LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS AND OPERATIONAL HIGHLIGHTS

- Returned to profitability and positive operating cash flow since 2011:
  - Revenue grew by 17% to RMB7,089 million
  - Net Profit attributable to equity holders of the Company improved by RMB795 million, from loss of RMB781 million to profit of RMB14 million
  - Operating cash flow increased by over RMB1 billion to RMB687 million

- Gross inventory (before provision and excluding Double Happiness) declined by 20% notwithstanding net addition of 313 direct Point-of-Sales (POS).

- Working capital improved significantly with Cash Conversion Cycle (CCC) shortened by 26 days.

- Achieved balanced channel expansion, with retail, wholesale and e-commerce all recorded double-digit revenue growth:
  - Same Store Sales Growth (SSSG) for overall platform recorded low-single-digit and high-single-digit growth for Q4 and full year, respectively
  - Maintained positive SSSG for overall platform in all four quarters throughout the year

- Double digit retail sell-through growth for all core product categories.

- Expansion in POS resumed with a net increase of 507 to 6,133 by the end of 2015:
  - Distributors' POS resumed expansion since 2011 and recorded a net increase of 194 POS.

- Trade fair orders for the third quarter of 2016 registered a low-teens growth on a year-on-year basis.

DOUBLE HAPPINESS UPDATE

- The Company decided to dispose of its 10% equity interest in Double Happiness, and Double Happiness will no longer be a subsidiary of the Company upon completion of this transaction.
- Revenue and expenses of Double Happiness are not included in the Group's revenue and expenses for both 2015 and 2014.
- It is expected that this transaction will be completed in the first half of 2016.

ANNUAL RESULTS

The board of directors (the "Board") of Li Ning Company Limited (the "Company" or "Li Ning Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015, together with comparative figures of 2014, as follows:

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2015**	2014
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**740,305**	861,173
Land use rights		**79,788**	372,113
Intangible assets		**265,570**	446,399
Deferred income tax assets		**230,868**	311,081
Available-for-sale financial assets		**26,000**	26,000
Investments accounted for using the equity method		**27,796**	20,848
Other receivables and prepayments		**43,615**	39,473
Total non-current assets		**1,413,942**	2,077,087
Current assets			
Inventories	*4*	**959,652**	1,289,332
Trade receivables	*5*	**1,439,513**	1,260,131
Other receivables and prepayments – current portion		**309,389**	379,277
Restricted bank deposits		**495**	2,593
Cash and cash equivalents		**1,812,572**	1,031,386
		4,521,621	3,962,719
Assets of disposal group classified as held for sale	*13*	**961,895**	–
Total current assets		**5,483,516**	3,962,719
Total assets		**6,897,458**	6,039,806

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		**177,492**	141,698
Share premium		**2,168,867**	1,298,537
Shares held for Restricted Share Award Scheme		**(2,084)**	(3,719)
Other reserves		**1,308,230**	984,398
Accumulated deficit		**(472,602)**	(469,056)
		3,179,903	1,951,858
Non-controlling interests in equity		**230,637**	217,583
Total equity		**3,410,540**	2,169,441
LIABILITIES			
Non-current liabilities			
License fees payable		**27,886**	77,434
Borrowings		**200,000**	298,241
Convertible bonds		**710,033**	676,421
Deferred income tax liabilities		**11,503**	76,410
Deferred income		**65,710**	62,718
Total non-current liabilities		**1,015,132**	1,191,224
Current liabilities			
Trade payables	*6*	**997,473**	953,429
Other payables and accruals		**696,168**	1,104,541
License fees payable – current portion		**63,357**	57,880
Current income tax liabilities		**3,777**	9
Borrowings		**366,499**	550,782
Convertible bonds – interest payable		**12,500**	12,500
		2,139,774	2,679,141
Liabilities of disposal group classified as held for sale	*13*	**332,012**	–
Total current liabilities		**2,471,786**	2,679,141
Total liabilities		**3,486,918**	3,870,365
Total equity and liabilities		**6,897,458**	6,039,806

