b>1,830,628</b> | <b>13,018,050</b> | <b>14,848,678</b> |
| As at 1 January 2022   | 420,662          | 762,923                 | 78,855                           | 2,415                         | (23,088)                        | 1,241,767        | 7,021,583         | 8,263,350         |
| Profit for the period  | -                | -                       | -                                | -                             | -                               | -                | 2,189,308         | 2,189,308         |
| Value of services provided under share option scheme and Restricted Share Award Scheme | -                | -                       | 110,502                          | -                             | -                               | 110,502          | -                 | 110,502           |
| Exercise of share options and vesting of shares under Restricted Share Award Scheme    | -                | -                       | (6,269)                          | -                             | -                               | (6,269)          | -                 | (6,269)           |
| Shares converted from convertible securities (Note)                                    | -                | -                       | -                                | (4)                           | -                               | (4)              | -                 | (4)               |
| Translation difference of foreign currency financial statements                        | -                | -                       | -                                | -                             | (2,870)                         | (2,870)          | -                 | (2,870)           |
| Tax impact of employee share-based compensation scheme                                 | 7,173            | -                       | -                                | -                             | -                               | 7,173            | -                 | 7,173             |
| <b>As at 30 June 2022</b>  | <b>427,835</b>   | <b>762,923</b>          | <b>183,088</b>                   | <b>2,411</b>                  | <b>(25,958)</b>                 | <b>1,350,299</b> | <b>9,210,891</b>  | <b>10,561,190</b> |

**Note:**

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

During the six months ended 30 June 2023, CS with carrying value of HK\$38,000 (equivalent to approximately RMB34,000) were converted into 13,000 ordinary shares of the Company (Note 17). As at 30 June 2023, CS with carrying value of HK\$3,038,000 (equivalent to approximately RMB2,374,000) were outstanding, which could be converted into 1,072,000 ordinary shares of the Company upon conversion.

# Condensed Consolidated Interim Financial Information (Continued)

## 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<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|----------------|---|---|
| 0 – 30 days    | 1,406,977                               | 1,224,526                                 |
| 31 – 60 days   | 124,200                                 | 309,672                                   |
| 61 – 90 days   | 4,952                                   | 1,758                                     |
| 91 – 180 days  | 3,256                                   | 9,699                                     |
| 181 – 365 days | 2,623                                   | 15,622                                    |
| Over 365 days  | 947                                     | 23,147                                    |
|                | <b>1,542,955</b>                        | <b>1,584,424</b>                          |

### 20. Other payables and accruals

|   | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|---|---|---|
| Refunds liabilities (a)                   | 819,538                                 | 1,021,356                                 |
| Accrued sales and marketing expenses      | 883,216                                 | 841,635                                   |
| Sales rebates                             | 577,468                                 | 435,860                                   |
| Payable for property, plant and equipment | 411,399                                 | 347,528                                   |
| Wages and welfare payables                | 281,040                                 | 386,966                                   |
| Other tax payables                        | 84,751                                  | 362,734                                   |
| Others                                    | 170,371                                 | 252,641                                   |
|   | <b>3,227,783</b>                        | <b>3,648,720</b>                          |

- (a) The Group recognises a refund liability for the amount of consideration received for which it does not expect to be entitled (30 June 2023: RMB819,538,000; 31 December 2022: RMB1,021,356,000). 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 2023: RMB414,106,000; 31 December 2022: RMB513,836,000; see Note 14). The costs to recover the products are not material because the customers usually return the product in a saleable condition.

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 21. License fees payable

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

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

|                                      | Unaudited<br>RMB'000 |
|--------------------------------------|----------------------|
| <b>Six months ended 30 June 2023</b> |                      |
| As at 1 January 2023                 | 66,071               |
| Additions                            | 58,735               |
| Payment of license fees              | (15,635)             |
| Amortisation of discount (Note 25)   | 997                  |
| Adjustment for exchange difference   | 1,709                |
| <b>As at 30 June 2023</b>            | <b>111,877</b>       |
| <b>Six months ended 30 June 2022</b> |                      |
| As at 1 January 2022                 | 71,102               |
| Additions                            | 67,533               |
| Payment of license fees              | (30,099)             |
| Amortisation of discount (Note 25)   | 1,182                |
| Adjustment for exchange difference   | 1,609                |
| <b>As at 30 June 2022</b>            | <b>111,327</b>       |

|                                   | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|-----------------------------------|---|---|
| Analysis of license fees payable: |   |   |
| Non-current                       |   |   |
| – the second to fifth year        | 12,151                                  | 15,531                                    |
| Current                           | 99,726                                  | 50,540                                    |
|                                   | <b>111,877</b>                          | <b>66,071</b>                             |

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

# Condensed Consolidated Interim Financial Information (Continued)

## 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<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|-----------------------|---|---|
| Less than 1 year      | 100,306                                 | 50,996                                    |
| Between 1 and 5 years | 14,500                                  | 19,000                                    |
|                       | <b>114,806</b>                          | <b>69,996</b>                             |

