Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

12,500,000 European Style Cash Settled Long Certificates relating to

the ordinary shares of Li Ning Company Limited

with a Daily Leverage of 5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S$0.80 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the "**Certificates**") to be issued by SG Issuer (the "**Issuer**") unconditionally and irrevocably guaranteed by Société Générale (the "**Guarantor**"), and is supplemental to and should be read in conjunction with a base listing document dated 16 June 2023 including such further base listing documents as may be issued from time to time (the "**Base Listing Document**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see "Placing and Sale" contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products[1] and Specified Investment Products (SIPs)[2], and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the guarantee dated 16 June 2023 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 11 July 2023.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

10 July 2023

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.
[2] As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended and the Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed "Placing and Sale" contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

Table of Contents

Page

RISK FACTORS

The following are risk factors relating to the Certificates:

(a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;

(b) the Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;

(c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has fallen sharply;

(d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;

(e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;

(f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;

(g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;

(h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 32 to 37 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section of this document for more information;

(i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

(j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);

(k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy (as described below) including the Funding Cost (as defined below) and Rebalancing Cost (as defined below);

(l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

(m) investors should note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

(n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(o) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);

(p) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

(q) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight fall in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens (including the pre-opening session) the following day or (ii) a sharp intraday fall in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 53 to 54 of this document for more information;

(r) In the case of extreme market conditions or where the Air Bag Mechanisms are triggered simultaneously, trading in the Certificates may be suspended for an extended period, which may be up to an additional 15 minutes, to facilitate the intra-day adjustment under the Air Bag Mechanism;

(s) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 38 to 40 of this document for more information;

(t) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;

(u) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

(v) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the

Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

(w) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

(x) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

(y) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may decline. The following is a list of some of the significant risks associated with the Underlying Stock:

- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
- The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

(z) the value of the Certificates depends on the Leverage Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;

(aa) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

(bb) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

(i) investors should note that no definitive certificate will be issued in relation to the Certificates;

(ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

(iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and

(iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

(cc) the reform of HIBOR may adversely affect the value of the Certificates

The Hong Kong Inter-bank Offered Rate ("**HIBOR**") benchmark is referenced in the Leverage Strategy.

It is not possible to predict with certainty whether, and to what extent, HIBOR will continue to be supported going forwards. This may cause HIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Certificates.

In addition, the occurrence of a modification or cessation of HIBOR may cause adjustment of the Certificates which may include selecting one or more successor benchmarks and making related adjustments to the Certificates, including if applicable to reflect increased costs.

The Calculation Agent may make adjustments as it may determine appropriate if any of the following circumstances occurs or may occur: (1) HIBOR is materially changed or cancelled or (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms in making any investment decision with respect to any Certificate;

(dd) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer or an investor's broker or custodian may be subject to FATCA and, as a result, may be required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide the Issuer or the relevant broker or custodian with such certification, the Issuer and the Guarantor or other withholding agent could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer or the relevant broker or custodian could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

(ee) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under "TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986." Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

(ff) risk factors relating to the BRRD

French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution.

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") entered into force on 2 July 2014. The BRRD, as amended, has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the "**BRR Act 2015**"). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

In April 2023, the EU Commission released a proposal to amend, in particular, the BRRD according to which senior preferred debt instruments would no longer rank pari passu with any non covered non preferred deposits of the Issuer; instead, senior preferred debt instruments would rank junior in right of payment to the claims of all depositors.

This proposal will be discussed and amended by the European Parliament and the European Council before being final and applicable. If the Commission proposal was adopted as is, there may be an increased risk of an investor in senior preferred debt instruments losing all or some of their investment in the context of the exercise of the Bail-in Power. The proposal may also lead to a rating downgrade for senior preferred debt instruments.

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism ("**SRM**") and a Single Resolution Framework (the "**SRM Regulation**") has established a centralised power of resolution entrusted to a Single Resolution Board (the "**SRB**") in cooperation with the national resolution authorities.

Since November 2014, the European Central Bank ("**ECB**") has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism ("**SSM**"). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States' resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been, and continues to be, designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the "**SSM Regulation**") and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the "**Resolution Authority**") with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions while minimising the impact of an institution's failure on the economy and financial system (including taxpayers' exposure to losses).

In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions' resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the "**Bail-in Power**"). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The BRRD, the BRR Act 2015 and the SRM Regulation however also state that, under exceptional circumstances, if the bail-in instrument is applied, the SRB, in cooperation with the CSSF, may completely or partially exclude certain liabilities from the application of the impairment or conversion powers under certain conditions.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The regime has evolved as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called "EU Banking Package", the following legislative texts were published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("**BRRD II**"); and

- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity ("**TLAC**") of credit institutions and investment firms (the "**SRM II Regulation**" and, together with the BRRD II, the "**EU Banking Package Reforms**").

The EU Banking Package Reforms introduced, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet ("**FSB TLAC Term Sheet**"), by adapting, among other things, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions' ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC has been implemented in accordance with the FSB TLAC Term Sheet, which impose a level of "Minimum TLAC" that will be determined individually for each global systemically important bank ("**G-SIB**"), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets since January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator since January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), as amended by Regulation (EU) 2019/876 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the "**CRR II**"), EU G-SIBs, such as Societe Generale, have to comply with TLAC requirements, on top of the MREL requirements, since the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale have to comply with both the TLAC and MREL requirements.

Consequently, the criteria for MREL-eligible liabilities have been closely aligned with the criteria for TLAC-eligible liabilities under CRR II, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance with only an additional return permitted to be linked to that derivative component and dependent on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL is set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance and may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining term of at least one year and, they recognise contractually the Resolution Authority's power to write down or convert the liabilities governed by non-EU law.

The scope of liabilities used to meet MREL includes, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in BRRD, as amended by BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail- in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements apply to resolution groups with assets above EUR 100 billion (top-tier banks, including Societe Generale).

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	12,500,000 European Style Cash Settled Long Certificates relating to the ordinary shares of Li Ning Company Limited traded in HKD (the "**Underlying Stock**")
ISIN:	LU2375058752
Company:	Li Ning Company Limited (RIC: 2331.HK)
Underlying Price[3] and Source:	HK$39.90 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 0.80
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	8.00%, is a hedging cost against extreme market movements overnight.
Funding Cost[6]:	The annualised costs of funding, referencing a publicly published interbank offered rate plus spread.
Rebalancing Cost[6]:	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	4 July 2023
Closing Date:	10 July 2023
Expected Listing Date:	11 July 2023

[3] These figures are calculated as at, and based on information available to the Issuer on or about 10 July 2023. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 10 July 2023.
[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Strategy.

Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 2 December 2024
Expiry Date:	9 December 2024 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	6 December 2024 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section on pages 44 to 59 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where: "**t**" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An "**Underlying Stock Business Day**" is a day on which The Stock Exchange of Hong Kong Limited (the "**HKEX**") is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section on pages 44 to 59 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Strategy is set out in the "Specific Definitions relating to the Leverage Strategy" section on pages 20 to 26 below.

Initial Exchange Rate[3]: 0.1722

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by

	the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.
Air Bag Mechanism:	The "**Air Bag Mechanism**" refers to the mechanism built in the Leverage Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents an approximately 75% loss after a 5 times leverage), the Air Bag Mechanism is triggered and the Leverage Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses. Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. The Leverage Strategy is floored at 0 and the Certificates cannot be valued below zero. Please refer to the "Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")" section on pages 24 to 26 below and the "Description of Air Bag Mechanism" section on pages 50 to 52 of this document for further information of the Air Bag Mechanism.
Adjustments and Extraordinary Events:	The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.
Underlying Stock Currency:	Hong Kong Dollar ("**HKD**")
Settlement Currency:	Singapore Dollar ("**SGD**")
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited (the "**SGX-ST**")
Relevant Stock Exchange for the Underlying Stock:	HKEX
Business Day, Settlement Business Day and Exchange Business Day:	A "**Business Day**" or a "**Settlement Business Day**" is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

	An "**Exchange Business Day**" is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.
Warrant Agent:	The Central Depository (Pte) Limited ("**CDP**")
Clearing System:	CDP
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.
Further Information:	Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Strategy

Description of the Leverage Strategy

The Leverage Strategy is designed to track a 5 times daily leveraged exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Strategy to the Underlying Stock is reset within the Leverage Strategy in order to retain a daily leverage of 5 times the performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

Leverage Strategy Formula

LSL_t means, for any Observation Date(t), the Leverage Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the Leverage Strategy Closing Level as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$LSL_1 = 1000$

On each subsequent Observation Date(t):

$LSL_t = \mathrm{Max}\left[LSL_{t-1} \times \left(1 + LR_{t-1,t} - FC_{t-1,t} - RC_{t-1,t}\right), 0\right]$

$LR_{t-1,t}$ means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$LR_{t-1,t} = \mathrm{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right)$

$FC_{t-1,t}$ means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$FC_{t-1,t} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate}_{t-1} \times \mathrm{ACT}(t-1, t)}{\mathrm{DayCountBasisRate}}$$

$RC_{t-1,t}$ means the Rebalancing Cost of the Leverage Strategy on Observation Date (t), calculated as follows:

$RC_{t-1,t} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left|\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right|\right) \times \mathrm{TC}$

TC means the Transaction Costs applicable (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to:

0.13%

"Stamp Duty" refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.

Leverage 5

S_t means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.

$\mathbf{Rate_t}$	means, in respect of each Observation Date(t), a rate calculated as of such day in accordance with the following formula: $$\mathrm{Rate_t} = \mathrm{CashRate_t} + \%\mathrm{SpreadLevel_t}$$
$\mathbf{Rfactor_t}$	means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula: $$Rfactor_t = 1 - \frac{Div_t}{\mathbf{S_{t-1}}}$$ where Div_t is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered net of any applicable withholding taxes.
$\mathbf{CashRate_t}$	means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
$\%\mathbf{SpreadLevel_t}$	means, in respect of each Observation Date(t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, each being the rate as of day (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine. Provided that if such difference is negative, $\%\mathbf{SpreadLevel_t}$ should be 0%.

ACT(t-1,t)	ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).
DayCountBasisRate	365
Benchmark Fallback	upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Reference Rate Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
Reference Rate Event	means, in respect of the Reference Rate any of the following has occurred or will occur: (i) a Reference Rate Cessation; (ii) an Administrator/Benchmark Event; or (iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of any market-wide development formally agreed upon by the International Swaps and Derivative Association (ISDA) or the Asia Securities Industry & Financial Markets Association (ASIFMA), pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in order to comply with the recommendations in the Financial Stability Board’s paper titled “Reforming Major Interest Rate Benchmarks” dated 22 July 2014.
Reference Rate Cessation	means, for a Reference Rate, the occurrence of one or more of the following events: (i) a public statement or publication of information by or on behalf of the administrator of the Reference Rate announcing that it has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, which states that the administrator of the Reference Rate has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; or (iii) in respect of a Reference Rate, a public statement or publication of information by the regulatory supervisor for the administrator of such Reference Rate announcing that (a) the regulatory supervisor has determined that such Reference Rate is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that such Reference Rate is intended to measure and that representativeness will

not be restored and (b) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts;

Administrator/ Benchmark Event

means, for a Reference Rate, any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Rate or the administrator or sponsor of the Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that either the Issuer, the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the Reference Rate to perform its or their respective obligations under the Certificates.

Reference Rate(s)

means the rate(s) used in the Leverage Strategy Formula, for example SORA, SOFR and US Federal Funds Effective Rate.

Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")

Extraordinary Strategy Adjustment for Performance Reasons

If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date,** noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Strategy Closing Level on the Intraday Restrike Date ($\mathrm{LSL_{IRD}}$) should be computed as follows:

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}} \times \left(1 + \mathrm{ILR_{IR(n),IR(C)}} - \mathrm{IRC_{IR(n),IR(C)}}\right), 0\right]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}}, 0\right]$$

$\mathbf{ILSL_{IR(k)}}$

means, in respect of IR(k), the Intraday Leverage Strategy Level in accordance with the following provisions:

(1) for k = 1:

$$\mathrm{ILSL_{IR(1)}} = \mathrm{Max}\left[\mathrm{LSL_{IRD-1}} \times \left(1 + \mathrm{ILR_{IR(0),IR(1)}} - \mathrm{FC_{IRD-1,IRD}} - \mathrm{IRC_{IR(0),IR(1)}}\right), 0\right]$$

(2) for k > 1:

$$\mathrm{ILSL_{IR(k)}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(k-1)}} \times \left(1 + \mathrm{ILR_{IR(k-1),IR(k)}} - \mathrm{IRC_{IR(k-1),IR(k)}}\right), 0\right]$$

$\mathbf{ILR_{IR(k-1),IR(k)}}$

means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows:

$$\mathrm{ILR_{IR(k-1),IR(k)}} = \mathrm{Leverage} \times \left(\frac{\mathrm{IS_{IR(k)}}}{\mathrm{IS_{IR(k-1)}}} - 1\right)$$

$\mathbf{IRC_{IR(k-1),IR(k)}}$	means the Intraday Rebalancing Cost of the Leverage Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows: $\mathrm{IRC_{IR(k-1),IR(k)}} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left| \frac{\mathrm{IS_{IR(k)}}}{\mathrm{IS_{IR(k-1)}}} - 1 \right| \right) \times \mathrm{TC}$
$\mathbf{IS_{IR(k)}}$	means the Underlying Stock Price in respect of IR(k) computed as follows: (1) for k=0 $\mathrm{IS_{IR(0)}} = \mathrm{S_{IRD-1}} \times \mathrm{Rfactor_{IRD}}$ (2) for k=1 to n means in respect of IR(k), the lowest price of the Underlying Stock during the respective Intraday Restrike Observation Period (3) with respect to IR(C) $\mathrm{IS_{IR(C)}} = \mathrm{S_{IRD}}$ In each case, subject to the adjustments and provisions of the Conditions.
IR(k)	For k=0, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date; For k=1 to n, means the k^{th} Intraday Restrike Event on the relevant Intraday Restrike Date.
IR(C)	means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.
n	means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.
Intraday Restrike Event	means in respect of an Observation Date(t): (1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(0)}}$ as of such Calculation Time. (2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(k)}}$ as of such Calculation Time.
Calculation Time	means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Strategy Level.
TimeReferenceOpening	means the scheduled opening time (including pre-opening session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

TimeReferenceClosing	means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
Intraday Restrike Event Observation Period	means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing. Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.
Intraday Restrike Event Time	means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

TERMS AND CONDITIONS OF

THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status and Guarantee, Transfer and Title

(a) *Form*. The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of: -

(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 16 June 2023, made by SG Issuer (the "**Issuer**") and Société Générale (the "**Guarantor**"); and

(ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the "**Certificate Holders**") are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

(b) *Status and Guarantee*. The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a "**Guarantee Obligation**").

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the "**Code**").

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

(i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the "**Law**") on 11 December 2016;

(ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;

(iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and

(iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

(c) Transfer. The Certificates are represented by a global warrant certificate ("**Global Warrant**") which will be deposited with The Central Depository (Pte) Limited ("**CDP**"). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression "**Certificate Holder**" shall be construed accordingly.

(e) *Bail-In*. By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:

(i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer's liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;

(B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

(C) the cancellation of the Certificates; and/or

(D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the regulator,

(the "**Statutory Bail-In**");

(ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**Code**"):

(A) ranking:

(1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the Code;

(2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the Code; and

(3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the Code; and

(B) which are not *titres non structurés* as defined under Article R.613-28 of the Code, and

(C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer's obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself and any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the "**Contractual Bail-in**").

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

"**Amounts Due**" means any amounts due by the Issuer under the Certificates.

"**Bail-In Power**" means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled, varied or otherwise modified in any way and/or converted into shares or other securities or obligations of the obligor or any other person.

"**MREL**" means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

"**Relevant Resolution Authority**" means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

2. Certificate Rights and Exercise Expenses

(a) *Certificate Rights*. Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The "**Closing Level**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case: -

(i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

"**Market Disruption Event**" means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

(b) *Exercise Expenses*. Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

(c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

4. Exercise of Certificates

(a) *Exercise*. Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).

(b) *Automatic Exercise*. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

(c) *Settlement*. In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Settlement Business Days (as defined in the relevant Supplemental Listing Document and subject to extension upon the occurrence of a Settlement Disruption Event (as defined below)) following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

If the Issuer determines, in its sole discretion, that on any Settlement Business Day during the period of five Settlement Business Days following the Expiry Date a Settlement Disruption Event has occurred, such Settlement Business Day shall be postponed to the next Settlement Business Day on which the Issuer determines that the Settlement Disruption Event is no longer subsisting and such period shall be extended accordingly, provided that the Issuer and/or the Guarantor shall make their best endeavours to implement remedies as soon as reasonably practicable to eliminate the impact of the Settlement Disruption Event on its/their payment obligations under the Certificates and/or the Guarantee.

"**Settlement Disruption Event**" means the occurrence or existence of any malicious action or attempt initiated to steal, expose, alter, disable or destroy information through unauthorised access to, or maintenance or use of, the Computer Systems of the Issuer, the Guarantor, the Calculation Agent, their respective affiliates (the "**SG Group**"), their IT service providers, by (and without limitation) the use of malware, ransomware, phishing, denial or disruption of service or cryptojacking or any unauthorized entry, removal, reproduction, transmission, deletion, disclosure or modification preventing the Issuer, the Guarantor and/or the Calculation Agent to perform their obligations under the Certificates, and notwithstanding the implementation of processes, required, as the case may be, by the laws and regulations applicable to the Issuer, the Guarantor, the Calculation Agent and their affiliates, or their IT service providers to improve their resilience to these actions and attempts.

"**Computer System**" means all the computer resources including, in particular: hardware, software packages, software, databases and peripherals, equipment, networks, electronic installations for storing computer data, including Data. The Computer System shall be understood to be that which (i) belongs to the SG Group and/or (ii) is rented, operated or legally held by the SG Group under a contract with the holder of the rights to the said system and/or (iii) is operated on behalf of the SG Group by a third party within the scope of a contractual relationship and/or (iv) is made available to the SG Group under a contract within the framework of a shared system (in particular cloud computing).

"**Data**" means any digital information, stored or used by the Computer System, including confidential data.

(d) *CDP not liable*. CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

(a) *Potential Adjustment Event*. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

(b) *Definitions*. "**Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

(v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency*. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

(ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) *Definitions*. "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. "**Nationalisation**" means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Subdivision or Consolidation of the Certificates*. The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction) and subject to the approval of the SGX-ST.

(f) *Other Adjustments*. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(g) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Certificate Holders; Modification

(a) *Meetings of Certificate Holders*. The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

(b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

12. Delisting

(a) Delisting. If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).

(b) Issuer's Determination. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

(a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

"**Regulatory Event**" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the "**Relevant Affiliates**" and each of the Issuer, Société Générale and the Relevant Affiliates, a "**Relevant Entity**") that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"**Change in law**" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

(b) *Early Termination for Holding Limit Event*. The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

"**Holding Limit Event**" means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

(c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.

(d) *Termination*. If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Substitution of the Issuer

The Issuer may be replaced by the Guarantor or any subsidiary of the Guarantor as principal obligor in respect of the Certificates without the consent of the relevant Certificate Holders. If the Issuer determines that it shall be replaced by the Guarantor or any subsidiary of the Guarantor (the "**Substituted Obligor**"), it shall give at least 90 days' notice (exclusive of the day on which the notice is given and of the day on which the substitution is effected) specifying the date of the substitution, in accordance with Condition 9, to the Certificate Holders of such event and, immediately on the expiry of such notice, the Substituted Obligor shall become the principal obligor in place of the Issuer and the Certificate Holders shall thereupon cease to have any rights or claims whatsoever against the Issuer.

Upon any such substitution, all references to the Issuer in the Conditions and all agreements relating to the Certificates will be to the Substituted Obligor and the Certificates will be modified as required, and the Certificate Holders will be notified of the modified terms and conditions of such Certificates in accordance with Condition 9.

For the purposes of this Condition, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing or holding the Certificates, the Certificate Holders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Certificates and all agreements relating thereto and are expressly deemed to have accepted such substitution and the consequences thereof.

15. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

17. Contracts (Rights of Third Parties) Act 2001 of Singapore

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act 2001 of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer:	SG Issuer
Company:	Li Ning Company Limited
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	12,500,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 16 June 2023 (the "**Master Instrument**") and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the "**Master Warrant Agent Agreement**") and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 11 July 2023.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED LONG CERTIFICATES ON SINGLE EQUITIES

What are European Style Cash Settled Long Certificates on Single Equities?

European style cash settled long certificates on single equities (the "**Certificates**") are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Strategy.

A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will increase and are seeking short-term leveraged exposure to the Underlying Stock.

B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

(i) <u>For Certificate Holders who trade the Certificates intraday</u>: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and

(ii) <u>For Certificate Holders who hold the Certificates overnight</u>: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees

Daily Fees	=	**Daily Management Fee Adjustment** 1 – Management Fee x ACT (t-1;t) / 360 x **Daily Gap Premium Adjustment** 1 – Gap Premium (t-1) x ACT (t-1;t) / 360

Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

		t[7]=0		t=1		t=2		t=i
Value of Certificates	=	Notional Amount	x	Leverage Strategy daily performance[8] x Daily Fees	x	Leverage Strategy daily performance x Daily Fees	x …	Leverage Strategy Daily performance x Daily Fees

		t=0		Product of the daily Leverage Strategy Performance		Product of the Daily Fees (Hedging Fee Factor)
Value of Certificates	=	Notional Amount	x	Leverage Strategy daily performance x Leverage Strategy daily performance	x	Daily Fees x Daily Fees

		t=0				
Final Value of Certificates	=	Notional Amount	x	Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor

Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

[7] "t" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.
[8] Leverage Strategy daily performance is computed as the Leverage Strategy Closing Level on Business Day (t) divided by the Leverage Strategy Closing Level on Business Day (t-1).

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Ordinary shares of Li Ning Company Limited traded in HKD
Expected Listing Date:	**03/07/2018**
Expiry Date:	**18/07/2018**
Initial Reference Level:	**1,000**
Initial Exchange Rate:	**1**
Final Reference Level:	**1,200**
Final Exchange Rate:	**1**
Issue Price:	**0.80 SGD**
Notional Amount per Certificate:	**0.80 SGD**
Management Fee (p.a.):	**0.40%**
Gap Premium (p.a.):	**8.00%**
Strike Level:	Zero

Hedging Fee Factor

Hedging Fee Factor on the n**th** Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

HFF(0) = 100%

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF}(1) = \text{HFF}(0) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1;t)}{360}\right)$$

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 8.00\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \text{ x } 99.9989\% \text{ x } 99.9778\% \approx 99.9767\%$$

Assuming 2nd Underlying Stock Business Day falls 3 Calendar Days after 1st Underlying Stock Business Day:

$$\text{HFF}(2) = \text{HFF}(1) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1;t)}{360}\right)$$

$$\text{HFF (2)} = 99.9767\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 8.00\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9767\% \text{ x } 99.9967\% \text{ x } 99.9333\% \approx 99.9067\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF (n)} = \text{HFF (n} - 1) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t} - 1;\text{t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t} - 1;\text{t)}}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6505% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9767%
5/7/2018	99.9533%
6/7/2018	99.9300%
9/7/2018	99.8601%
10/7/2018	99.8368%
11/7/2018	99.8135%
12/7/2018	99.7902%
13/7/2018	99.7669%
16/7/2018	99.6971%
17/7/2018	99.6738%
18/7/2018	99.6505%

Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.6505%

= 119.58%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.58% x 0.80 SGD

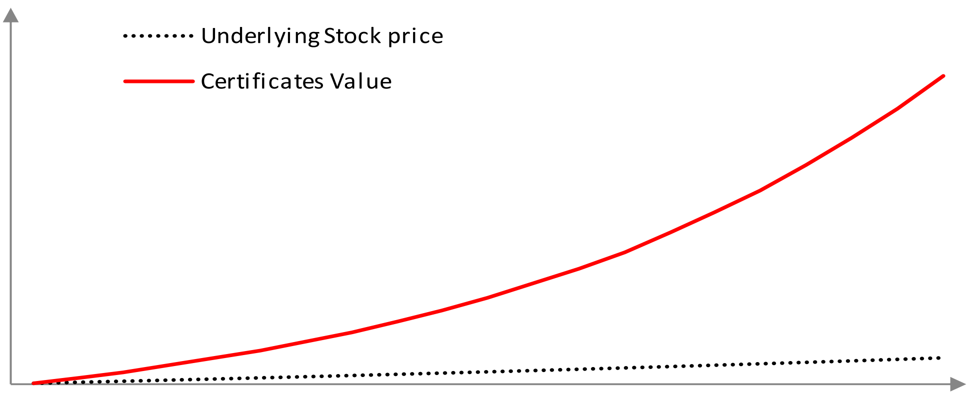
= 0.957 SGD

Illustration on how returns and losses can occur under different scenarios

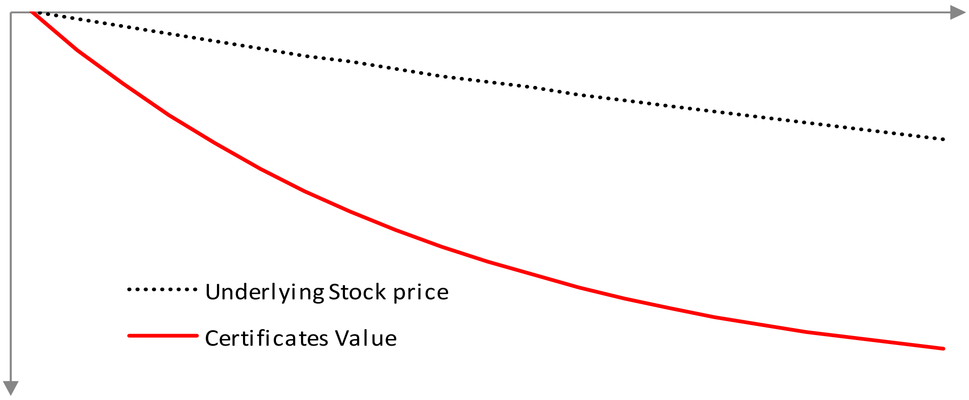
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