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2015**	2014
		RMB'000	*RMB'000*
Continuing operations			
Revenue	*3*	**7,089,495**	6,047,195
Cost of sales	*7*	**(3,896,836)**	(3,329,436)
Gross profit		**3,192,659**	2,717,759
Distribution expenses	*7*	**(2,720,361)**	(2,764,656)
Administrative expenses	*7*	**(346,149)**	(627,944)
Other income and other gains-net	*8*	**30,920**	31,779
Operating profit/(loss)		**157,069**	(643,062)
Finance income	*9*	**6,343**	10,444
Finance expenses	*9*	**(139,546)**	(152,622)
Finance expenses-net	*9*	**(133,203)**	(142,178)
Share of profit of investments accounted for using the equity method		**6,948**	7,352
Profit/(Loss) before income tax		**30,814**	(777,888)
Income tax expense	*10*	**(73,768)**	(52,179)
Loss for the year from continuing operations		**(42,954)**	(830,067)
Discontinued operations			
Profit for the year from discontinued operations	*13*	**104,559**	86,563
Profit/(Loss) for the year		**61,605**	(743,504)
Attributable to:			
Equity holders of the Company		**14,309**	(781,481)
Non-controlling interests		**47,296**	37,977
		61,605	(743,504)

	Note	Year ended 31 December **2015** **_RMB'000_**	2014 _RMB'000_
Profit/(Loss) attributable to equity holders of the Company arises from:			
Continuing operations		**(42,954)**	(830,117)
Discontinued operations	_13_	**57,263**	48,636
		14,309	(781,481)
Earnings/(Losses) per share attributable to equity holders of the Company (RMB cents)			
Basic earnings/(losses) per share			
From continuing operations	_11_	**(1.99)**	(53.08)
From discontinued operations	_11_	**2.65**	3.11
		0.66	(49.97)
Diluted earnings/(losses) per share			
From continuing operations	_11_	**(1.99)**	(53.08)
From discontinued operations	_11_	**2.65**	3.11
		0.66	(49.97)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Profit/(Loss) for the year	**61,605**	(743,504)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Currency translation differences	**(990)**	(140)
Total comprehensive income/(loss) for the year	**60,615**	(743,644)
Attributable to:		
Equity holders of the Company	**13,319**	(781,621)
Non-controlling interests	**47,296**	37,977
	60,615	(743,644)
Total comprehensive income/(loss) attributable to equity holders of the Company arises from:		
Continuing operations	**(43,944)**	(830,257)
Discontinued operations	**57,263**	48,636
	13,319	(781,621)

NOTES:

1. General Information

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

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

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

These 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 on 16 March 2016.

2. Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The accompanying consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies.

On 23 October 2015, and 4 December 2015, the Group's management and shareholders have respectively approved the disposal of 10% equity interest in Shanghai Double Happiness Co., Ltd. (the "Double Happiness"; a 57.5% owned subsidiary of the Company). Accordingly, Double Happiness has been treated as discontinued operation in 2015. The related revenue, expenses, and other operating results are presented as a single amount in the income statement as "profit for the year from discontinued operations". Comparative figures are also reclassified for consistent presentation purpose. The assets and liabilities related to Double Happiness have been presented as "held for sale" on balance sheet.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2015:

Annual Improvements Projects	Annual Improvements 2010-2012 cycle and 2011-2013 cycle
Amendments to IAS 19	Employee benefits

The adoption of above amendments does not have any significant financial effect on these consolidated financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

(b) New standards and interpretations not yet adopted

The following are new standards and amendments to existing standards that have been issued but are not yet effective for the financial year beginning on 1 January 2015 and have not been early adopted.

Amendments to IAS 1	Disclosure initiative (1)
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation (1)
Amendments to IAS 27	Equity method in separate financial statements (1)
Amendments to IFRS 10, 12 and IAS 28	Investment entities: applying the consolidation exception (1)
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations (1)
Amendments to IAS 12	Income taxes (2)
Amendments to IAS 7	Statement of cash flows (2)
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture (3)
Annual Improvement Project	Annual Improvements to 2012-2014 Cycle (1)
IFRS 15	Revenue from contracts with customers (4)
IFRS 9	Financial instruments (4)
IFRS 16	Leases (5)