### 22. Deferred income

|                               | Unaudited<br>Government<br>grants<br>RMB'000 |
|-------------------------------|--|
| Six months ended 30 June 2023 |  |
| As at 1 January 2023          | 65,591                                       |
| Addition                      | 22,850                                       |
| Credited to income statement  | (12,432)                                     |
| <b>As at 30 June 2023</b>     | <b>76,009</b>                                |
| Six months ended 30 June 2022 |  |
| As at 1 January 2022          | 62,517                                       |
| Addition                      | 27,800                                       |
| Credited to income statement  | (12,432)                                     |
| <b>As at 30 June 2022</b>     | <b>77,885</b>                                |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 23. Expenses by nature

|   | Unaudited                |           |
|---|--------------------------|-----------|
|   | Six months ended 30 June |           |
|   | 2023                     | 2022      |
|   | RMB'000                  | RMB'000   |
| Cost of inventories recognised as expenses and included in cost of sales  | 7,002,447                | 6,059,912 |
| Depreciation on property, plant and equipment (Note a)  | 427,779                  | 344,493   |
| Amortisation of land use rights and intangible assets   | 26,958                   | 23,911    |
| Depreciation on right-of-use assets   | 363,257                  | 278,060   |
| Advertising and marketing expenses  | 1,042,091                | 980,851   |
| Commission and trade fair related expenses  | 386,394                  | 383,480   |
| Staff costs, including directors' emoluments (Note a)   | 1,160,851                | 910,632   |
| Short-term lease rentals and variable lease payments not included in lease liabilities, and rental related expenses | 584,424                  | 413,166   |
| Research and product development expenses (Note a)  | 290,764                  | 239,096   |
| Transportation and logistics expenses   | 391,806                  | 435,269   |
| Auditor's remuneration  |                          |           |
| – Audit services  | 3,200                    | 3,110     |
| – Non-audit services  | 1,207                    | 771       |
| Management consulting expenses  | 47,099                   | 42,090    |

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.

### 24. Other income and other gains – net

|  | Unaudited                |          |
|--|--------------------------|----------|
|  | Six months ended 30 June |          |
|  | 2023                     | 2022     |
|  | RMB'000                  | RMB'000  |
| Government grants (Note)   | 110,094                  | 160,748  |
| Fair value gains on wealth management products measured at fair value through profit or loss | 38,063                   | 77,271   |
| License fees income  | 26,009                   | 68,404   |
| Rental income  | 22,185                   | 36,489   |
| Depreciation and related expenses on investment properties under operating leases            | (36,427)                 | (29,639) |
| Fair value gains on investments measured at fair value through profit or loss                | 4,907                    | 23,329   |
|  | 164,831                  | 336,602  |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 24. Other income and other gains – net (Continued)

Note:

Government grants were received from several local government authorities as a recognition of the Group's contribution towards the local economic development. Among the government grants recognised during the six months ended 30 June 2023, the entitlement of an aggregate amount of RMB97,662,000 (30 June 2022: RMB148,316,000) was unconditional and at the discretion of the relevant authorities, while the remaining amount of RMB12,432,000 (30 June 2022: RMB12,432,000) were credited to profit or loss from deferred income in accordance with the fulfillment of the respective conditions attaching to the government grants (Note 22).

### 25. Finance income and expenses

|   | Unaudited                |          |
|---|--------------------------|----------|
|   | Six months ended 30 June |          |
|   | 2023                     | 2022     |
|   | RMB'000                  | RMB'000  |
| Finance income  |                          |          |
| – Interest income on bank balances and deposits             | 240,317                  | 149,104  |
| – Net foreign currency exchange gain                        | 64,753                   | 79,504   |
|   | 305,070                  | 228,608  |
| Finance expenses  |                          |          |
| – Amortisation of discount – lease liabilities (Note 8)     | (67,319)                 | (44,117) |
| – Borrowing interests                                       | (3,993)                  | (1,539)  |
| – Amortisation of discount – license fees payable (Note 21) | (997)                    | (1,182)  |
| – Others  | (9,057)                  | (8,039)  |
|   | (81,366)                 | (54,877) |
| Finance income – net  | 223,704                  | 173,731  |

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 26. Income tax expense

|                        | Unaudited                |           |
|------------------------|--------------------------|-----------|
|                        | Six months ended 30 June |           |
|                        | 2023                     | 2022      |
|                        | RMB'000                  | RMB'000   |
| Current income tax     |                          |           |
| – Corporate income tax | 751,019                  | 843,724   |
| Deferred income tax    | (71,501)                 | (114,031) |
| Income tax expense     | 679,518                  | 729,693   |

#### Notes:

- (a) The Company was incorporated in the Cayman Islands. Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Company. The Company's subsidiary, RealSports Pte Ltd., was established under the International Business Companies Acts of the British Virgin Islands, and is exempted from British Virgin Islands income taxes.
- (b) For the six months ended 30 June 2023, provision for the corporate income tax of Mainland China is calculated based on the statutory tax rate of 25% (30 June 2022: 25%) on the assessable income of each of the group companies, except for one of the Group's subsidiaries incorporated in Guangxi Zhuang Autonomous Region which is subject to preferential tax rate of 9% (30 June 2022: 9%). Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong (30 June 2022: 16.5%).

### 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 248,000 ordinary shares (30 June 2022: 250,000 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 2022.

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 27. Earnings per share (Continued)

#### Basic (Continued)

|  | Unaudited<br>Six months ended 30 June |           |
|--|---------------------------------------|-----------|
|  | 2023                                  | 2022      |
| Profit attributable to equity holders of the Company (RMB'000)   | 2,121,231                             | 2,189,308 |
| Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands) | 2,630,863                             | 2,613,474 |
| Basic earnings per share (RMB cents)   | 80.63                                 | 83.77     |

#### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all dilutive potential shares. The Company's dilutive potential shares comprise shares to be issued under share option scheme and Restricted Share Award Scheme. In relation to shares issued under share option scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the 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.