1. <u>Illustrative examples</u>

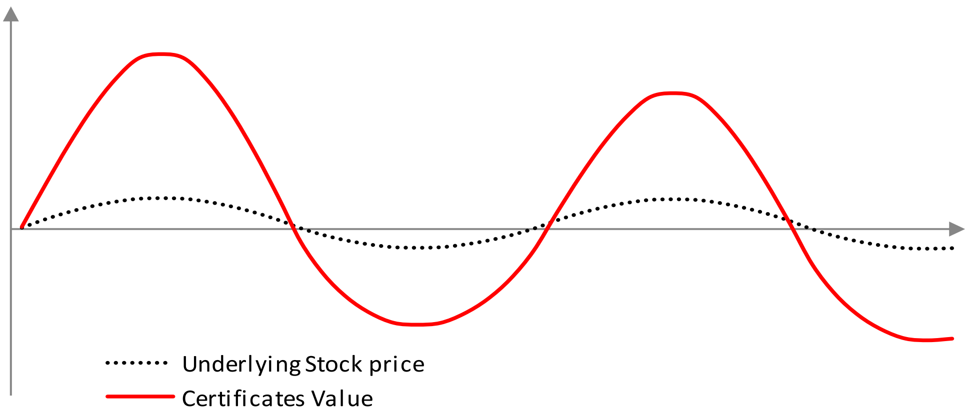
<u>Scenario 1 – Upward Trend</u>



<u>Scenario 2 – Downward Trend</u>



<u>Scenario 3 – Volatile Market</u>



2. Numerical Examples

Scenario 1 – Upward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	2.0%	2.0%	2.0%	2.0%
Value at end of day	10,000.0	10,200.0	10,404.0	10,612.1	10,824.3	11,040.8
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	0.80	0.88	0.97	1.06	1.17	1.29
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 2 – Downward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Value at end of day	10,000.0	9,800.0	9,604.0	9,411.9	9,223.7	9,039.2
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	0.80	0.72	0.65	0.58	0.52	0.47
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 3 – Volatile Market

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	-2.0%	2.0%	-2.0%	2.0%
Value at end of day	10,000.0	10,200.0	9,996.0	10,195.9	9,992.0	10,191.8
Accumulated Return		2.00%	-0.04%	1.96%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	-10.0%	10.0%	-10.0%	10.0%
Price at end of day	0.80	0.88	0.79	0.87	0.78	0.86
Accumulated Return		10.00%	-1.00%	8.90%	-1.99%	7.81%

Description of Air Bag Mechanism

The Certificates integrate an "Air Bag Mechanism" which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period: during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its minimum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Strategy is reset using the minimum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Strategy, 30 minutes after the Air Bag trigger.

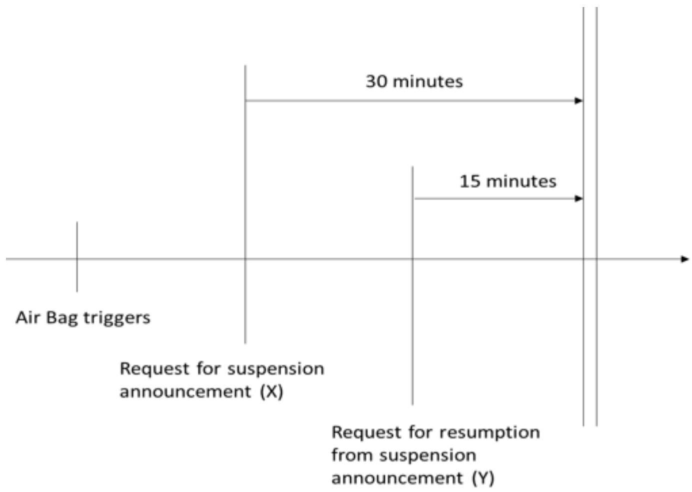
Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered and does not take into account the mid-day break. Investors cannot sell or purchase any Certificates during this period.

Air Bag Mechanism timeline

Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
Less than 45 minutes before Market Close and more than 15 minutes before Market Close		Next trading day at Market Open
15 minutes or less than 15 minutes before Market Close	From Air Bag Trigger to Market Close	

With **Market Close** defined as:

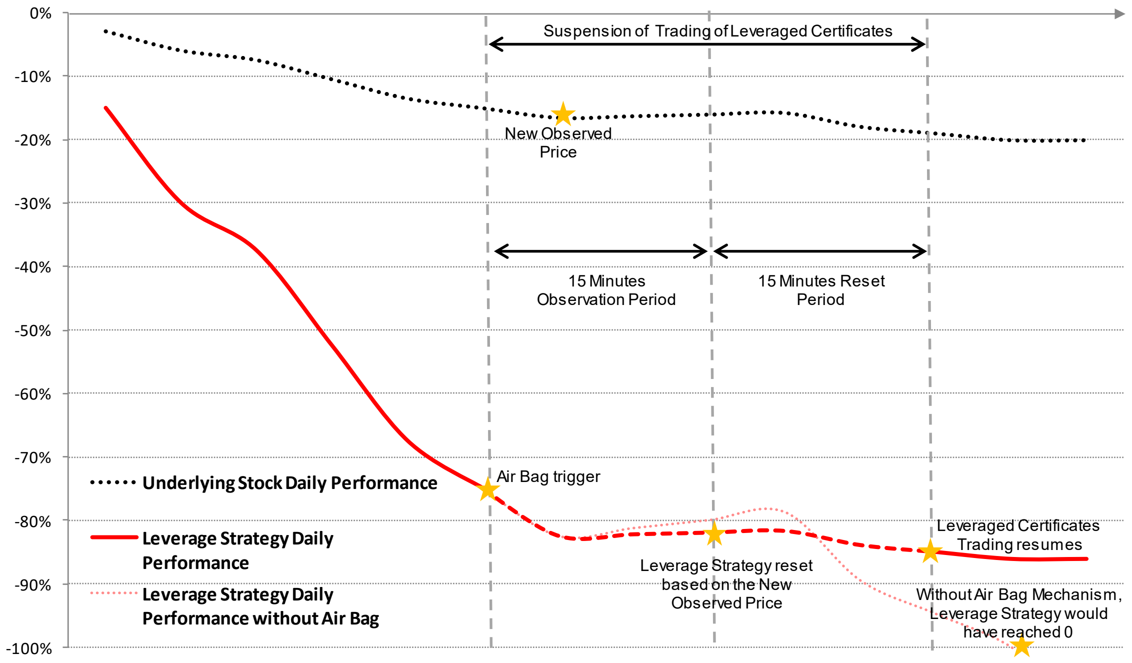
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



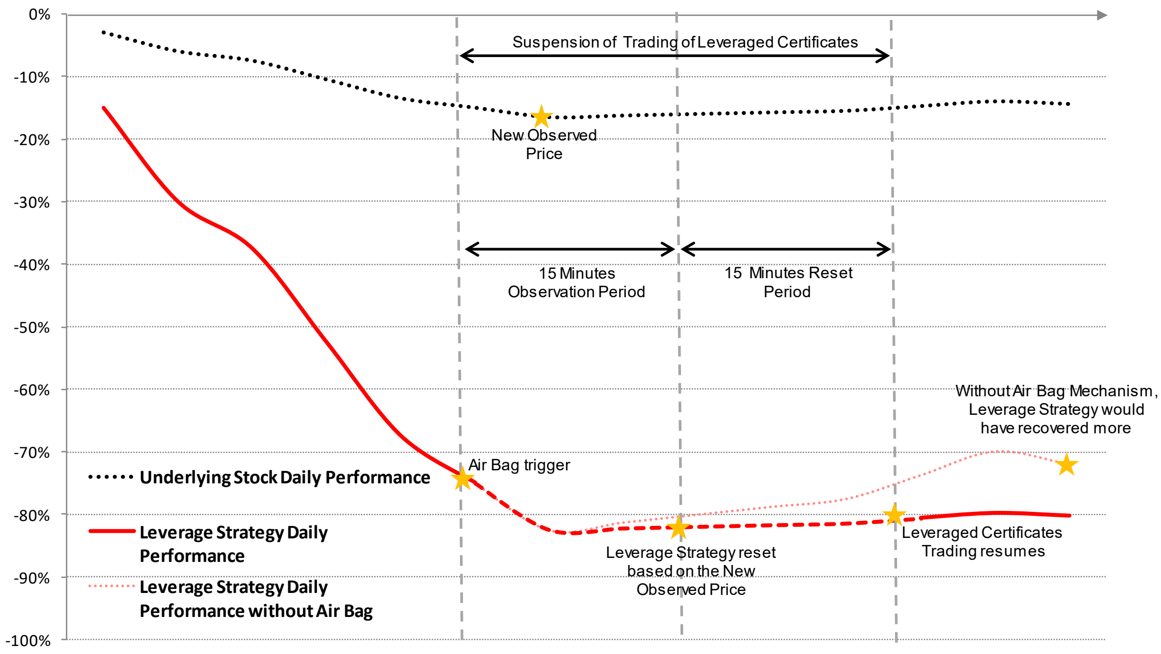
- The later between X+30 minutes or Y+15 minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time of the underlying asset, the Certificates will resume at 9 a.m. on the next SGX-ST trading day

Illustrative examples of the Air Bag Mechanism[9]

Scenario 1 – Downward Trend after Air Bag trigger



Scenario 2 – Upward Trend after Air Bag trigger



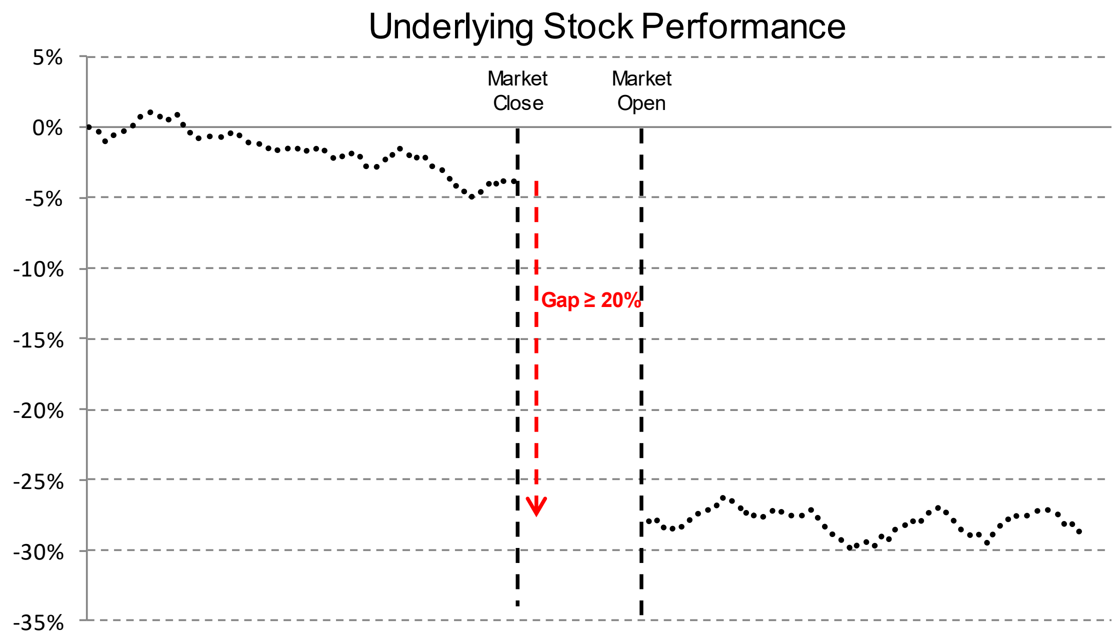
[9] The illustrative examples are not exhaustive.