(1) Effective for the accounting period beginning on 1 January 2016
(2) Effective for the accounting period beginning on 1 January 2017
(3) Effective date is to be determined
(4) Effective for the accounting period beginning on 1 January 2018
(5) Effective for the accounting period beginning on 1 January 2019

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment on the impact of the above new standards and amendments to standards.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. Revenue and Segment information

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

Management considers the business from a brand perspective. During the year ended 31 December 2014, the Group had three reportable segments as follows: LI-NING brand, Double Happiness brand and all other brands segments. During the year ended 31 December 2015, the Group decided to dispose 10% equity interest in Shanghai Double Happiness Co., Ltd. ("Double Happiness") and announced its disposal plan on 23 October 2015. Upon the completion of the disposal transaction the Group will no longer consolidate Double Happiness and account for it as an associate company, and thereby it will not be a reportable segment of the Group in the future. Double Happiness was classified as held-for-sale and discontinued operations as of and for the year ended 31 December 2015.

Management assesses the performance of the operating segments based on operating profit/(loss). Segment information provided to Management for decision making is measured in a manner consistent with that in the financial statements.

Revenue consists of sales from LI-NING brand, all other brands from continuing operations and Double Happiness brand from discontinued operations, which are RMB6,971,894,000, RMB117,601,000 and RMB722,636,000 for the year ended 31 December 2015 and RMB5,932,090,000, RMB115,105,000 and RMB680,406,000 for the year ended 31 December 2014, respectively.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to Management is measured in a manner consistent with that in the consolidated income statement.

The segment information provided to Management for the reportable segments for the years ended 31 December 2015 and 2014 is as follows:

	Continuing			Discontinued	
	LI-NING brand	**All other brands**	**Subtotal**	**Double Happiness brand ***	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015					
Total revenue	**6,971,894**	**150,321**	**7,122,215**	**722,648**	**7,844,863**
Inter-segment revenue	**–**	**(32,720)**	**(32,720)**	**(12)**	**(32,732)**
Revenue from external customers	**6,971,894**	**117,601**	**7,089,495**	**722,636**	**7,812,131**
Operating profit	**127,817**	**29,252**	**157,069**	**137,833**	**294,902**
Distribution expenses and administrative expenses	**3,047,453**	**19,057**	**3,066,510**	**173,854**	**3,240,364**
Depreciation and amortisation	**222,421**	**7,515**	**229,936**	**23,940**	**253,876**
Year ended 31 December 2014					
Total revenue	5,932,090	144,930	6,077,020	680,761	6,757,781
Inter-segment revenue	–	(29,825)	(29,825)	(355)	(30,180)
Revenue from external customers	5,932,090	115,105	6,047,195	680,406	6,727,601
Operating (loss)/profit	(679,533)	36,471	(643,062)	114,189	(528,873)
Distribution expenses and administrative expenses	3,381,090	11,510	3,392,600	174,061	3,566,661
Depreciation and amortisation	176,977	2,512	179,489	18,971	198,460

* Double Happiness brand has been classified as discontinued, the related revenue, expenses, tax are presented as a single amount in the income statement as "profit for the year from discontinued operations".

A reconciliation of operating profit/(loss) to profit/(loss) before income tax is provided as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Operating profit/(loss) from continuing operations	**157,069**	(643,062)
Finance income	**6,343**	10,444
Finance expenses	**(139,546)**	(152,622)
Share of profit of investments accounted for using the equity method	**6,948**	7,352
Profit/(Loss) before income tax from continuing operations	**30,814**	(777,888)
Operating profit from discontinued operations	**137,833**	114,189
Finance income	**1,347**	841
Finance expenses	**(108)**	(1,769)
Profit before income tax from discontinued operations	**139,072**	113,261

Geographical information of revenue

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
The PRC (including the Hong Kong Special Administrative Region)	**6,938,051**	5,871,081
Other regions	**151,444**	176,114
Revenue from continuing operations	**7,089,495**	6,047,195
Discontinued operations		
The PRC (including the Hong Kong Special Administrative Region)	**668,257**	628,534
Other regions	**54,379**	51,872
Revenue from discontinued operations	**722,636**	680,406
Total	**7,812,131**	6,727,601

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 2015 and 2014, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

4. Inventories

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**1,319**	39,611
Work in progress	**3,172**	32,930
Finished goods	**1,124,858**	1,481,024
	1,129,349	1,553,565
Less: provision for write-down of inventories to net realisable value	**(169,697)**	(264,233)
	959,652	1,289,332

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB3,789,740,000 for the year ended 31 December 2015 (2014: RMB3,180,989,000). Inventory provision and the amount of reversal have been included in cost of sales in the consolidated income statement for the years ended 31 December 2015 and 2014.