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 27. Earnings per share (Continued)

#### Diluted (Continued)

|  | Unaudited<br>Six months ended 30 June |           |
|--|---------------------------------------|-----------|
|  | 2023                                  | 2022      |
| Profit attributable to equity holders of the Company, used to determine diluted earnings per share (RMB'000)   | 2,121,231                             | 2,189,308 |
| Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands) | 2,630,863                             | 2,613,474 |
| Adjustment for the restricted shares (in thousands)  | 6,252                                 | 4,622     |
| Adjustment for the share option scheme (in thousands)  | 3,251                                 | 19,566    |
| Deemed weighted average number of shares for diluted earnings per share (in thousands)   | 2,640,366                             | 2,637,662 |
| Diluted earnings per share (RMB cents)   | 80.34                                 | 83.00     |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 28. Dividends

|   | Unaudited<br>Six months ended 30 June |           |
|---|---------------------------------------|-----------|
|   | 2023                                  | 2022      |
|   | RMB'000                               | RMB'000   |
| Final dividend paid of RMB46.27 cents<br>(2022: RMB45.97 cents) per share | 1,220,193                             | 1,194,720 |
| Interim dividend of RMB36.20 cents (30 June 2022: nil) per share          | 954,554                               | –         |

On 14 June 2023, the shareholders of the Company approved to declare a final dividend of RMB46.27 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2022. The final dividend was paid in June 2023.

On 15 June 2022, the shareholders of the Company approved to declare a final dividend of RMB45.97 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2021. The final dividend was paid in June 2022.

Pursuant to a resolution of the Board passed on 10 August 2023, the Board resolved to declare an interim dividend of RMB36.20 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the six months ended 30 June 2023 (30 June 2022: nil). The aggregate amount of the interim dividend of RMB954,554,000 was not recognised as a liability as at 30 June 2023, which is expected to be paid in the second half of 2023 out of the Company's retained earnings as at 30 June 2023.

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 29. Share-based compensation

#### (a) 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<br>Six months ended 30 June                     |                                       |   |                                       |
|---------------------------|---|---------------------------------------|---|---------------------------------------|
|                           | 2023  |                                       | 2022  |                                       |
|                           | Weighted average<br>exercise price<br>(per share)<br>HK\$ | Outstanding<br>options<br>(Thousands) | Weighted average<br>exercise price<br>(per share)<br>HK\$ | Outstanding<br>options<br>(Thousands) |
| As at 1 January           | 14.200  | 5,617                                 | 8.157   | 22,988                                |
| Exercised                 | 3.300   | (2,110)                               | 8.328   | (1,275)                               |
| As at 30 June             | 20.757  | 3,507                                 | 8.147   | 21,713                                |
| Exercisable as at 30 June | 19.316  | 1,930                                 | 6.519   | 19,504                                |

Share options outstanding under this scheme as at 30 June 2023 and 31 December 2022 have the following expiry date and exercise price:

| Expiry date  | Unaudited<br>30 June 2023             |                              | Audited<br>31 December 2022           |                              |
|--|---------------------------------------|------------------------------|---------------------------------------|------------------------------|
|  | 2023                                  |                              | 2022                                  |                              |
|  | Exercise price<br>(per share)<br>HK\$ | Share options<br>(Thousands) | Exercise price<br>(per share)<br>HK\$ | Share options<br>(Thousands) |
| 7 June 2026  | 3.300                                 | –                            | 3.300                                 | 2,110                        |
| 31 December 2024   | 13.360                                | 316                          | 13.360                                | 316                          |
| 16 May 2029  | 13.160                                | 350                          | 13.160                                | 350                          |
| 31 December 2027   | 22.520                                | 2,841                        | 22.520                                | 2,841                        |
|  |                                       | 3,507                        |                                       | 5,617                        |
| Weighted average remaining contractual<br>life of options outstanding at end of<br>period/year |                                       | 4.37                         |                                       | 4.33                         |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 29. Share-based compensation (Continued)

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

The fair value of the 2014 Share Option Scheme is charged to the consolidated income statement over the vesting period of the option. The amount charged to the interim condensed consolidated income statement during the six months ended 30 June 2023 was RMB1,419,000 (30 June 2022: RMB2,470,000).

#### (b) 2016 Restricted Share Award Scheme

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

|                 | Unaudited<br>Six months ended 30 June                 |  |   |  |
|-----------------|---|--|---|--|
|                 | 2023  |  | 2022  |  |
|                 | Weighted average<br>fair value<br>(per share)<br>HK\$ | Number of<br>Restricted<br>Shares granted<br>(Thousands) | Weighted average<br>fair value<br>(per share)<br>HK\$ | Number of<br>Restricted<br>Shares granted<br>(Thousands) |
| As at 1 January | 70.109  | 10,373   | 29.841  | 1,646  |
| Granted         | 61.166  | 1,168  | 73.889  | 9,564  |
| Vested          | 72.095  | (1,467)  | 42.005  | (72)   |
| Lapsed          | 74.383  | (701)  | 81.850  | (7)  |
| As at 30 June   | 68.362  | 9,373  | 67.436  | 11,131   |

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 interim condensed consolidated income statement was RMB90,401,000 during the six months ended 30 June 2023 (30 June 2022: RMB108,032,000).

### 30. Commitments

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

Pursuant to the subscription agreement (including the deed of amendment) entered into by the Group and the general partner of a limited partnership (the "Limited Partnership"), the Group had capital commitments of US\$37.3 million in relation to the investment in the Limited Partnership as at 30 June 2023 (31 December 2022: US\$37.3 million).

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 30. Commitments (Continued)

#### (b) Capital commitments in relation to acquisition of property, plant and equipment

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

|                               | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|-------------------------------|---|---|
| Property, plant and equipment | 715,465                                 | 869,383                                   |

### 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<br>Six months ended 30 June<br>2023<br>RMB'000 | 2022<br>RMB'000 |
|--|--|-----------------|
| Subsidiaries of Viva Goods Company Limited<br>("Viva Goods", formerly known as Viva China Holdings<br>Limited; a substantial shareholder of the Company) | 4,449  | 6,802           |
| Subsidiary of Li-Ning Aigle Ventures Company Limited ("Li<br>Ning Aigle Ventures"; a joint venture of the Group)   | 72   | 251             |
| Others   | –  | 47              |
|  | 4,521  | 7,100           |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 31. Related-party transactions (Continued)