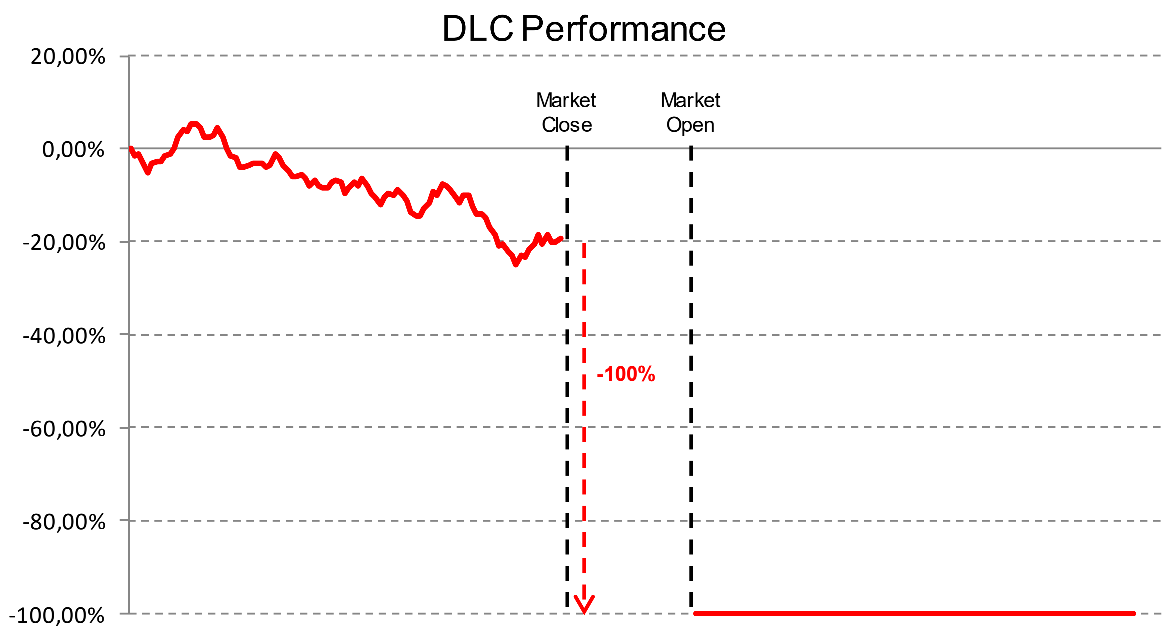
Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

<u>*Scenario 1 – Overnight fall of the Underlying Stock*</u>

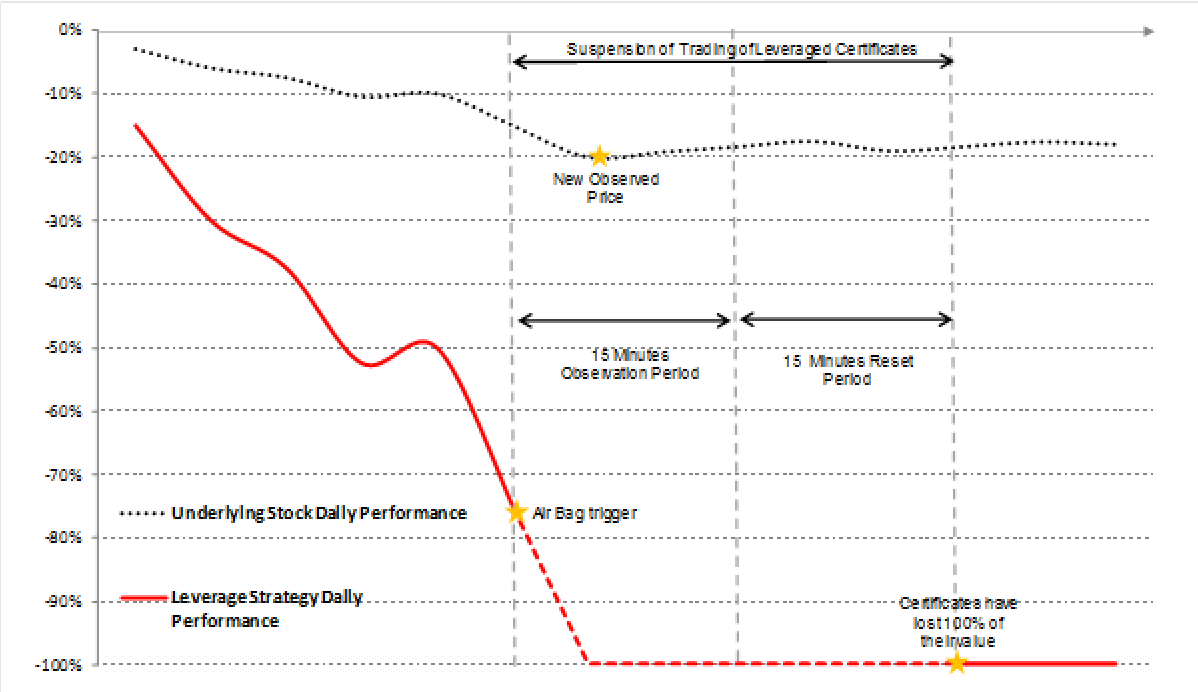
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more below the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens (including the pre-opening session) the following day, and the Certificates would lose their entire value in such event.





Scenario 2 – Sharp intraday fall of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock falls by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Observation Date (t) by an amount computed according to the following generic formula:

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{\mathrm{S}_{t-1}}\right] \times \frac{1}{1+M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price falls by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$\mathrm{DivExc_t}$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

M is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

R is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$\mathrm{S_{t-1}}$ = \$100

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0)}{100}\right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{51}{100 \times 50\%} - 1\right) = 10\%$$

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.80	0.88	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $42.5, which is 15% below $50, the Underlying Stock Reference Price.

2. <u>Share Consolidation</u>

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$\mathrm{S_{t-1}}$ = $100

$\mathrm{S_t}$ = $202

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0)}{100}\right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{202}{100 \times 200\%} - 1\right) = 5\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.80	0.84	5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$170, which is 15% below \$200, the Underlying Stock Reference Price.

3. <u>Rights Issues</u>

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of \$40.

S_{t-1} = \$100

S_t = \$84

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

R = \$40 (i.e. subscription price of \$40)

M = 0.5 (i.e. 1 new share for every 2 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100}\right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = 25\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.80	1.00	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

S_{t-1} = \$100

S_t = \$85

$Div_t = \$0$

$DivExc_t = \$0$

R = \$0

M = 0.2 (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100}\right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage } \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{85}{100 \times 83.33\%} - 1\right) = 10\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.80	0.88	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$70.83, which is 15% below \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

S_{t-1} = \$100

S_t = \$84

$Div_t = \$0$

$DivExc_t = \$20$

R = \$0

M = 0

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100}\right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = 25\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.80	1.00	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $68, which is 15% below $80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the "**HKExCL**") at http://www.hkex.com.hk and/or the Company's web-site at http://ir.lining.com. The Issuer has not independently verified any of such information.*

Li Ning Company Limited (the "**Company**") is principally engaged in brand development, design, manufacture and sale of sport-related footwear, apparel, equipment and accessories in the People's Republic of China (the PRC). The Company is also engaged in the manufacture, development, marketing, distribution and sales of sports products under several other brands, including Double Happiness (table tennis), AIGLE (outdoor sports) and Lotto (sports fashion). Through its subsidiaries, the Company is also engaged in the provision of information technology service.

The information set out in the Appendix to this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022 and has been extracted and reproduced from an announcement by the Company released on 17 April 2023 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at http://www.hkex.com.hk.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker ("**DMM**") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

(a)	Maximum bid and offer spread	:	(i) when the best bid price of the Certificate is S$10 and below: 10 ticks or S$0.20 whichever is greater; and (ii) when the best bid price of the Certificate is above S$10: 5% of the best bid price of the Certificate.
(b)	Minimum quantity subject to bid and offer spread	:	10,000 Certificates
(c)	Last Trading Day for Market Making	:	The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;

(iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;

(v) where the Certificates are suspended from trading for any reason;

(vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;

(vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;

(ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(x) if the stock market experiences exceptional price movement and volatility;

(xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and

(xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 108 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.

2. Settlement of trades done on a normal "ready basis" on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed "Summary of the Issue" above.

3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.

4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2022 or the Guarantor since 31 March 2023, in the context of the issuance of Certificates hereunder.

5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:

   (a) the Guarantee;

   (b) the Master Instrument; and

   (c) the Master Warrant Agent Agreement.

   None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The reports of the Auditors of the Issuer and the Guarantor were not prepared exclusively for incorporation into this document.

   The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.

8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale,

Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:

(a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;

(b) the latest financial reports (including the notes thereto) of the Issuer;

(c) the latest financial reports (including the notes thereto) of the Guarantor;

(d) the Base Listing Document;

(e) this document; and

(f) the Guarantee.

PLACING AND SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act 2001 of Singapore.

Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong ("**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

Each dealer further represents and agrees, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

(a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

United States

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended (the "**Commodity Exchange Act**") and the Issuer has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it is not a U.S. Person, (ii) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (iii) it is not purchasing any Certificates, directly or indirectly, in the United States or for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term "**United States**" includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term "**U.S. person**" means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the "**CEA**") or any rules thereunder of the CFTC (the "**CFTC Rules**"), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a "Non-United States person" defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not "Non-United States persons", shall be considered a U.S. person).

APPENDIX

REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 OF LI NING COMPANY LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022 and has been extracted and reproduced from an announcement by the Company released on 17 April 2023 in relation to the same.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of Li Ning Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 142 to 230, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Expected credit loss allowance for trade receivables
- Inventory provision

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss allowance for trade receivables Refer to Note 3.1, Note 4 and Note 14 to the consolidated financial statements As at 31 December 2022, the Group's balance of gross trade receivables was RMB1,173 million, against which an expected credit loss allowance of RMB153 million was made. Expected credit loss allowance for trade receivables reflects management's unbiased estimate to determine the expected credit losses. The estimate requires significant management judgement in making assumptions about the risk of default and expected credit loss rates and selecting the inputs to the calculation of expected credit loss allowance. The assessment of expected credit loss allowance was an area of focus for us given the inherent uncertainties of the expected credit loss and the significant amount of the related balances.	Our audit procedures to address the risk of material misstatement relating to expected credit loss allowance for trade receivables mainly included: • Obtained an understanding of the management's internal control and assessment process of the estimation of expected credit loss allowance for trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated and validated key controls over the estimation of expected credit loss allowance for trade receivables; • Tested the method, assumptions and data used to estimate expected credit losses by performing procedures such as (1) assessing the appropriateness of the expected credit loss provisioning methodology, including the grouping of customers in determining the respective historical loss rates, (2) inquiring management regarding the credit worthiness of customers, (3) analysing historical payment pattern of customers, (4) analysing historical trade receivable turnover days and benchmarking against industry average, (5) testing, on a sample basis, the key data inputs such as the ageing schedule of trade receivables, and (6) challenging the inputs, assumptions and estimation techniques, including both historical and forward-looking information, used to determine the expected credit losses. • On a sample basis, conducted interviews with customers whom have significant trade receivable balances and/or newly added customers during the year and compared the information about their business and operations with available external information such as corporate credit reports and public news, in order to understand their intention and ability to pay receivables when fall due; and • Assessed the adequacy of the disclosures related to expected credit loss allowance for trade receivables in the context of IFRSs in the consolidated financial statements. Based on the results of the procedures above, we found that management's judgments in assessing the expected credit loss allowance for trade receivables as at 31 December 2022 to be supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Inventory provision Refer to Note 4 and Note 12 to the consolidated financial statements As at 31 December 2022, the Group's balance of gross inventories was RMB2,549 million, against which a provision of RMB121 million was made. The estimation of inventory provision involves significant management judgments based on consideration of key factors such as future sales projection, current year sales, and selling price per latest sales transaction. The assessment of net realisable value of inventories and inventory provision was an area of focus for us given the inherent uncertainties that involved future events and the significant amount of the related balances.	Our audit procedures relating to inventory provision included: • Obtained an understanding of the management's internal control and assessment process of the estimation of inventory provisions and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated and validated key controls over the estimation of inventory provisions based on inventory ageing schedule; • Tested the method, assumptions and data used to estimate inventory provision by performing procedures such as (1) inquiring of management and other relevant employees, (2) comparing against historical sales pattern and prior year experience including key inventory ratios (e.g. inventory turnover days), (3) testing the accuracy of provision calculation by examining inventory ageing schedule, testing inventory movements on a sample basis to confirm that they were assigned to the correct ageing category by the system, and performing mathematic recalculation, and (4) comparing the selling price used in the determination of net realisable value to actual selling price subsequent to year end; and • On a sample basis, observed physical condition of inventories during stocktake to identify slow moving, damaged, or obsolete inventories, and inquired management if appropriate inventory provision had been provided for those inventories. Based on the results of the procedures above, we found that management's judgements in estimating the inventory provision at 31 December 2022 to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2023

CONSOLIDATED BALANCE SHEET

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

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

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

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

Li Ning
Executive Chairman & Joint Chief Executive Officer

Kosaka Takeshi
Joint Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company							
	Ordinary shares RMB'000 *(Note 17)*	Share premium RMB'000 *(Note 17)*	Shares held for Restricted Share Award Scheme RMB'000 *(Note 17)*	Other reserves RMB'000 *(Note 18)*	Retained earnings RMB'000 *(Note 18)*	Subtotal RMB'000	Non-controlling interests in equity RMB'000	Total equity RMB'000
As at 1 January 2021	228,285	4,037,767	(148,995)	874,574	3,695,232	8,686,863	2,554	8,689,417
Total comprehensive income for the year	–	–	–	(2,562)	4,010,881	4,008,319	7	4,008,326
Transactions with owners:								
Net proceeds from share issuance pursuant to share option scheme *(Note 32)*	603	39,967	–	–	–	40,570	–	40,570
Net proceeds from placing and subscription of new shares *(Note 17)*	9,859	8,561,928	–	–	–	8,571,787	–	8,571,787
Value of services provided under share option scheme and Restricted Share Award Scheme *(Note 32)*	–	–	–	33,064	–	33,064	–	33,064
Exercise of share options and vesting of shares under Restricted Share Award Scheme *(Note 32)*	–	(2,708)	111,155	(108,447)	–	–	–	–
Appropriations to statutory reserves	–	–	–	169,328	(169,328)	–	–	–
Shares converted from convertible securities *(Note 17, 18)*	12	323	–	(335)	–	–	–	–
Dividends paid *(Note 30)*	–	–	–	–	(515,202)	(515,202)	–	(515,202)
Tax impact of employee share-based compensation scheme	–	–	–	276,145	–	276,145	–	276,145
As at 31 December 2021	238,759	12,637,277	(37,840)	1,241,767	7,021,583	21,101,546	2,561	21,104,107

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

		Year ended 31 December	
	Note	**2022** **RMB'000**	2021 RMB'000
Cash flows from financing activities			
– proceeds from placing and subscription of new shares	*17*	**–**	8,626,800
– transaction costs in relation to placing and subscription of new shares	*17*	**–**	(55,013)
– proceeds from share issuance pursuant to share option scheme	*17*	**96,715**	40,570
– purchase of shares for Restricted Share Award Scheme		**(158,610)**	–
– payment of principals and related interests of lease liabilities		**(627,429)**	(501,005)
– proceeds from bank borrowings		**600,000**	–
– repayment of bank borrowings		**(600,000)**	–
– interest paid		**(3,391)**	–
– dividends paid		**(1,194,720)**	(515,202)
Net cash (used in)/generated from financing activities		**(1,887,435)**	7,596,150
Net (decrease)/increase in cash and cash equivalents		**(7,455,264)**	7,582,785
Cash and cash equivalents at beginning of year		**14,744,899**	7,187,039
Exchange gain/(losses) on cash and cash equivalents		**92,583**	(24,925)
Cash and cash equivalents at end of year		**7,382,218**	14,744,899

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

1. GENERAL INFORMATION

Li Ning Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the People's Republic of China (the "PRC").