5. Trade receivables

	2015	2014
	RMB'000	*RMB'000*
Accounts receivable	**1,889,870**	1,825,483
Notes receivable	**25,400**	31,414
	1,915,270	1,856,897
Less: allowance for impairment of trade receivables	**(475,757)**	(596,766)
	1,439,513	1,260,131

Ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	2015 *RMB'000*	2014 *RMB'000*
0 – 30 days	**539,433**	367,794
31 – 60 days	**242,387**	218,264
61 – 90 days	**251,607**	237,383
91 – 180 days	**509,786**	560,231
Over 180 days	**372,057**	473,225
	1,915,270	1,856,897

Customers are normally granted credit terms within 90 days. As at 31 December 2015, trade receivables of RMB881,843,000 (31 December 2014: RMB1,033,456,000) were past due. The Group's estimation of allowance for impairment of trade receivables and other receivables reflects its best estimate of amounts that are potentially uncollectible. This determination requires significant judgment. In making such judgment, the Company evaluates, among certain economic factors specific to each customer and other factors, the historical payment pattern and credit-worthiness of each customer, the default rates of prior years, ageing of the trade receivables, and the latest communication with individual customers. Management have been closely monitoring the credit risk of each customer and actively pursuing collection of those receivables until all efforts are exhausted. An allowance for impairment of RMB475,757,000 has been made as at 31 December 2015 (31 December 2014: RMB596,766,000).

The impairment was firstly assessed against individually significant balances, and the remaining balances were grouped for collective assessment according to their ageing groups and historical default rates as these customers were of similar credit risk.

As of 31 December 2015, trade receivables of RMB406,086,000 (2014: RMB436,690,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2015 *RMB'000*	2014 *RMB'000*
91 – 180 days	**406,086**	436,690

Movement in allowance for impairment of trade receivables is analysed as follows:

	2015 *RMB'000*	2014 *RMB'000*
As at 1 January	**596,766**	590,928
(Reversal of provision)/provision for impairment of trade receivables	**(120,832)**	8,942
Trade receivables written off during the year as uncollectible	**(177)**	(3,104)
As at 31 December	**475,757**	596,766

The creation and release of provision for impaired trade receivables have been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of trade receivables mentioned above.

6. Trade payables

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

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**665,265**	704,434
31 – 60 days	**240,779**	122,191
61 – 90 days	**82,316**	97,512
91 – 180 days	**4,708**	19,335
181 – 365 days	**1,935**	5,126
Over 365 days	**2,470**	4,831
	997,473	953,429

7. Expenses by nature

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses and included in cost of sales	**3,789,740**	3,180,989
Depreciation on property, plant and equipment *(Note a)*	**181,881**	138,185
Amortisation of land use rights and intangible assets	**48,055**	41,304
Advertising and marketing expenses	**1,015,671**	1,226,530
Commission and trade fair related expenses	**61,279**	29,586
Staff costs, including directors' emoluments	**701,961**	727,843
Operating lease rentals in respect of land and buildings and related expenses	**758,051**	745,311
Research and product development expenses *(Note a)*	**132,455**	165,473
Transportation and logistics expenses	**254,290**	236,850
(Reversal of provision)/provision for impairment of trade receivables	**(120,832)**	8,942
Impairment of available-for-sale financial assets	**–**	34,930
Auditor's remuneration	**5,129**	5,700
– Audit services	**4,710**	4,350
– Non-audit services	**419**	1,350
Management consulting expenses	**54,079**	91,059
Travelling and entertainment expenses	**39,545**	55,910

Note:

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

8. Other income and other gains – net

	2015	2014
	RMB'000	*RMB'000*
Government grants	**17,549**	22,912
License fee income	**13,371**	8,867
	30,920	31,779