#### (b) Provision of services to:

|   | Unaudited                |              |
|---|--------------------------|--------------|
|   | Six months ended 30 June |              |
|   | 2023                     | 2022         |
|   | RMB'000                  | RMB'000      |
| Subsidiaries of Viva Goods  | 3,010                    | 3,226        |
| Subsidiary of Li Ning Aigle Ventures  | 376                      | 337          |
| Guangxi Ning Zhan Sports Technology Co., Ltd. ("Guangxi Ning Zhan"; a joint venture of the Group) | 124                      | 124          |
| Guangxi Ning Tai Garment Co., Ltd. ("Guangxi Ning Tai"; a joint venture of the Group)             | 99                       | 99           |
|   | <b>3,609</b>             | <b>3,786</b> |

#### (c) Purchases of goods from:

|   | Unaudited                |                |
|---|--------------------------|----------------|
|   | Six months ended 30 June |                |
|   | 2023                     | 2022           |
|   | RMB'000                  | RMB'000        |
| Hubei Dong Neng Sports Goods Co., Ltd. ("Hubei Dong Neng"; an associate of the Group) | 212,761                  | 143,533        |
| Guangxi Ning Tai  | 102,538                  | 98,221         |
| Subsidiaries of Viva Goods  | 99,752                   | 78,695         |
| Guangxi Ning Zhan   | 35,095                   | 48,524         |
| Subsidiary of Li Ning Aigle Ventures  | 136                      | 405            |
| Shanghai Double Happiness Co., Ltd. (an associate of the Group)                       | 3                        | –              |
|   | <b>450,285</b>           | <b>369,378</b> |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 31. Related-party transactions (Continued)

#### (d) Purchases of services from:

|   | Unaudited                |                |
|---|--------------------------|----------------|
|   | Six months ended 30 June |                |
|   | 2023                     | 2022           |
|   | RMB'000                  | RMB'000        |
| Subsidiaries of Viva Goods                        | 121,722                  | 115,827        |
| Shanghai Double Happiness Co., Ltd.               | 4,087                    | 3,963          |
| Danskin China Limited (an associate of the Group) | 4,000                    | 2,500          |
|   | <b>129,809</b>           | <b>122,290</b> |

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

#### (e) Other transactions

|                          | Unaudited                |          |
|--------------------------|--------------------------|----------|
|                          | Six months ended 30 June |          |
|                          | 2023                     | 2022     |
|                          | RMB'000                  | RMB'000  |
| Repayment of loans from: |                          |          |
| Guangxi Ning Zhan        | –                        | (10,000) |

#### (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 |               |
|   | 2023                     | 2022          |
|   | RMB'000                  | RMB'000       |
| Salaries and other benefits               | 25,990                   | 21,264        |
| Share-based compensation                  | 58,551                   | 56,258        |
| Contribution to retirement benefit scheme | 1,596                    | 880           |
|   | <b>86,137</b>            | <b>78,402</b> |

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 31. Related-party transactions (Continued)

#### (g) Period-end/year-end balances

|                                      | Unaudited<br>30 June<br>2023<br>RMB'000 | Audited<br>31 December<br>2022<br>RMB'000 |
|--------------------------------------|---|---|
| Receivables from related parties:    |   |   |
| Subsidiaries of Viva Goods           | 958                                     | 3,547                                     |
| Subsidiary of Li Ning Aigle Ventures | 169                                     | 22  |
| Guangxi Ning Zhan                    | 131                                     | –   |
| Guangxi Ning Tai                     | 105                                     | –   |
|                                      | 1,363                                   | 3,569                                     |
| Payables to related parties:         |   |   |
| Subsidiaries of Viva Goods           | 62,226                                  | 36,132                                    |
| Hubei Dong Neng                      | 26,243                                  | 38,894                                    |
| Guangxi Ning Zhan                    | 21,152                                  | 33,632                                    |
| Guangxi Ning Tai                     | 9,885                                   | 9,365                                     |
| Shanghai Double Happiness Co., Ltd.  | 1,581                                   | –   |
|                                      | 121,087                                 | 118,023                                   |

The receivables from related parties arise mainly from sales of goods and provision of services and are generally within the respective credit period. The receivables are unsecured in nature and bear no interest.

The payables to related parties arise mainly from purchase transactions and on average are generally due two months after the date of purchase. The payables bear no interest.

# Other Information

## ***DIVIDENDS***

The Board resolved to declare an interim dividend of RMB36.20 cents per Share issued or to be issued upon conversion of CS for the six months ended 30 June 2023 (30 June 2022: nil). Such interim dividend is payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on 10 August 2023 and will not be subject to any withholding tax. Such interim dividend will be paid:

- (i) on 6 September 2023 to Shareholders whose names shall appear on the register of members of the Company on 29 August 2023;
- (ii) on 6 September 2023 to CS Holders issued under the 2015 Open Offer and remain outstanding on 29 August 2023; and
- (iii) on 11 September 2023 (i.e. the third business day after 6 September 2023) to CS Holders issued under the 2013 Open Offer and remain outstanding on 29 August 2023.

For the avoidance of doubt, any CS subject to a conversion notice completed, executed and deposited on or before the interim dividend record date (being 29 August 2023) shall be entitled to the distribution of such interim dividend of the Company. For details of calculation of distribution of the interim dividend entitled to the CS, please refer to the listing documents of the Company dated 27 March 2013 and 9 January 2015 respectively.

The final dividend of RMB46.27 cents per Share issued or to be issued upon conversion of CS for the year ended 31 December 2022 was declared payable and approved by the Shareholders at the annual general meeting of the Company on 14 June 2023 and subsequently paid in June 2023.