The Company was incorporated on 26 February 2004 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") on 16 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Li Ning Company Limited and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with IFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) – measured at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

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

The Group also elected to adopt the following amendments early:

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

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

2.1 Basis of preparation *(Continued)*

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

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

(d) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published but are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

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

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

(b) Associates

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

(c) Joint arrangements

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

Joint ventures

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

(d) Equity accounting

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

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

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

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

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to equity holders of the Company.

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

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

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

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

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

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

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

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as management of the Company who make strategic decisions ("Management").

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated income statement as part of finance income or finance expenses, see Note 27 below.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

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

2.6 Foreign currency translation *(Continued)*

(c) Group companies *(Continued)*

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

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

2.7 Investment properties

Investment properties are buildings that are held for the purpose of leasing, are measured at the initial cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are occurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Land and buildings	30-40 years	0%-10%	2.25%-2.5%

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

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

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

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

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

2.8 Property, plant and equipment

Property, plant and equipment (excluding construction-in-progress) is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price of the asset and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to net of their residual values, over their estimated useful lives as follows:

Buildings	20 – 40 years
Leasehold improvement	Shorter of 2-3 years or the remaining lease terms
Mould	2 – 3 years
Machinery	3 –10 years
Office equipment and motor vehicles	1 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

Construction-in-progress represents buildings, plant and/or machinery under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use.

2.9 Land use rights

Land use rights, which are accounted for in accordance with the accounting policies for right-of-use assets (Note 2.26), are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates, joint ventures and business and represents the excess of the consideration transferred over the Group's interest in fair value of the net identifiable assets of the acquiree and the non-controlling interest is measured either at fair value or proportionate share of net identifiable assets. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) License rights

License rights are stated at historical cost less accumulated amortisation and accumulated impairment losses. They are initially measured at the fair value of the consideration given to acquire the license at the time of the acquisition, which represents historical cost comprising the capitalised present values of the fixed minimum periodic payments to be made on date of acquisition and in the subsequent years in respect of the acquisition of the license rights. Variable payments in relation to license rights that depend on sales of related products are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 years.

(d) Trademarks, customer relationships and non-compete agreements

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

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

2.11 Impairment of investments in subsidiaries, investments accounted for using the equity method and other non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income ("FVOCI"), or through profit or loss ("FVPL"), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

2.12 Financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in other income and other gains, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and other gains and impairment expenses are presented as separate line item in the consolidated income statement.

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income and other gains when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income and other gains in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

2.12 Financial assets *(Continued)*

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Inventories

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

2.15 Trade receivables

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

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

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

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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

2.17 Share capital/Convertible securities

(a) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

(b) Convertible securities

Convertible securities with no contractual obligation to be settled in cash are classified as equity upon initial recognition.

2.18 Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured, and are presented as current liabilities unless payment is not due within 12 months after the reporting period (or within the normal operating cycle of the business if longer). They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 License fees payable

License fees payable are initially recorded at the fair value, which represents the present value of the fixed minimum periodic payments to be made in subsequent years. They are subsequently stated at amortised cost using the effective interest method less payments made.

Interests incurred on license fees payable are charged to the consolidated income statement as interest expense. Changes in estimate of the expected cash flows are recognised as distribution costs in the consolidated income statement. The revised expected cash flows are discounted using the original effective rate to arrive at the carrying amount of the liability.

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.22 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

2.22 Current and deferred income tax *(Continued)*

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

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

2.23 Employee benefits

The Group operates various post-employment schemes, including defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

In Hong Kong, the Group makes contributions to the scheme under the Mandatory Provident Fund Schemes ("MPF") Ordinance, the assets of which are generally held in separate trustee-administrated funds. The pension plans are generally funded by payments from employees and by the Group. There is similar pension scheme in South Korea to which the Group also makes contributions.

The Group's contributions to these defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions. The Group has no other post-employment obligations under the employment contracts.

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

(b) Share-based compensation

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

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

2.23 Employee benefits *(Continued)*

(b) Share-based compensation (Continued)

At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

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

(c) Other benefits

Other directors' and employees' obligations are recorded as a liability and charged to the consolidated income statement when the Group is contractually obliged or when there is a past practice that has created a constructive obligation.

2.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Revenue recognition

(a) Sale of goods – wholesale

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

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

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

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

2.25 Revenue recognition *(Continued)*

(b) *Sale of goods – retail*

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

(c) *Sale of goods – internet*

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

(d) *Sale of goods – sales returns*

When customers return products, the Group is obliged to refund the purchases price. Therefore, a refund liability (included in other payables and accruals) and a right to the returned goods (included in other assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

(e) *Sale of goods – customer loyalty programme*

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. Revenue from the award points is deferred and recognised when the points are redeemed or when they expire at the end of the next year after the initial sale.

A contract liability is recognised until the points are redeemed or expire.

(f) *License fees income*

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

2.26 Leases

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees

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

2.26 Leases *(Continued)*

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

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

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

To determine the incremental borrowing rate, the Group:

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

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

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

2.26 Leases *(Continued)*

The Group has adopted Amendment to IFRS 16 – Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

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

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

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

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement as other income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment and land use right are included in non-current liabilities as deferred income and are recognised in the consolidated income statement as other income on a straight-line basis over the expected lives of the related assets.

2.28 Dividend distribution

Dividend distribution to the Company's equity holders, is recognised as a liability in the Group and the Company's financial statements in the period in which the dividends are approved by the Company's equity holders in case of final dividend and the Company's directors in case of interim/special dividend.

2.29 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes (including cash and cash equivalents, bank deposits and debt investments measured at FVOCI), see Note 27 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

2.30 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The activities of the Group expose it to a variety of financial risks: market risks (including foreign exchange risk and cash flow/fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by core management team of the Group under policies approved by the board of directors.

(a) Market risks

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that in a currency other than the functional currency of the group entities. The Group operates mainly in the PRC and is primarily exposed to foreign exchange risk for monetary assets/liabilities denominated in Renminbi (RMB), Hong Kong dollars (HK$), United States dollars (US$), EURO (EUR) and Great Britain Pounds (GBP). The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2022 and 2021.

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

3.1 Financial risk factors *(Continued)*

(a) ***Market risks*** *(Continued)*

(i) ***Foreign exchange risk*** *(Continued)*

As at 31 December 2022, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

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

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

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

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

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

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

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

(i) Risk management

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

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

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

(ii) Impairment of financial assets

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

- trade receivables, and
- other receivables.

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

3. *FINANCIAL RISK MANAGEMENT* (CONTINUED)

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables

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

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

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

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

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

Other receivables

Other receivables at amortised cost mainly include rental deposits, staff advances and other payments for employees and loans to a joint venture. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

In view of the history of cooperation with the debtors and collection from them, Management believes that no significant increase in credit risk is identified for the Group's other receivables as at 31 December 2022 and 2021, and the credit risk inherent in the Group's outstanding other receivables is not significant. The average loss rate applied to other receivables as at 31 December 2022 and 2021 were 1.8% and 2.9% respectively.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Net impairment losses on financial assets

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

(c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2022				
License fees payable	50,996	9,000	10,000	–
Trade payables	1,584,424	–	–	–
Other payables (excluding refunds liabilities, wages and welfare payables, and other tax payables)	1,877,664	–	–	–
Lease liabilities	771,940	652,777	825,840	151,116
	4,285,024	661,777	835,840	151,116
As at 31 December 2021				
License fees payable	50,391	8,000	19,000	–
Trade payables	1,599,282	–	–	–
Other payables (excluding refunds liabilities, wages and welfare payables, and other tax payables)	2,124,940	–	–	–
Lease liabilities	433,660	363,214	532,236	185,945
	4,208,273	371,214	551,236	185,945

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.2 Capital risk management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital and reserves attributable to equity holders of the Company as shown in the consolidated balance sheet. As at 31 December 2022 and 2021, the Group's gearing ratio was nil as it did not have any borrowings.

3.3 Fair value estimation

(a) Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value for the years ended 31 December 2022 and 2021 on a recurring basis:

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

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

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

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

3. *FINANCIAL RISK MANAGEMENT* (CONTINUED)

3.3 Fair value estimation *(Continued)*

(a) *Fair value hierarchy* (Continued)

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

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

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

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2022:

	Wealth management products RMB'000	Investments measured at FVPL RMB'000	Derivative financial instruments RMB'000	Total RMB'000
As at 1 January 2021	–	–	(18,735)	(18,735)
Additions	9,072,000	130,100	–	9,202,100
Settlements/transfer	(9,149,902)	–	8,820	(9,141,082)
Changes in fair value	77,902	39,571	696	118,169
As at 31 December 2021	–	169,671	(9,219)	160,452
Additions	14,235,600	–	–	14,235,600
Settlements/transfer	(14,376,150)	(48,904)	9,219	(14,415,835)
Changes in fair value	140,550	53,830	–	194,380
As at 31 December 2022	–	174,597	–	174,597
Changes in unrealised gains or losses for the year included in the consolidated income statement for assets held at the end of the reporting period				
2022	–	53,830	–	53,830
2021	–	39,571	696	40,267

3. *FINANCIAL RISK MANAGEMENT (CONTINUED)*

3.3 Fair value estimation *(Continued)*

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

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

(c) Valuation techniques used to determine fair values

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

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

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

Note a:

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

Note b:

Derivative financial instruments represented a forward contract and a purchase option for the Group to acquire certain additional equity interests of an associate, which had been exercised in 2022. As at 31 December 2021, the fair value was determined by an independent qualified valuer engaged by the Group using the binomial model which involve certain key assumptions that are unobservable and are within level 3 of the fair value hierarchy, including volatility rate, risk-free rate and dividend yield.

4. *CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS*

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

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

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

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

(b) Net realisable value of inventories

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

(c) Refunds provision

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

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

The Group tests whether goodwill, intangible assets and other non-financial assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.10 and Note 2.11 respectively. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less cost of disposal and value-in-use. These calculations require the use of estimates and assumptions (See Note 9). If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operation or financial position.