9. Finance income and expenses

	2015 *RMB'000*	2014 *RMB'000*
Finance income		
Interest income on bank balances and deposits	**6,343**	4,824
Net foreign currency exchange gain	**–**	5,620
	6,343	10,444
Finance expenses		
Amortisation of discount – license fees payable	**(13,787)**	(18,044)
Interest expense on bank and other borrowings	**(30,205)**	(37,300)
Interest expense on convertible bonds	**(63,612)**	(60,694)
Net foreign currency exchange loss	**(8,994)**	–
Others	**(22,948)**	(36,584)
	(139,546)	(152,622)
Finance expenses – net	**(133,203)**	(142,178)

10. Income tax expense

	2015 *RMB'000*	2014 *RMB'000*
Current income tax		
— Hong Kong profits tax *(Note b)*	**1,302**	3,361
— The PRC corporate income tax *(Note c)*	**1,037**	10,589
— Withholding income tax on interest income from subsidiaries in PRC *(Note d)*	**3,055**	3,819
	5,394	17,769
Deferred income tax	**68,374**	34,410
Income tax expense	**73,768**	52,179

Note:

(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. RealSports Pte Ltd., the Company's subsidiary, was established under the International Business Companies Acts of the British Virgin Islands, and is exempted from British Virgin Islands income taxes.

(b) 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 2015 (2014: 16.5%).

(c) Provision for the PRC corporate income tax is calculated based on the statutory tax rate of 25% (2014: 25%) on the assessable income of each of the group companies.

(d) This mainly arose from the interests due by the Company's subsidiaries in the PRC to other group companies in Hong Kong during the years ended 31 December 2015 and 2014, which are subject to withholding income tax at the rate of 7%.

11. Earnings/(losses) per share

Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of shares in issue less shares held for Restricted Share Award Scheme during the year. Such weighted average number of shares outstanding shall be adjusted for events such as bonus issue and stock dividend.

In April 2013, the Company completed the issuance of convertible securities. In January 2015, the Company completed the issuance of offer securities. The below market subscription prices of these two events effectively resulted in 80,391,000 ordinary shares (2014: 181,621,000 ordinary shares) to be issued upon conversion for nil consideration (i.e. the bonus element), and such impact has been taken into account in calculating the weighted average number of shares for the purpose of basic earnings/(losses) per share. The shares issued for nil consideration arising from the issuance of offer securities have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2014.

	2015 ***RMB'000***	2014 *RMB'000*
Loss from continuing operations attributable to equity holders of the Company	**(42,954)**	(830,117)
Profit from discontinued operations attributable to equity holders of the Company	**57,263**	48,636
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(in thousands)*	**1,847,386**	1,382,244
Adjustment for the convertible securities and offer securities and related bonus element *(in thousands)*	**311,491**	181,621
Deemed weighted average number of shares for basic earnings/(losses) per share *(in thousands)*	**2,158,877**	1,563,865
Basic losses per share – from continuing operations	**(1.99)**	(53.08)
Basic earnings per share – from discontinued operations	**2.65**	3.11
Basic earnings/(losses) per share *(RMB cents)*	**0.66**	(49.97)

Diluted

Diluted earnings/(losses) 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 convertible bonds, share option schemes and Restricted Share Award Scheme. In relation to shares issued under share option schemes, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the 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.

	2015 ***RMB'000***	2014 *RMB'000*
Loss from continuing operations attributable to equity holders of the Company, used to determine diluted earnings/(losses) per share	**(42,954)**	(830,117)
Profit from discontinued operations attributable to equity holders of the Company	**57,263**	48,636
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(in thousands)*	**1,847,386**	1,382,244
Adjustment for the convertible securities and offer securities and related bonus element *(in thousands)*	**311,491**	181,621
Deemed weighted average number of shares for diluted earnings/(losses) per share *(in thousands)*	**2,158,877**	1,563,865
Diluted losses per share – from continuing operations	**(1.99)**	(53.08)
Diluted earnings per share – from discontinued operations	**2.65**	3.11
Diluted earnings/(losses) per share *(RMB cents)*	**0.66**	(49.97)

Note:

Options and convertible bonds are anti-dilutive at the loss from continuing operations level and have been treated as anti-dilutive for the purpose of diluted loss per share. Therefore the basic earnings/(losses) per share and the diluted earnings/(losses) per share are the same for both periods presented.