## ***CLOSURE OF REGISTER OF MEMBERS AND CS HOLDERS***

For determining Shareholders and CS Holders who are ascertaining entitlement to the interim dividend, the register of members and register of CS Holders of the Company will be closed as set out below:

|   |  |
|---|--|
| Latest time to lodge transfers documents                            | 4:30 p.m. on 24 August 2023 (Thursday)                                       |
| Period of closure of register of members and register of CS Holders | 25 August 2023 (Friday) to 29 August 2023 (Tuesday)<br>(both days inclusive) |
| Interim dividend record date  | 29 August 2023 (Tuesday)   |

In order to qualify for the interim dividend, all transfer documents must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 24 August 2023. During the above closure periods, no transfer of Shares or CS will be registered.

## Other Information (Continued)

### 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 2023 are as follows:

| Grantees                      | Date of grant | Exercise price per Share<br>HK\$ | As at 01/01/2023 | Number of Shares          |                             |                          |                             | As at 30/06/2023 | Vesting period                       | Exercise period          |
|-------------------------------|---------------|----------------------------------|------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|------------------|--------------------------------------|--------------------------|
|                               |               |                                  |                  | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period |                  |                                      |                          |
| <b>Directors</b>              |               |                                  |                  |                           |                             |                          |                             |                  |                                      |                          |
| Kosaka Takeshi                | 19/09/2019    | 22.52                            | 2,840,300        | -                         | -                           | -                        | -                           | 2,840,300        | 01/09/2020 to 01/09/2024             | 01/09/2020 to 31/12/2027 |
| Koo Fook Sun, Louis           | 17/05/2019    | 13.16                            | 250,000          | -                         | -                           | -                        | -                           | 250,000          | 17/05/2020 to 17/05/2022             | 17/05/2020 to 16/05/2029 |
| Wang Ya Fei                   | 17/05/2019    | 13.16                            | 100,000          | -                         | -                           | -                        | -                           | 100,000          | 17/05/2020 to 17/05/2022             | 17/05/2020 to 16/05/2029 |
| <b>Employees of the Group</b> |               |                                  |                  |                           |                             |                          |                             |                  |                                      |                          |
| In aggregate                  | 08/06/2016    | 3.30                             | 2,110,000        | -                         | 2,110,000<br>(Note 1)       | -                        | -                           | -                | 08/06/2017 to 08/06/2019             | 08/06/2017 to 07/06/2026 |
| In aggregate                  | 15/04/2019    | 13.36                            | 317,400          | -                         | -                           | -                        | -                           | 317,400          | 01/04/2020 to 01/04/2021<br>(Note 2) | 01/04/2020 to 31/12/2024 |
|                               |               |                                  | 5,617,700        | -                         | 2,110,000                   | -                        | -                           | 3,507,700        |                                      |                          |

Notes:

- The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$72.80.
- 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.

Under the 2014 Share Option Scheme, the number of options available for grant by the Company at the beginning of the period was 53,122,959 and remained the same at the end of the period. As at the date of this interim report, the options available for grant by the Company was 53,122,959, representing approximately 2.02% of the Shares in issue. The number of Shares that may be issued upon exercise of options that may be granted under the 2014 Share Option Scheme during the period divided by the weighted average of Shares in issue for the period is 0.13%.

During the six months ended 30 June 2023, no share options were granted under the 2014 Share Option Scheme, details of valuation of the share options granted under the 2014 Share Option Scheme are set out in note 29 to the condensed consolidated interim financial information. The fair values are inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