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

(e) Income taxes

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

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

5. *SEGMENT INFORMATION AND REVENUE*

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

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

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

(a) Revenue from contracts with customers

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

Revenue breakdown by product category

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

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

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

Revenue breakdown by sales channel

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

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

The Group has a large number of customers. For the years ended 31 December 2022 and 2021, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

(b) Liabilities related to contracts with customers

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

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

Significant change in contract liabilities

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

Revenue recognised in relation to contract liabilities

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

6 (a) PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Office equipment and motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
As at 1 January 2021							
Cost	524,505	1,492,131	294,800	128,753	189,452	43,178	2,672,819
Accumulated depreciation	(212,869)	(926,735)	(241,075)	(85,058)	(142,024)	–	(1,607,761)
Net book amount	311,636	565,396	53,725	43,695	47,428	43,178	1,065,058
Year ended 31 December 2021							
Opening net book amount	311,636	565,396	53,725	43,695	47,428	43,178	1,065,058
Additions	9,868	682,060	88,576	26,344	28,712	228,190	1,063,750
Transfers	177,748	–	–	–	–	(177,748)	–
Acquisition of subsidiaries *(Note 34)*	–	–	–	–	16	–	16
Transfers from investment properties upon change of use *(Note 7)*	113,316	–	–	–	–	–	113,316
Disposals	–	(24,860)	(434)	(281)	(1,279)	(26)	(26,880)
Depreciation charge	(20,188)	(483,507)	(59,090)	(10,809)	(15,779)	–	(589,373)
Closing net book amount	592,380	739,089	82,777	58,949	59,098	93,594	1,625,887
As at 31 December 2021							
Cost	831,539	1,924,158	372,862	153,776	205,351	93,594	3,581,280
Accumulated depreciation	(239,159)	(1,185,069)	(290,085)	(94,827)	(146,253)	–	(1,955,393)
Net book amount	592,380	739,089	82,777	58,949	59,098	93,594	1,625,887
Year ended 31 December 2022							
Opening net book amount	**592,380**	**739,089**	**82,777**	**58,949**	**59,098**	**93,594**	**1,625,887**
Additions	**1,043**	**788,273**	**99,720**	**40,511**	**45,671**	**1,385,893**	**2,361,111**
Transfers	**(16,426)**	**–**	**–**	**–**	**–**	**16,426**	**–**
Disposals	**–**	**(16,452)**	**–**	**(183)**	**(3,622)**	**–**	**(20,257)**
Depreciation charge	**(23,135)**	**(599,131)**	**(76,077)**	**(11,912)**	**(21,923)**	**–**	**(732,178)**
Closing net book amount	**553,862**	**911,779**	**106,420**	**87,365**	**79,224**	**1,495,913**	**3,234,563**
As at 31 December 2022							
Cost	**763,154**	**2,386,843**	**418,988**	**191,611**	**216,740**	**1,495,913**	**5,473,249**
Accumulated depreciation	**(209,292)**	**(1,475,064)**	**(312,568)**	**(104,246)**	**(137,516)**	**–**	**(2,238,686)**
Net book amount	**553,862**	**911,779**	**106,420**	**87,365**	**79,224**	**1,495,913**	**3,234,563**

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

6 (b) LEASES

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

(i) Amounts recognised in the consolidated balance sheet

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

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

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

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

(ii) Amounts recognised in the consolidated income statement

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

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

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

6 (b) LEASES *(CONTINUED)*

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

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

(iv) Variable lease payments

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

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

7. *INVESTMENT PROPERTIES*

	Construction in progress RMB'000	Land and buildings RMB'000	Total RMB'000
As at 1 January 2021			
Cost	–	119,278	119,278
Accumulated depreciation	–	(4,078)	(4,078)
Net book amount	–	115,200	115,200
Year ended 31 December 2021			
Opening net book amount	–	115,200	115,200
Acquisition of subsidiaries *(Note 34)*	158,197	1,640,113	1,798,310
Additions	98,900	–	98,900
Transfers	(257,097)	257,097	–
Depreciation charge (a)	–	(49,049)	(49,049)
Transfers to property, plant and equipment upon change of use *(b)*	–	(113,316)	(113,316)
Closing net book amount	–	1,850,045	1,850,045
As at 31 December 2021			
Cost	–	1,897,070	1,897,070
Accumulated depreciation	–	(47,025)	(47,025)
Net book amount	–	1,850,045	1,850,045
Year ended 31 December 2022			
Opening net book amount	**–**	**1,850,045**	**1,850,045**
Additions	**5,298**	**7,710**	**13,008**
Depreciation charge *(a)*	**–**	**(60,826)**	**(60,826)**
Closing net book amount	**5,298**	**1,796,929**	**1,802,227**
As at 31 December 2022			
Cost	**5,298**	**1,904,780**	**1,910,078**
Accumulated depreciation	**–**	**(107,851)**	**(107,851)**
Net book amount	**5,298**	**1,796,929**	**1,802,227**

Notes:

(a) Depreciation expenses of RMB60,826,000 (2021: RMB47,025,000) has been recorded as a debit to other income and other gains – net, and nil (2021: RMB2,024,000) has been charged to administrative expenses.

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

7. INVESTMENT PROPERTIES *(CONTINUED)*

The directors of the Company have determined that the investment properties are commercial, based on the nature, characteristics and risk of the property. The Group's investment properties were valued as at the end of the reporting period by an independent professionally qualified valuer. Each year, the Group's management decide to appoint an external valuer to be responsible for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Management have discussions with the valuer on the valuation assumptions and valuation result at least once a year when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties for disclosure purpose:

At 31 December 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement for				
Investment properties	–	–	**1,842,734**	**1,842,734**

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

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

As at 31 December 2022, the fair value of investment properties is estimated using the income approach which takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the properties.

7. *INVESTMENT PROPERTIES (CONTINUED)*

Information about fair value measurements using significant unobservable inputs

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

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

8. *LAND USE RIGHTS*

	RMB'000
As at 1 January 2021	
Cost	194,271
Accumulated amortisation	(27,894)
Net book amount	166,377
Year ended 31 December 2021	
Opening net book amount	166,377
Amortisation charge	(3,798)
Closing net book amount	162,579
As at 31 December 2021	
Cost	194,271
Accumulated amortisation	(31,692)
Net book amount	162,579
Year ended 31 December 2022	
Opening net book amount	**162,579**
Amortisation charge	**(3,798)**
Closing net book amount	**158,781**
As at 31 December 2022	
Cost	**194,271**
Accumulated amortisation	**(35,490)**
Net book amount	**158,781**

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

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

9. INTANGIBLE ASSETS

	Goodwill RMB'000	Trademarks and patents RMB'000	Computer software RMB'000	License rights RMB'000	Customer relationships & Non-compete agreements RMB'000	Total RMB'000
As at 1 January 2021						
Cost	139,474	27,859	302,766	363,657	61,279	895,035
Accumulated amortisation and impairment	(36,394)	(17,445)	(237,513)	(351,658)	(61,279)	(704,289)
Net book amount	103,080	10,414	65,253	11,999	–	190,746
Year ended 31 December 2021						
Opening net book amount	103,080	10,414	65,253	11,999	–	190,746
Additions	–	865	25,849	3,000	–	29,714
Acquisition of subsidiaries *(Note 34)*	4,304	–	–	–	–	4,304
Amortisation charge	–	(1,494)	(22,576)	(13,000)	–	(37,070)
Disposal	–	–	(14)	–	–	(14)
Closing net book amount	107,384	9,785	68,512	1,999	–	187,680
As at 31 December 2021						
Cost	143,778	28,724	328,600	366,657	61,279	929,038
Accumulated amortisation and impairment	(36,394)	(18,939)	(260,088)	(364,658)	(61,279)	(741,358)
Net book amount	107,384	9,785	68,512	1,999	–	187,680
Year ended 31 December 2022						
Opening net book amount	**107,384**	**9,785**	**68,512**	**1,999**	**–**	**187,680**
Additions	**–**	**473**	**48,686**	**26,250**	**–**	**75,409**
Amortisation charge	**–**	**(1,672)**	**(28,748)**	**(15,125)**	**–**	**(45,545)**
Disposal	**–**	**–**	**(308)**	**–**	**–**	**(308)**
Closing net book amount	**107,384**	**8,586**	**88,142**	**13,124**	**–**	**217,236**
As at 31 December 2022						
Cost	**143,778**	**29,197**	**376,975**	**392,907**	**61,279**	**1,004,136**
Accumulated amortisation and impairment	**(36,394)**	**(20,611)**	**(288,833)**	**(379,783)**	**(61,279)**	**(786,900)**
Net book amount	**107,384**	**8,586**	**88,142**	**13,124**	**–**	**217,236**

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

9. ***INTANGIBLE ASSETS*** *(CONTINUED)*

Impairment tests for goodwill

As at 31 December 2022, the carrying value of goodwill amounted to RMB107,384,000, including (1) goodwill of RMB72,387,000 arising from the acquisition of the Kason brand in 2009, (2) goodwill of RMB30,693,000 arising from the acquisition of the business of certain distributors of the Li Ning brand in 2014, and (3) goodwill of RMB4,304,000 arising from the acquisition of LI NING Communications (Hong Kong) Ltd. (formerly known as Matsunichi Communications (Hong Kong) Ltd.) in 2021 (Note 34) which, through its wholly-owned subsidiary, owns certain properties located in the Greater Bay Area of the PRC.

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

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

For the groups of certain CGUs of the Li Ning brand and the Kason brand, the recoverable amounts have been determined based on VIU calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Management. The forecasted average revenue growth rate during the forecast period of 5 years is 5% for certain CGUs of the Li Ning brand and 10% for the CGUs in relation to the Kason brand. The weighted average revenue growth rate used beyond the fifth year for certain CGUs of the Li Ning brand and the CGUs in relation to the Kason brand are 3% and 1% per annum respectively. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGUs operate. The pre-tax discount rates used for certain CGUs of the Li Ning brand range from 13% to 15% (2021: 12.5% to 13.5%) and the pre-tax discount rate used for the CGUs in relation to the Kason brand is 17.73% (2021: 15.3%) for the year ended 31 December 2022, which reflect specific risks relating to the respective CGUs.

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

Based on the above assessment, Management's assessment of the recoverable amounts of the related groups of CGUs exceeds their respective carrying values (including the allocated goodwill) as at 31 December 2022, therefore no impairment provision was recorded by Management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

10. SUBSIDIARIES

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

Name	Place of operation/incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
Directly held:				
RealSports Pte Ltd.	The British Virgin Islands, 8 October 2002 Limited liability company	US$1,000	100%	Investment holding
Indirectly held:				
Li Ning Sports Technology Development (Hong Kong) Co., Ltd. (李寧體育科技發展(香港)有限公司)	Hong Kong, 28 May 2004 Limited liability company	HK$1	100%	Research and development
Li Ning Sports (Hong Kong) Co., Ltd. (李寧體育(香港)有限公司)	Hong Kong, 19 March 2003 Limited liability company	HK$100	100%	Provision of administrative services and investment holding
李寧體育(上海)有限公司 (Li Ning Sports (Shanghai) Co., Ltd.)	The PRC, 25 August 1997 Limited liability company	US$8,000,000	100%	Investment holding
上海狐步體育用品有限公司 (Shanghai Hubu Sports Goods Co., Ltd.)	The PRC, 20 April 2000 Limited liability company	RMB2,000,000	100%	Investment holding
上海少昊體育用品有限公司 (Shanghai Shao Hao Sports Goods Co., Ltd.)	The PRC, 18 December 2001 Limited liability company	RMB3,000,000	100%	Sale of sports goods
上海悅奧體育用品有限公司 (Shanghai Yue Ao Sports Goods Co., Ltd.)	The PRC, 5 March 2003 Limited liability company	RMB3,000,000	100%	Investment holding
佛山李寧體操學校服務有限公司 (Foshan Li Ning Gymnastic School Services Co., Ltd.)	The PRC, 31 October 1996 Limited liability company	RMB1,000,000	100%	Property management
李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd.)	The PRC, 6 July 2007 Limited liability company	RMB1,416,670,000	100%	Sale of sports goods
Li Ning Korea Sports Ltd. (李寧韓國有限公司)	South Korea, 21 August 2013 Limited liability company	KRW100,000,000	100%	Research and development

10. ***SUBSIDIARIES*** *(CONTINUED)*

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

Name	Place of operation/incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
單仕競(上海)體育用品有限公司 (Danskin (Shanghai) Sports Goods Co., Ltd.)	The PRC, 21 November 2016 Limited liability company	RMB5,000,000	100%	Sale of sports goods
單仕競(上海)實業發展有限公司 (Danskin (Shanghai) Industry Development Co., Ltd.)	The PRC, 19 May 2017 Limited liability company	RMB1,000,000	100%	Sale of sports goods
李寧體育(北京)有限公司 (Li Ning Sports (Beijing) Co., Ltd.)	The PRC, 19 December 2007 Limited liability company	HK$10,000,000	100%	Sale of sports goods
上海一動體育發展有限公司 (Shanghai Edosports Development Co., Ltd.)	The PRC, 9 July 2001 Limited liability company	RMB10,000,000	100%	Sale of sports goods
鄭州一動體育用品銷售有限公司 (Zhengzhou Edosports Goods Sales Co., Ltd.)	The PRC, 25 June 1998 Limited liability company	RMB2,750,000	100%	Sale of sports goods
廣州一動體育用品銷售有限公司 (Guangzhou Edosports Goods Sales Co., Ltd.)	The PRC, 6 October 1998 Limited liability company	RMB3,200,000	100%	Sale of sports goods
瀋陽一動體育用品銷售有限公司 (Shenyang Edosports Goods Sales Co., Ltd.)	The PRC, 10 June 1999 Limited liability company	RMB3,000,000	100%	Sale of sports goods
濟南一動體育用品銷售有限公司 (Jinan Edosports Goods Sales Co., Ltd.)	The PRC, 15 April 2003 Limited liability company	RMB1,000,000	100%	Sale of sports goods
武漢一動體育用品銷售有限公司 (Wuhan Edosports Goods Sales Co., Ltd.)	The PRC, 2 June 1999 Limited liability company	RMB1,000,000	100%	Sale of sports goods
北京李寧體育用品銷售有限公司 (Beijing Li Ning Sports Goods Sales Co., Ltd.)	The PRC, 4 November 1997 Limited liability company	RMB5,000,000	100%	Sale of sports goods
上海一動體育用品銷售有限公司 (Shanghai Edosports Goods Sales Co., Ltd.)	The PRC, 8 August 2000 Limited liability company	RMB5,000,000	100%	Sale of sports goods