As at 31 December 2015, there were 64 million share options, 1.6 million restricted shares, and 225 million ordinary shares assuming conversion of convertible bonds that could potentially have a dilutive impact on continuing operations in the future but were anti-dilutive in 2015 (2014: 55 million, 1.8 million, and 225 million, respectively).

12. Dividends

The Board did not propose final dividend for the years ended 31 December 2015 and 2014.

13. Non-current assets held for sale and discontinued operations

The assets and liabilities related to Shanghai Double Happiness Co., Ltd. (the "Double Happiness"), a 57.5% owned subsidiary of the Company, have been presented as held for sale following the approval of the Group's Management and shareholders to dispose 10% equity interest in Double Happiness to Viva China Holdings Limited ("Viva China") at a consideration of RMB124,992,000 on 23 October 2015 and 4 December 2015, respectively. Given Double Happiness is classified as discontinued operation, a single amount is presented in the income statement, and comparative figures are also reclassified for consistent presentation purpose. Further, to the extent the shares of Double Happiness has not been listed on any major stock exchanges within four years following the completion of the disposal transaction, the Company has the right to call back the 10% equity interest and Viva China has a right to put back the 10% equity interest to the Company at a price of RMB124,992,000 plus 6.5% interest per annum after deducting the relevant cash dividends entitled. The disposal transaction is expected to be completed in the first half year of 2016.

(a) Assets of disposal group classified as held for sale

	2015	2014
	RMB'000	*RMB'000*
Property, plant and equipment and land use rights	**470,884**	–
Intangible assets	**159,808**	–
Deferred income tax assets	**16,173**	–
Inventories	**123,842**	–
Trade receivables	**10,894**	–
Other receivables and prepayments	**3,601**	–
Cash and cash equivalents	**176,693**	–
Total	**961,895**	–

(b) Liabilities of disposal group classified as held for sale

	2015	2014
	RMB'000	*RMB'000*
Deferred income tax liabilities	**60,009**	–
Trade payables	**76,792**	–
Other payables and accruals	**184,694**	–
Current income tax liabilities	**10,517**	–
Total	**332,012**	–

Analysis of the result of discontinued operations is as follows:

	2015	2014
	RMB'000	*RMB'000*
Revenue	**722,636**	680,406
Expenses	**(583,564)**	(567,145)
Profit before income tax	**139,072**	113,261
Income tax expense	**(34,513)**	(26,698)
Profit for the year from discontinued operations	**104,559**	86,563
Attributable to:		
– Equity holders of the Company	**57,263**	48,636
– Non-controlling interests	**47,296**	37,927
Profit for the year from discontinued operations	**104,559**	86,563

(c) Cash flows

	2015	2014
	RMB'000	*RMB'000*
Cash flows from operating activities	**137,939**	131,493
Cash flows from investing activities	**(22,022)**	(10,514)
Cash flows from financing activities	**(79,324)**	(73,463)
Net increase in cash and cash equivalents	**36,593**	47,516

DIVIDEND

The Company recorded a loss from continuing operations for the year 2015. The Board decided not to distribute any final dividend for the year ended 31 December 2015 (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The key operating and financial performance indicators of the Group for the year ended 31 December 2015 are set out below:

	Year ended 31 December		Change
	2015	2014	*(%)*
Income statement items			
(All amounts in RMB thousands unless otherwise stated)			
Revenue *(Note 1)*	**7,089,495**	6,047,195	**17.2**
Gross profit	**3,192,659**	2,717,759	**17.5**
Operating profit/(loss)	**157,069**	(643,062)	**(124.4)**
Earnings before interests, tax, depreciation and amortisation (EBITDA) *(Note 2)*	**393,953**	(456,221)	**(186.4)**
Profit/(loss) attributable to equity holders *(Note 3)*	**14,309**	(781,481)	**(101.8)**
Basic earnings/(losses) per share *(RMB cents)* *(Note 4)*	**0.66**	(49.97)	**(101.3)**
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	**45.0**	44.9	
Operating profit/(loss) margin *(%)*	**2.2**	(10.6)	
Effective tax rate *(%)*	**239.4**	(6.7)	
Margin of profit/(loss) attributable to equity holders *(%)*	**0.2**	(12.9)	
Return on equity attributable to equity holders *(%)*	**0.6**	(33.7)	
Expenses to revenue ratios			
Staff costs expenses *(%)*	**9.9**	12.0	
Advertising and marketing expenses *(%)*	**14.3**	20.3	
Research and product development expenses *(%)*	**1.9**	2.7	