## 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 2023 are as follows:

| Grantees                                      | Date of grant | Fair value per Restricted Share<br>HK\$<br>(Note 1) | As at 01/01/2023 | Number of Restricted Shares |                          |                          | As at 30/06/2023 | Vesting period           |
|---|---------------|---|------------------|-----------------------------|--------------------------|--------------------------|------------------|--------------------------|
|   |               |   |                  | Granted during the period   | Vested during the period | Lapsed during the period |                  |                          |
| <b>Directors</b>                              |               |   |                  |                             |                          |                          |                  |                          |
| Li Ning (Note 2)                              | 11/01/2022    | 76.10   | 1,447,800        | -                           | 217,170                  | -                        | 1,230,630        | 01/04/2023 to 01/04/2026 |
| Kosaka Takeshi (Note 2)                       | 19/09/2019    | 22.40   | 617,750          | -                           | -                        | -                        | 617,750          | 01/09/2020 to 01/09/2024 |
|   | 11/01/2022    | 76.10   | 1,018,800        | -                           | 152,820                  | -                        | 865,980          | 01/04/2023 to 01/04/2026 |
| Li Qilin                                      | 11/01/2022    | 76.10   | 193,100          | -                           | 28,965                   | -                        | 164,135          | 01/04/2023 to 01/04/2026 |
| Koo Fook Sun, Louis                           | 24/06/2022    | 67.70   | 26,000           | -                           | 8,666                    | -                        | 17,334           | 01/04/2023 to 01/04/2025 |
| Wang Ya Fei                                   | 24/06/2022    | 67.70   | 26,000           | -                           | 8,666                    | -                        | 17,334           | 01/04/2023 to 01/04/2025 |
| Chan Chung Bun,<br>Bunny                      | 24/06/2022    | 67.70   | 26,000           | -                           | 8,666                    | -                        | 17,334           | 01/04/2023 to 01/04/2025 |
| <b>Five highest paid individuals (Note 2)</b> |               |   |                  |                             |                          |                          |                  |                          |
| In aggregate                                  | 02/12/2020    | 42.05   | 33,734           | -                           | 33,734                   | -                        | -                | 01/04/2021 to 01/04/2023 |
| In aggregate                                  | 11/01/2022    | 76.10   | 2,413,200        | -                           | 361,980                  | -                        | 2,051,220        | 01/04/2023 to 01/04/2026 |
| <b>Other employees of the Group</b>           |               |   |                  |                             |                          |                          |                  |                          |
| In aggregate                                  | 20/10/2020    | 40.70   | 800              | -                           | -                        | -                        | 800              | 20/10/2022 to 20/10/2030 |
| In aggregate                                  | 02/12/2020    | 42.05   | 11,268           | -                           | 11,268                   | -                        | -                | 01/04/2021 to 01/04/2023 |
| In aggregate                                  | 02/12/2020    | 42.05   | 36,604           | -                           | -                        | 5,634                    | 30,970           | 01/09/2021 to 01/09/2023 |
| In aggregate                                  | 31/03/2021    | 50.50   | 4,700            | -                           | -                        | -                        | 4,700            | 01/09/2021 to 01/09/2023 |
| In aggregate                                  | 31/03/2021    | 50.50   | 41,868           | -                           | 20,932                   | -                        | 20,936           | 01/04/2022 to 01/04/2024 |
| In aggregate                                  | 20/08/2021    | 89.20   | 10,752           | -                           | -                        | -                        | 10,752           | 01/09/2022 to 01/09/2024 |
| In aggregate                                  | 11/10/2021    | 79.35   | 36,534           | -                           | -                        | -                        | 36,534           | 01/09/2022 to 01/09/2024 |
| In aggregate                                  | 20/12/2021    | 79.95   | 7,334            | -                           | -                        | -                        | 7,334            | 01/09/2022 to 01/09/2024 |
| In aggregate                                  | 11/01/2022    | 76.10   | 77,300           | -                           | 25,766                   | -                        | 51,534           | 01/04/2023 to 01/04/2025 |
| In aggregate                                  | 11/01/2022    | 76.10   | 2,896,200        | -                           | 337,905                  | 643,500                  | 1,914,795        | 01/04/2023 to 01/04/2026 |
| In aggregate                                  | 21/03/2022    | 62.15   | 611,200          | -                           | 153,100                  | 19,273                   | 438,827          | 01/04/2023 to 01/04/2025 |
| In aggregate                                  | 21/03/2022    | 62.15   | 579,300          | -                           | 86,895                   | -                        | 492,405          | 01/04/2023 to 01/04/2026 |
| In aggregate                                  | 25/05/2022    | 50.65   | 28,000           | -                           | 9,332                    | -                        | 18,668           | 01/04/2023 to 01/04/2025 |
| In aggregate                                  | 30/06/2022    | 72.70   | 4,800            | -                           | 1,600                    | -                        | 3,200            | 01/04/2023 to 01/04/2025 |
| In aggregate                                  | 19/08/2022    | 69.10   | 6,500            | -                           | -                        | -                        | 6,500            | 01/09/2023 to 01/09/2025 |

## Other Information (Continued)

| Grantees     | Date of grant | Fair value per Restricted Share<br>HK\$<br>(Note 1) | Number of Restricted Shares |                           |                          |                          | As at 30/06/2023 | Vesting period           |
|--------------|---------------|---|-----------------------------|---------------------------|--------------------------|--------------------------|------------------|--------------------------|
|              |               |   | As at 01/01/2023            | Granted during the period | Vested during the period | Lapsed during the period |                  |                          |
| In aggregate | 23/09/2022    | 62.65   | 5,400                       | -                         | -                        | -                        | 5,400            | 01/09/2023 to 01/09/2025 |
| In aggregate | 28/10/2022    | 42.35   | 5,200                       | -                         | -                        | 5,200                    | -                | 01/09/2023 to 01/09/2025 |
| In aggregate | 28/10/2022    | 42.35   | 206,800                     | -                         | -                        | -                        | 206,800          | 01/09/2023 to 01/09/2026 |
| In aggregate | 03/01/2023    | 69.35   | -                           | 9,700                     | -                        | -                        | 9,700            | 01/04/2024 to 01/04/2026 |
| In aggregate | 03/01/2023    | 69.35   | -                           | 720,760                   | -                        | -                        | 720,760          | 01/04/2024 to 01/04/2027 |
| In aggregate | 20/03/2023    | 55.60   | -                           | 27,700                    | -                        | 27,700                   | -                | 01/04/2024 to 01/04/2026 |
| In aggregate | 25/04/2023    | 55.45   | -                           | 163,500                   | -                        | -                        | 163,500          | 01/04/2024 to 01/04/2026 |
| In aggregate | 31/05/2023    | 42.00   | -                           | 11,900                    | -                        | -                        | 11,900           | 01/04/2024 to 01/04/2026 |
| In aggregate | 29/06/2023    | 41.40   | -                           | 235,800                   | -                        | -                        | 235,800          | 01/04/2024 to 01/04/2026 |
|              |               |   | 10,372,944                  | 1,169,360                 | 1,467,465                | 701,307                  | 9,373,532        |                          |

### Notes:

- The fair values of the Restricted Shares were based on the closing price per Share as at the date of grant.
- The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2023 included two Directors. The aggregate information reported under this category represent the movements of the Restricted Shares for the remaining three individuals.

As at 30 June 2023, the number of issued Shares of the Company was 2,636,043,059 Shares and the maximum number of Shares which may be administered under the 2016 Restricted Share Award Scheme was 131,802,152 Shares.

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 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept under Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

| Name of Directors     | Capacity  | Number of Shares held | Number of underlying Shares | Total (Long Position)   | Approximate % of total issued Shares* |
|-----------------------|---|-----------------------|-----------------------------|-------------------------|---------------------------------------|
| Li Ning               | Personal interest & Interest of controlled corporations     | 275,410,526           | 1,230,630                   | 276,641,156<br>(Note 1) | 10.49%                                |
| Kosaka Takeshi        | Personal interest   | 647,170               | 4,324,030<br>(Note 2)       | 4,971,200               | 0.19%                                 |
| Li Qilin              | Personal interest & Beneficiary of two discretionary trusts | 272,306,508           | 164,135                     | 272,470,643<br>(Note 3) | 10.34%                                |
| Koo Fook Sun, Louis   | Personal interest   | 8,666                 | 267,334<br>(Note 4)         | 276,000                 | 0.01%                                 |
| Wang Ya Fei           | Personal interest   | 278,811               | 117,334<br>(Note 5)         | 396,145                 | 0.02%                                 |
| Chan Chung Bun, Bunny | Personal interest   | 11,796                | 17,334<br>(Note 6)          | 29,130                  | 0.00%                                 |

\* The percentage has been calculated based on 2,636,043,059 Shares in issue as at 30 June 2023.