10. SUBSIDIARIES (CONTINUED)

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

Name	Place of operation/incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
天津一動體育用品銷售有限公司 (Tianjin Edosports Goods Sales Co., Ltd.)	The PRC, 14 December 1999 Limited liability company	RMB3,500,000	100%	Sale of sports goods
南京一動體育用品銷售有限公司 (Nanjing Edosports Goods Sales Co., Ltd.)	The PRC, 15 April 2003 Limited liability company	RMB1,000,000	100%	Sale of sports goods
新疆一動體育用品銷售有限公司 (Xinjiang Edosports Goods Sales Co., Ltd.)	The PRC, 4 February 2005 Limited liability company	RMB1,000,000	100%	Sale of sports goods
廣西李寧體育用品有限公司 (Guangxi Li Ning Sports Goods Co., Ltd)	The PRC, 23 November 2018 Limited liability company	RMB50,000,000	100%	Manufacture and sale of sports goods
長沙一動體育用品銷售有限公司 (Changsha Edosports Goods Sales Co., Ltd.)	The PRC, 26 August 1998 Limited liability company	RMB1,000,000	100%	Sale of sports goods
南寧一動體育用品銷售有限公司 (Nanning Edosports Goods Sales Co., Ltd.)	The PRC, 29 July 1998 Limited liability company	RMB1,500,000	100%	Sale of sports goods
西安一動體育用品銷售有限公司 (Xian Edosports Goods Sales Co., Ltd.)	The PRC, 23 January 2006 Limited liability company	RMB1,000,000	100%	Sale of sports goods
成都一動體育用品銷售有限公司 (Chengdu Edosports Goods Sales Co., Ltd.)	The PRC, 4 February 2008 Limited liability company	RMB1,000,000	100%	Sale of sports goods
昆明一動體育用品銷售有限公司 (Kunming Edosports Goods Sales Co., Ltd.)	The PRC, 24 September 2008 Limited liability company	RMB1,000,000	100%	Sale of sports goods
蘭州一動體育用品銷售有限公司 (Lanzhou Edosports Goods Sales Co., Ltd.)	The PRC, 13 May 2009 Limited liability company	RMB1,000,000	100%	Sale of sports goods
廈門悅奧商貿有限公司 (Xiamen Yue Ao Trading Co., Ltd.)	The PRC, 26 October 2009 Limited liability company	RMB1,000,000	100%	Sale of sports goods

10. ***SUBSIDIARIES*** *(CONTINUED)*

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

Name	Place of operation/incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
大連悅奧體育用品銷售有限公司 (Dalian YueAo Sports Goods Sales Co., Ltd.)	The PRC, 13 June 2010 Limited liability company	RMB3,000,000	100%	Sale of sports goods
杭州悅奧體育用品銷售有限公司 (Hangzhou Yue Ao Sports Goods Sales Co., Ltd.)	The PRC, 17 December 2010 Limited liability company	RMB1,000,000	100%	Sale of sports goods
合肥一動體育用品銷售有限公司 (Hefei Edosports Goods Sales Co., Ltd.)	The PRC, 21 March 2011 Limited liability company	RMB1,000,000	100%	Sale of sports goods
上海李寧體育用品電子商務有限公司 (Shanghai Li Ning Sports Goods E-business Co.,Ltd.)	The PRC, 27 July 2011 Limited liability company	RMB10,000,000	100%	Sale of sports goods
李寧(福建)羽毛球科技發展有限公司 (Li Ning (Fujian) Badminton Technology Development Co., Ltd.)	The PRC, 30 June 2008 Limited liability company	RMB20,000,000	100%	Manufacture and sale of sports goods
Kason Sports (Hong Kong) Ltd. (凱勝體育(香港)有限公司)	Hong Kong, 15 January 2008 Limited liability company	HK$1	100%	Investment holding
Li Ning International Trading (Hong Kong) Co., Ltd. (李寧國際貿易(香港)有限公司)	Hong Kong, 27 August 2010 Limited liability company	HK$2	100%	Sales of sports goods
李寧(湖北)體育用品有限公司 (Li Ning (Hubei) Sports Goods Co., Ltd.)	The PRC, 2 November 2010 Limited liability company	RMB411,844,000	100%	Sale of sports goods
湖北李寧鞋業有限公司 (Hubei Li Ning Footwear Co., Ltd.)	The PRC, 18 April 2013 Limited liability company	RMB50,000,000	95%	Manufacture and sale of sports goods
哈爾濱一動體育用品銷售有限公司 (Harbin Edosports Goods Sales Co., Ltd.)	The PRC, 25 December 2013 Limited liability company	RMB1,000,000	100%	Sale of sports goods
大慶悅動體育用品銷售有限公司 (Daqing Yue Dong Sports Goods Sales Co., Ltd.)	The PRC, 25 December 2013 Limited liability company	RMB1,000,000	100%	Sale of sports goods

10. *SUBSIDIARIES (CONTINUED)*

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

Name	Place of operation/incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
重慶悦奧體育用品銷售有限公司 (Chongqing Yue Ao Sports Goods Sales Co., Ltd.)	The PRC, 15 April 2014 Limited liability company	RMB1,000,000	100%	Sale of sports goods
貴陽悦奧體育用品有限公司 (Guiyang Yue Ao Sports Goods Co., Ltd.)	The PRC, 23 May 2014 Limited liability company	RMB1,000,000	100%	Sale of sports goods
深圳悦奧商貿有限公司 (Shenzhen Yue Ao Trading Co., Ltd.)	The PRC, 7 December 2015 Limited liability company	RMB1,000,000	100%	Sale of sports goods
長春悦奧體育用品銷售有限公司 (Changchun Yue Ao Sports Goods Sales Co., Ltd.)	The PRC, 22 April 2019 Limited liability company	RMB1,000,000	100%	Sale of sports goods
李寧體育(深圳)有限公司 (Li Ning Sports (Shenzhen) Co., Ltd.)	The PRC, 19 September 2019 Limited liability company	RMB400,000,000	100%	Sale of sports goods
李寧體育科技(深圳)有限公司 (Li Ning Sports Technolocy (Shenzhen) Co., Ltd.)	The PRC, 27 September 2019 Limited liability company	RMB20,000,000	100%	Research and development
Li Ning Communications (Hong Kong) Ltd. (李寧資訊(香港)有限公司)	Hong Kong, 22 August 2001 Limited liability company	HK$20,000,000	100%	Investment holding
松日高科電子(深圳)有限公司 (Matsunichi High-Tech Electronic (Shenzhen) Co., Ltd.)	The PRC, 28 May 2002 Limited liability company	USD$25,000,000	100%	Property management
李寧體育(廣西)有限公司 (Li Ning Sports (Guangxi) Co., Ltd.)	The PRC, 28 October 2019 Limited liability company	RMB922,322,400	100%	Sale of sports goods
上海少昊體育發展有限公司 (Shanghai Shao Hao Sports Development Co., Ltd.)	The PRC, 20 July 2021 Limited liability company	RMB5,000,000	100%	Property management

10. SUBSIDIARIES *(CONTINUED)*

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

Name	Place of operation/incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
上海少昊伯悦商業管理有限公司 (Shanghai Shao Hao Bo Yue Business Management Co., Ltd.)	The PRC, 20 July 2021 Limited liability company	RMB5,000,000	100%	Property management
上海寧聚體育用品有限公司 (Shanghai Ning Ju Sports Goods Co., Ltd.)	The PRC, 5 August 2021 Limited liability company	RMB5,000,000	100%	Property management
李寧體育童裝有限公司 (Li Ning Sports Kidswear Co., Ltd.)	The PRC, 3 March 2022 Limited liability company	RMB250,000,000	100%	Sale of sports goods
杭州寧聚體育用品有限公司 (Hangzhou Ningju Sports Goods Co., Ltd.)	The PRC, 19 September 2022 Limited liability company	RMB500,000	100%	Sale of sports goods
Edosports Macau International Trading Co. Ltd. (澳門一動國際貿易有限公司)	Macau, 6 October 2022 Limited liability company	Macau Pataca 100,000	100%	Sales of sports goods

Loans receivable due from subsidiaries

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

Material non-controlling interests

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

11. *INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD*

The amounts recognised in the balance sheet are as follows:

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

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

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

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

Investment in associates

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

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/paid up capital	Effective equity interest held by the Group 2022	2021	Principal activities	Measurement method
上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.) ("Double Happiness")	The PRC, 26 December 1995 Limited liability company	RMB112,000,000	47.50%	47.50%	Manufacture and sale of sports goods	Equity
湖北動能體育用品有限公司 Hubei Dongneng Sports Goods Co., Ltd.) ("Hubei Dong Neng")	The PRC, 29 October 2008 Limited liability company	RMB100,000,000	20%	20%	Manufacture and sale of sports goods	Equity
天津市寬貓咪兒童用品有限公司 (Tianjin Kuan Mao Mi Children's Products Co., Ltd.) ("Tianjin Kuan Mao Mi")	The PRC, 24 May 2011 Limited liability company	RMB30,000,000	10.22%	10.22%	Sale of sports goods	Equity
天津市越浩拓戶外用品有限公司 (Tianjin Yue Hao Tuo Outdoor Sports Co., Ltd.) ("Tianjin Yue Hao Tuo")	The PRC, 3 August 2011 Limited liability company	RMB20,790,000	7.89%	7.89%	Sale of sports goods	Equity
北京悅網金服信息科技有限公司 (Beijing Yue Wang Jin Fu Information Technology Co., Ltd.) ("Yue Wang Jin Fu")	The PRC, 16 November 2015 Limited liability company	RMB5,000,000	N/A	40%	Investment	Equity
Danskin China, Ltd. ("Danskin China") (單仕競中國有限公司)	Hong Kong, 28 June 2016 Limited liability company	HK$1,000	30%	20%	Sale of sports goods	Equity

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

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

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

Investment in associates *(Continued)*

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

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

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

Investment in joint ventures

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

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/paid up capital	Effective equity interest held by the Group 2022	2021	Principal activities
Li-Ning Aigle Ventures Company Limited ("Li-Ning Aigle Ventures") (a) 李寧艾高有限公司	Hong Kong, 3 July 2005 Limited liability company	HK$48,600,000	**50%**	50%	Sales of sports goods
李寧(北京)體育文化有限公司 Li-Ning (Beijing) Sports Culture Co. Ltd ("Li-Ning Sports Culture") (b)	The PRC, 8 August 2018 Limited liability company	RMB1,000,000	**50%**	50%	Organise cultural and art exchange event
廣西寧站體育科技有限公司 Guangxi Ning Zhan Sports Technology Co., Ltd. ("Guangxi Ning Zhan") (c)	The PRC, 12 April 2019 Limited liability company	RMB145,000,000	**55%**	55%	Manufacture and sale of sports goods
廣西寧泰服裝有限公司 Guangxi Ning Tai Garment Co. Ltd ("Guangxi Ning Tai") (c)	The PRC, 8 November 2019 Limited liability company	RMB55,000,000	**55%**	55%	Manufacture and sale of sports goods

Notes:

(a) The Group has a 50% equity interest in Li-Ning Aigle Ventures which is a company jointly controlled by the Group and Aigle International S.A., a company incorporated in France. Li-Ning Aigle Ventures and its subsidiaries are principally engaged in the manufacture, marketing and distribution of AIGLE brand apparel and footwear products in the PRC.

(b) The Group has a 50% equity interest in Li-Ning Sports Culture which is a company jointly controlled by the Group and Viva Lingyue Sports Development (Beijing) Ltd., a subsidiary of Viva China Holdings Limited ("Viva China", a substantial shareholder of the Company). Li-Ning Sports Culture is principally engaged in organising cultural and art exchange events in PRC.

(c) The investments in these entities are accounted for as investments in joint ventures as unanimous consent is required from all shareholders of these entities for approving certain relevant activities according to the respective shareholders' agreements of these entities.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

12. INVENTORIES

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

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

13. OTHER ASSETS

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

14. TRADE RECEIVABLES

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

Trade receivables are mainly denominated in RMB.

14. *TRADE RECEIVABLES (CONTINUED)*

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

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

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

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

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

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance decreased by RMB55,770,000 to RMB152,511,000 for trade receivables during the current reporting period (2021: decreased by RMB72,156,000 to RMB208,281,000). Note 3.1(b) provides for details about the calculation of the allowance.