	31 December	31 December
	2015	2014
Balance sheet items		
(All amounts in RMB thousands unless otherwise stated)		
Total assets *(Note 5)*	**6,897,458**	6,039,806
Capital and reserves attributable to equity holders *(Note 6)*	**3,179,903**	1,951,858
Key financial ratios		
Asset efficiency		
Average inventory turnover *(days)* *(Note 7)*	**100**	109
Average trade receivables turnover *(days)* *(Note 8)*	**69**	79
Average trade payables turnover *(days)* *(Note 9)*	**93**	86
Asset ratios		
Debt-to-equity ratio *(%)* *(Note 10)*	**109.7**	198.3
Interest-bearing debt-to-equity ratio *(%)* *(Note 11)*	**40.5**	86.4
Net asset value per share *(RMB cents)*	**180.91**	151.34

Notes:

1. Including revenue for the period from 1 January to 30 September 2015: RMB4,902,524,000.

2. The calculation of earnings before interest, tax, depreciation and amortisation (EBITDA) is based on the sum of loss for the year, income tax expense, finance expenses – net, depreciation on property, plant and equipment, and amortisation of land use rights and intangible assets.

3. Including loss attributable to equity holders for the period from 1 January to 30 September 2015: RMB28,793,000.

4. The calculation of basic earnings/losses per share is based on the loss attributable to equity holders of the Company for the year, divided by the weighted average number of ordinary shares in issue less ordinary shares held for Restricted Share Award Scheme.

5. Total assets at 30 September 2015: RMB6,553,210,000.

6. Capital and reserves attributable to equity holders at 30 September 2015: RMB3,144,248,000.

7. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances for the year (excluding Double Happiness), divided by cost of sales and multiplied by 365 days.

8. The calculation of average trade receivables turnover (days) is based on the average of opening and closing balances of trade receivables for the year, (excluding Double Happiness) divided by revenue and multiplied by 365 days.

9. The calculation of average trade payables turnover (days) is based on the average of opening and closing balances of trade payables for the year, (excluding Double Happiness) divided by total purchases and multiplied by 365 days.

10. The calculation of debt-to-equity ratio is based on total liabilities divided by capital and reserves attributable to equity holders of the Company at the end of the year.

11. The calculation of interest-bearing debt-to-equity ratio is based on total interest-bearing borrowings and convertible bonds divided by capital and reserves attributable to equity holders of the Company at the end of the year.

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

Revenue

The Group's revenue for the year ended 31 December 2015 amounted to RMB7,089,495,000, representing an increase of 17.2% as compared to that of 2014.

Revenue breakdown by brand and product category

	Year ended 31 December				
	2015		2014		
	RMB'000	**% of total revenue**	*RMB'000*	% of total revenue	**Revenue Change (%)**
LI-NING brand					
Footwear	**3,411,465**	**48.1**	2,739,808	45.3	**24.5**
Apparel	**3,118,303**	**44.0**	2,811,388	46.5	**10.9**
Equipment/accessories	**442,126**	**6.2**	380,894	6.3	**16.1**
Total	**6,971,894**	**98.3**	5,932,090	98.1	**17.5**
Other brands*					
Total	**117,601**	**1.7**	115,105	1.9	**2.2**
Total	**7,089,495**	**100.0**	6,047,195	100.0	**17.2**

* *Including Lotto, Kason and Aigle.*

The Group's core brand, LI-NING brand, recorded revenue of RMB6,971,894,000, which accounted for 98.3% of the Group's total revenue, representing a year-on-year increase of 17.5%. Since the second half of 2014, the business of the Group has entered into a phase of stable growth; (a) the tag price of trade fair orders from distributors registered a year-on-year growth and various categories recorded decent sales growth, with running and basketball products in particular shown a significant growth; (b) e-commerce developed rapidly, with an approximately doubled year-on-year sales growth; (c) the number of self-operated POS increased and same-store sales of self-operated POS also registered growth. These factors contributed to the higher growth in revenue of the Group.