## Other Information (Continued)

### Notes:

1. Mr. Li Ning is interested in 275,410,526 Shares, among which 4,208,983 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China Development Limited ("Viva China BVI"). Moreover, Mr. Li Ning is interested in 1,230,630 underlying Shares. Details are as follows:
  - (a) Viva China BVI, a wholly-owned subsidiary of Viva Goods Company Limited (formerly known as Viva China Holdings Limited) ("Viva Goods"), is interested in 271,201,543 Shares. As at 30 June 2023, Viva Goods is owned as to approximately 17.29% by Victory Mind Assets Limited ("Victory Mind"), approximately 21.95% by Lead Ahead Limited ("Lead Ahead"), approximately 20.58% by Dragon City Management (PTC) Limited ("Dragon City") and approximately 0.62% by Mr. Li Chun, the brother of Mr. Li Ning and a substantial shareholder of the Company, respectively. Mr. Li Ning has personal interest of approximately 0.22% shareholding in Viva Goods. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li Ning is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settlor). Dragon City is the trustee of a unit trust, the units of which are owned as to 60% by a discretionary trust of which Mr. Li Ning is a settlor and 40% by a discretionary trust of which Mr. Li Chun is a settlor. As a result, by virtue of the SFO, Mr. Li Ning is deemed to be interested in the 271,201,543 Shares held by Viva Goods. Mr. Li Ning is also an executive director, the chairman and chief executive officer of Viva Goods.
  - (b) Mr. Li Ning is interested in 1,230,630 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 1,483,730 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
3. Mr. Li Qilin is interested in 272,306,508 Shares, among which 1,104,965 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva Goods by virtue of the SFO. Moreover, Mr. Li Qilin is interested in 164,135 unvested Restricted Shares under the 2016 Restricted Share Award Scheme. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva Goods.
4. Mr. Koo Fook Sun, Louis is interested in 250,000 share options granted under the 2014 Share Option Scheme at an exercise price of HK\$13.16 each and 17,334 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
5. Ms. Wang Ya Fei is interested in 100,000 share options granted under the 2014 Share Option Scheme at an exercise price of HK\$13.16 each and 17,334 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
6. Dr. Chan Chung Bun, Bunny is interested in 17,334 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.

Save as disclosed above, so far as was known to any Director, as at 30 June 2023, 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 2023, the register of substantial shareholders kept under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions which represent 5% or more of the Company's issued share capital:

| Name of Shareholders   | Capacity  | Number of Shares held | Number of underlying Shares | Total                          | Approximate % of total issued Shares* |
|--|---|-----------------------|-----------------------------|--------------------------------|---------------------------------------|
| Li Ning  | Personal interest & Interest of controlled corporations     | 275,410,526           | 1,230,630                   | 276,641,156 (L)<br>(Note 1)    | 10.49%                                |
| Li Qilin   | Personal interest & Beneficiary of two discretionary trusts | 272,306,508           | 164,135                     | 272,470,643 (L)<br>(Note 2)    | 10.34%                                |
| Li Chun  | Interest of controlled corporations                         | 271,201,543           | –                           | 271,201,543 (L)<br>(Note 3)    | 10.29%                                |
| Viva Goods Company Limited (formerly known as Viva China Holdings Limited) | Interest of controlled corporation                          | 271,201,543           | –                           | 271,201,543 (L)<br>(Note 1(a)) | 10.29%                                |
| BlackRock, Inc.  | Investment manager  | 157,237,483           | –                           | 157,237,483 (L)                | 5.96%                                 |
|  | Investment manager  | 4,276,000             | –                           | 4,276,000 (S)                  | 0.16%                                 |
| Brown Brothers Harriman & Co.  | Investment manager  | 132,254,443           | –                           | 132,254,443 (L)                | 5.02%                                 |

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

\* The percentage has been calculated based on 2,636,043,059 Shares in issue as at 30 June 2023.

## Other Information (Continued)

### Notes:

1. Mr. Li Ning is interested in 275,410,526 Shares, among which 4,208,983 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva China BVI. Moreover, Mr. Li Ning is interested in 1,230,630 underlying Shares. Details are as follows:
  - (a) Viva China BVI, a wholly-owned subsidiary of Viva Goods, is interested in 271,201,543 Shares. As at 30 June 2023, Viva Goods is owned as to approximately 17.29% by Victory Mind, approximately 21.95% by Lead Ahead, approximately 20.58% by Dragon City and approximately 0.62% by Mr. Li Chun, the brother of Mr. Li Ning and a substantial shareholder of the Company, respectively. Mr. Li Ning has personal interest of approximately 0.22% shareholding in Viva Goods. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li Ning is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settlor). Dragon City is the trustee of a unit trust, the units of which are owned as to 60% by a discretionary trust of which Mr. Li Ning is a settlor and 40% by a discretionary trust of which Mr. Li Chun is a settlor. As a result, by virtue of the SFO, Mr. Li Ning is deemed to be interested in the 271,201,543 Shares held by Viva Goods. Mr. Li Ning is also an executive director, the chairman and chief executive officer of Viva Goods.
  - (b) Mr. Li Ning is interested in 1,230,630 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
2. Mr. Li Qilin is interested in 272,306,508 Shares, among which 1,104,965 Shares are held as personal interest, and he is deemed to be interested in 271,201,543 Shares held by Viva Goods by virtue of the SFO. Moreover, Mr. Li Qilin is interested in 164,135 unvested Restricted Shares under the 2016 Restricted Share Award Scheme. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva Goods.
3. As disclosed in Note 1(a) above, Mr. Li Chun is deemed to be interested in 271,201,543 Shares held by Viva Goods. He is the brother of Mr. Li Ning and the father of Mr. Li Qilin.