Information about the expected credit loss allowance for trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

15. OTHER RECEIVABLES

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

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

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

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

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

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

16. CASH AND BANK BALANCES

(a) Cash and cash equivalents

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

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

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

(b) Restricted bank deposits

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

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

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

16. *CASH AND BANK BALANCES (CONTINUED)*

(c) Short-term bank deposits

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

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

(d) Long-term bank deposits

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

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

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

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

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

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

Issued and fully paid

	Number of share of HK$0.10 each (Thousands)	Number of shares held for Restricted Share Award Scheme (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Subtotal RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
As at 1 January 2021	2,489,133	(15,174)	228,285	4,037,767	4,266,052	(148,995)	4,117,057
Net proceeds from share issuance pursuant to share option scheme *(Note (a))*	7,262	–	603	39,967	40,570	–	40,570
Net proceeds from share issuance upon completion of top-up placing and top-up subscription *(Note (b))*	120,000	–	9,859	8,561,928	8,571,787	–	8,571,787
Shares converted from convertible securities *(Note 18)*	151	–	12	323	335	–	335
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	11,016	–	(2,708)	(2,708)	111,155	108,447
As at 31 December 2021	2,616,546	(4,158)	238,759	12,637,277	12,876,036	(37,840)	12,838,196
As at 1 January 2022	2,616,546	(4,158)	238,759	12,637,277	12,876,036	(37,840)	12,838,196
Net proceeds from share issuance pursuant to share option scheme *(Note (a))*	17,371	–	1,561	95,154	96,715	–	96,715
Shares converted from convertible securities *(Note 18)*	3	–	–	7	7	–	7
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	826	–	43,000	43,000	15,611	58,611
Shares purchased for Restricted Share Award Scheme (Note (c))	–	(3,601)	–	–	–	(158,610)	(158,610)
Dividend paid (Note 30)	–	–	–	(1,194,720)	(1,194,720)	–	(1,194,720)
As at 31 December 2022	2,633,920	(6,933)	240,320	11,580,718	11,821,038	(180,839)	11,640,199

Notes:

(a) During the year ended 31 December 2022, the Company issued 17,371,000 shares (2021: 7,262,000 shares) to one director, certain employees and other participant of the Group at weighted-average issue price of HK$6.20 (2021: HK$6.73) per share pursuant to the Company's 2014 Share Option Scheme (see Note 32).

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

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

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

18. OTHER RESERVES AND RETAINED EARNINGS

	Capital reserves RMB'000	Statutory reserve funds RMB'000	Share-based compensation reserves RMB'000	Convertible securities (Note) RMB'000	Currency translation difference RMB'000	Subtotal RMB'000	Retained Earnings RMB'000	Total RMB'000
As at 1 January 2021	144,517	593,595	154,238	2,750	(20,526)	874,574	3,695,232	4,569,806
Profit for the year	–	–	–	–	–	–	4,010,881	4,010,881
Value of services provided under share option scheme and Restricted Share Award Scheme	–	–	33,064	–	–	33,064	–	33,064
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	–	(108,447)	–	–	(108,447)	–	(108,447)
Appropriations to statutory reserves	–	169,328	–	–	–	169,328	(169,328)	–
Shares converted from convertible securities *(Note)*	–	–	–	(335)	–	(335)	–	(335)
Translation difference of foreign currency financial statements	–	–	–	–	(2,562)	(2,562)	–	(2,562)
Dividends paid	–	–	–	–	–	–	(515,202)	(515,202)
Tax impact of employee share-based compensation scheme	276,145	–	–	–	–	276,145	–	276,145
As at 31 December 2021	420,662	762,923	78,855	2,415	(23,088)	1,241,767	7,021,583	8,263,350
As at 1 January 2022	420,662	762,923	78,855	2,415	(23,088)	1,241,767	7,021,583	8,263,350
Profit for the year	–	–	–	–	–	–	4,063,834	4,063,834
Value of services provided under share option scheme and Restricted Share Award Scheme	–	–	239,301	–	–	239,301	–	239,301
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	–	(58,611)	–	–	(58,611)	–	(58,611)
Appropriations to statutory reserves	–	188,598	–	–	–	188,598	(188,598)	–
Shares converted from convertible securities *(Note)*	–	–	–	(7)	–	(7)	–	(7)
Translation difference of foreign currency financial statements	–	–	–	–	(8,383)	(8,383)	–	(8,383)
Tax impact of employee share-based compensation scheme	189,747	–	–	–	–	189,747	–	189,747
As at 31 December 2022	610,409	951,521	259,545	2,408	(31,471)	1,792,412	10,896,819	12,689,231

18. *OTHER RESERVES AND RETAINED EARNINGS* *(CONTINUED)*

Note:

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

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

19. *TRADE PAYABLES*

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

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

20. OTHER PAYABLES AND ACCRUALS

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

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

Other payables and accruals are mainly denominated in RMB.

21. LICENSE FEES PAYABLE

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

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

	RMB'000
As at 1 January 2021	62,889
Additions	145,265
Payment of license fees	(139,844)
Amortisation of discount *(Note 27)*	2,601
Adjustment for exchange difference	191
As at 31 December 2021	71,102
As at 1 January 2022	71,102
Additions	156,720
Payment of license fees	(165,660)
Amortisation of discount *(Note 27)*	2,363
Adjustment for exchange difference	1,546
As at 31 December 2022	66,071

21. LICENSE FEES PAYABLE (CONTINUED)

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

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

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

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

22. DEFERRED INCOME TAX

Movements in deferred income tax assets/(liabilities) are analysed as follows:

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

22. DEFERRED INCOME TAX (CONTINUED)

(a) Deferred income tax assets

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

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

(b) Deferred income tax liabilities

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

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

22. DEFERRED INCOME TAX *(CONTINUED)*

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

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

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB26,751,000 (2021: RMB37,805,000) in respect of tax losses of certain subsidiaries amounting to RMB107,192,000 (2021: RMB151,323,000) that can be carried forward against future taxable income and will expire between 2023 and 2027 as Management believes it is more likely than not that such tax losses would not be utilised before they expire.

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

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

23. DEFERRED INCOME

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

24. EXPENSES BY NATURE

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

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

25. OTHER INCOME AND OTHER GAINS – NET

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

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

26. STAFF COSTS

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

(a) Five highest paid individuals

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

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

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

The emoluments fell within the following bands:

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

26. STAFF COSTS *(CONTINUED)*

(b) Pensions – defined contribution plans

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

27. FINANCE INCOME AND EXPENSES

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

28. INCOME TAX EXPENSE

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

28. *INCOME TAX EXPENSE (CONTINUED)*

(a) The Company was incorporated in the Cayman Islands. Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Company. The Company's subsidiary, RealSports Pte Ltd., was established under the International Business Companies Acts of the British Virgin Islands, and is exempted from British Virgin Islands income taxes.

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

(c) This mainly arose from the dividends due by the Company's subsidiaries in Mainland China to other group companies in Hong Kong during the years ended 31 December 2022 and 2021, which are subject to withholding tax at the rate of 5%.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% as follows:

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

29. EARNINGS PER SHARE

Basic

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

In April 2013, the Company completed the issuance of the 2013 CS. In January 2015, the Company had completed the issuance of Offer Securities which included the issuance of both ordinary shares and the 2015 CS. The below market subscription price of these two events had effectively resulted in 249,000 ordinary shares (31 December 2021: 270,000 ordinary shares) to be issued upon conversion for nil consideration (i.e. the bonus element), and such impact has been taken into account in calculating the weighted average number of shares for the year ended 31 December 2022 for the purpose of basic earnings per share. The shares issued for nil consideration arising from the issuance of the CS have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2021.

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

Diluted

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

29. *EARNINGS PER SHARE (CONTINUED)*

Diluted *(Continued)*

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

30. *DIVIDENDS*

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

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

On 16 March 2023, the Board proposed a final dividend of RMB46.27 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities out of the share premium for the year ended 31 December 2022. The final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 14 June 2023. The proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of share premium in the year ending 31 December 2023.

31. STATEMENT OF CASH FLOWS

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

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

The principal non-cash transaction included:

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

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

31. STATEMENT OF CASH FLOWS (CONTINUED)

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

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

32. SHARE-BASED COMPENSATION

(a) 2014 Share Option Scheme

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

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

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

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

32. SHARE-BASED COMPENSATION (CONTINUED)

(a) 2014 Share Option Scheme (Continued)

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

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

The fair value of the 2014 Share Option Scheme is charged to the consolidated income statement over the vesting period of the option. The amount charged to the consolidated income statement during the year ended 31 December 2022 was RMB4,049,000 (2021: RMB8,405,000).

(b) 2016 Restricted Share Award Scheme

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

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

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

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

32. SHARE-BASED COMPENSATION (CONTINUED)

(b) 2016 Restricted Share Award Scheme (Continued)

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

	2022		2021	
	Weighted average fair value (per share) HK$	Number of Restricted Shares granted (Thousands)	Weighted average fair value (per share) HK$	Number of Restricted Shares granted (Thousands)
As at 1 January	29.841	1,646	9.386	12,735
Granted	73.192	9,801	73.204	230
Vested	28.498	(826)	7.755	(11,016)
Lapsed	63.341	(248)	6.031	(303)
As at 31 December	70.109	10,373	29.841	1,646

The fair value of the 2016 Restricted Share Award Scheme is charged to the consolidated income statement over the vesting period of the awarded shares. The amount charged to the consolidated income statement was RMB235,252,000 during the year ended 31 December 2022 (2021: RMB24,659,000).

33. COMMITMENTS

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

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

(b) Capital commitments in relation to acquisition of properties

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

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

34. BUSINESS COMBINATION

(a) Summary of acquisition

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

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

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

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

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

34. BUSINESS COMBINATION (CONTINUED)

(a) Summary of acquisition (Continued)

(i) Acquisition-related costs

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

(ii) Revenue and profit contribution

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

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

	2022 RMB'000	2021 RMB'000
Cash consideration	**–**	1,226,267
Cash paid to settle the payables of the Target Group in relation to the business combination (which were included in other payables and accruals as at the date of acquisition)	**13,267**	167,182
Less: Cash acquired	**–**	(47,587)
Prepayment for consideration for acquisition of subsidiaries	**–**	(47,904)
	13,267	1,297,958

35. RELATED-PARTY TRANSACTIONS

Related party is a party that is related to the Group if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group (including the Company or its wholly or non-wholly owned subsidiaries); or the party has an interest in the Group that gives it significant influence over the Group; or the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual who is a member of the key management personnel of the Group.

Besides as disclosed elsewhere in these consolidated financial statements, the Group has following related-party transactions during the year:

35. RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Sales of goods to:

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

(b) Provision of services to:

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

(c) Purchases of goods from:

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

35. *RELATED-PARTY TRANSACTIONS* (CONTINUED)

(d) Purchases of services from:

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

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

(e) Other transactions

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

(f) Key management compensation

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

Note:

(i) During the year ended 31 December 2022, the above transactions with subsidiaries of Viva China constituted connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

35. RELATED-PARTY TRANSACTIONS (CONTINUED)

(g) Year-end balances

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

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

The other receivables from related parties referred to the loans that have the maturity date within one year. The receivables bear 8% interest rate per annum.

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

36. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

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

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

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

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

Li Ning
Executive Chairman & Joint Chief Executive Officer

Kosaka Takeshi
Joint Chief Executive Officer

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

(a) Reserve movement of the Company

	Retained earnings RMB'000	Capital reserves RMB'000	Share-based compensation reserves RMB'000	Convertible securities reserves RMB'000	Total RMB'000
As at 1 January 2021	784,198	83,387	154,238	2,750	1,024,573
Total comprehensive income for the year	(160,279)	–	–	–	(160,279)
Value of services provided under share option scheme and Restricted Share Award Scheme	–	–	33,064	–	33,064
Exercise of share options and vesting of shares under Restricted Share Award Scheme	–	–	(108,447)	–	(108,447)
Shares converted from convertible securities	–	–	–	(335)	(335)
Dividends paid	(515,202)	–	–	–	(515,202)
As at 31 December 2021	108,717	83,387	78,855	2,415	273,374
As at 1 January 2022	**108,717**	**83,387**	**78,855**	**2,415**	**273,374**
Total comprehensive income for the year	**605,967**	**–**	**–**	**–**	**605,967**
Value of services provided under share option scheme and Restricted Share Award Scheme	**–**	**–**	**239,301**	**–**	**239,301**
Exercise of share options and vesting of shares under Restricted Share Award Scheme	**–**	**–**	**(58,611)**	**–**	**(58,611)**
Shares converted from convertible securities	**–**	**–**	**–**	**(7)**	**(7)**
As at 31 December 2022	**714,684**	**83,387**	**259,545**	**2,408**	**1,060,024**

37. BENEFITS AND INTERESTS OF DIRECTORS

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

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

The remuneration of each director for the year ended 31 December 2021 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Allowance and benefits in kind (Note (i)) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Li Ning	–	10,000	45,085	9,615	1,191	65,891
Mr. Kosaka Takeshi	–	10,165	44,074	11,608	156	66,003
Ms. Wang Ya Fei	270	–	–	232	–	502
Mr. Koo Fook Sun, Louis	270	–	–	232	–	502
Mr. Chan Chung Bun, Bunny	250	–	–	232	–	482
Mr. Su Jing Shyh, Samuel (iii)	138	–	–	232	–	370
Mr. Li Qilin	1,700	–	–	331	–	2,031

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

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

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

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

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

During the year, no director of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group (2021: nil). No emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2021: nil). No consideration was provided to or receivable by third parties for making available directors' services (2021: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2021: none).

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2021: none).

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which another group undertaking was a party that subsisted at the end of the year or at any time during the year (2021: none).

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