Save as disclosed above, as at 30 June 2023, 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 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 prospectus dated 9 January 2015 respectively.

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

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

During the six months ended 30 June 2023, the 2013 Convertible Securities in an aggregate principal amount of approximately HK\$42,884.56 had been converted into 13,473 Shares and no 2015 Convertible Securities were converted into Shares. As at 30 June 2023, the outstanding 2013 Convertible Securities amounted to approximately HK\$3,411,868.89 and the outstanding 2015 Convertible Securities amounted to HK\$200.20 which are convertible into a total of 1,071,903 Shares and 77 Shares respectively.

Assuming all outstanding CS were converted into Shares as at 30 June 2023, set out below is the shareholding structure of the Company before and after such conversion:

| Name of Substantial Shareholder<br>(Note 1) | No. of Shares<br>before conversion<br>of outstanding CS | % of holdings | No. of Shares<br>convertible under<br>the CS | No. of Shares after<br>including shares<br>convertible under<br>the outstanding CS | % of holdings |
|---|---|---------------|--|--|---------------|
| Li Ning                                     | 275,410,526<br>(Note 2)                                 | 10.45%        | –  | 275,410,526  | 10.44%        |
| Public                                      | 2,360,632,533   | 89.55%        | 1,071,980                                    | 2,361,704,513  | 89.56%        |
| Total                                       | 2,636,043,059   | 100.00%       | 1,071,980                                    | 2,637,115,039  | 100.00%       |

## Other Information (Continued)

### Notes:

1. Substantial shareholder has the same meaning ascribed to it under the Listing Rules.
2. Mr. Li Ning is interested in 275,410,526 Shares, among which:
  - 4,208,983 Shares are held as personal interest; and
  - 271,201,543 Shares are held by Viva Goods Company 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 Goods Company 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 Goods Company 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.

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

The Company did not redeem any of its Shares during the six months ended 30 June 2023. Except for the purchase of Shares by the trustee of the 2016 Restricted Share Award Scheme pursuant to the trust deed and the rules of the 2016 Restricted Share Award Scheme, neither the Company nor any of its subsidiaries purchased or sold any Shares during the period.

### **AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION**

At the annual general meeting of the Company dated 14 June 2023, a special resolution was passed to approve the amendments to the existing memorandum and articles of association of the Company (the “Memorandum and Articles of Association”), and the adoption of the amended and restated memorandum and articles of association of the Company (the “New Memorandum and Articles of Association”).

The New Memorandum and Articles of Association were amended to, (i) bring the Memorandum and Articles of Association in alignment with the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules; (ii) allow the Company to conduct general meetings in the form of electronic or hybrid meetings; and (iii) incorporate certain housekeeping changes (collectively, the “Proposed Amendments”). The full text of the New Memorandum and Articles of Association (with the Proposed Amendments marked-up against the Memorandum and Articles of Association previously in force) was set out in Appendix III to the circular of the Company dated 18 April 2023.

The New Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange. For further details of the amendments to the Memorandum and Articles of Association and adoption of the New Memorandum and Articles of Association, please refer to the announcements of the Company dated 16 March 2023 and 14 June 2023, and the circular of the Company dated 18 April 2023.

### **CORPORATE GOVERNANCE**

For the period from 1 January 2023 to 30 June 2023, the Company has complied with all the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules with the exception of code provision C.2.1 of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of the chairman and chief executive of a listed issuer should be separated and should not be performed by the same individual. During the six months ended 30 June 2023, Mr. Li Ning, the Executive Chairman and Joint Chief Executive Officer (the “Joint CEO”), and Mr. Kosaka Takeshi, the Executive Director and the Joint CEO, jointly assumed the role of chief executive officer of the Company. Therefore, there was no separation of the roles of the chairman and the chief executive as both roles were undertaken by Mr. Li Ning during the period. Notwithstanding the above, the Board is of the view that given that Mr. Li Ning is familiar with the business operations and management of the Group, the assumption of the roles of the Executive Chairman and the Joint CEO by Mr. Li Ning will provide the Group with consistent and steady leadership, and is particularly beneficial to the planning and implementation of the Group’s business strategies. The Board also believes that Mr. Li Ning and Mr. Kosaka Takeshi can complement each other in performing the roles of the Joint CEOs, and create synergy effect which is in the interest of the Company and the Shareholders as a whole.

## Other Information (Continued)

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors and reminded Directors 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 2023.

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 2023.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2023 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, 10 August 2023

# Information for Investors

## **SHARE INFORMATION**

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

Stock codes: 2331 (HKD counter) and 82331 (RMB counter)

Board lot: 500 Shares

No. of issued Shares as at 30 June 2023: 2,636,043,059 Shares

Market capitalization as at 30 June 2023: approximately HK\$111,109,214,937

## **INTERIM DIVIDEND FOR 2023**

RMB36.20 cents per Share

## **FINANCIAL CALENDAR**

Announcement of 2023 interim results: 10 August 2023

Announcement of 2023 annual results: March 2024

## **CORPORATE WEBSITES**

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

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

## **CONTACT FOR INVESTOR RELATIONS**

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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   |
| “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   |
| “Restricted Shares”                  | shares granted under the 2016 Restricted Share Award Scheme which are subject to restrictions and limitations  |



## Glossary (Continued)

|  |  |
|--|--|
| “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.  |