Revenue breakdown of LI-NING brand (in %) by sales channel

	Year ended 31 December		
	2015	2014	
	% of revenue of LI-NING brand	% of revenue of LI-NING brand	**Change *(%)***
LI-NING brand			
PRC market			
Sales to franchised distributors	**55.4**	56.3	**(0.9)**
Sales from direct operation	**33.8**	35.8	**(2.0)**
Sales from e-commerce channel	**8.6**	4.9	**3.7**
International markets	**2.2**	3.0	**(0.8)**
Total	**100.0**	100.0	

During the year, the Group's continuous expansion of e-commerce channel and the boom of e-commerce in China contributed to the substantial increase in the weighting of the revenue of sales from e-commerce channel.

Revenue breakdown of LI-NING brand by geographical location

		Year ended 31 December				
		2015		2014		
	Note	***RMB'000***	**% of revenue of LI-NING brand**	*RMB'000*	% of revenue of LI-NING brand	**Revenue change *(%)***
LI-NING brand						
PRC market						
Eastern region	*1*	**2,352,620**	**33.7**	1,892,194	31.9	**24.3**
Northern region	*2*	**3,114,525**	**44.7**	2,737,330	46.1	**13.8**
Southern region	*3*	**1,353,305**	**19.4**	1,126,452	19.0	**20.1**
International markets		**151,444**	**2.2**	176,114	3.0	**(14.0)**
Total		**6,971,894**	**100.0**	5,932,090	100.0	**17.5**

Notes:

1. Eastern region includes Shanghai, Zhejiang, Jiangsu, Anhui, Shandong, Hunan and Hubei.

2. Northern region includes Beijing, Tianjin, Shanxi, Hebei, Inner Mongolia, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Gansu, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region and Qinghai.

3. Southern region includes Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Sichuan, Jiangxi, Chongqing and Tibet.

Compared with prior years, the southern market showed signs of recovery with more significant increase and the eastern market continued to maintain relatively higher growth.

Cost of Sales and Gross Profit

For the year ended 31 December 2015, overall cost of sales of the Group amounted to RMB3,896,836,000 (2014: RMB3,329,436,000), and overall gross profit margin was 45.0% (2014: 44.9%). Gross profit margin largely remained stable during the year.

Cost of sales of LI-NING brand amounted to RMB3,827,544,000 (2014: RMB3,262,312,000), and gross profit margin was 45.1% (2014: 45.0%), representing a slight year-on-year increase. During the year, as the Company exercised effective control on the procurement cost, the tag-cost-ratio had been improved. The increased proportion of e-commerce also had positive effect on the gross profit margin. However, the amount of reversal of inventory provision along with the clearance of obsolete inventory was less than that of 2014 and had partially offset the positive effect, resulting in a generally steady gross profit margin as compared to last year.

Distribution Expenses

For the year ended 31 December 2015, the Group's overall distribution expenses amounted to RMB2,720,361,000 (2014: RMB2,764,656,000), accounting for 38.4% (2014: 45.7%) of the Group's total revenue.

Distribution expenses of LI-NING brand amounted to RMB2,710,390,000 (2014: RMB2,758,231,000), accounting for 38.9% (2014: 46.5%) of LI-NING brand's revenue. As the Group invested its resources mainly in product development and channel expansion, the number of self-operated POS significantly increased year-on-year, leading to a consequential increase in rental and staff costs for POS. e-commerce channel developed rapidly, leading to a significant increase in the relevant commission fees. In addition, the increase in sales revenue resulted in the increase in logistics expenses. However, at the same time, the Group controlled other distribution expenses, such as substantially reducing investment in advertising and sponsorship as well as effectively controlling miscellaneous expenses. Taking into account all the above factors, LI-NING brand's distribution expenses decreased year-on-year and its percentage over revenue notably decreased.

Administrative Expenses

For the year ended 31 December 2015, the Group's overall administrative expenses amounted to RMB346,149,000 (2014: RMB627,944,000), accounting for 4.9% (2014: 10.4%) of the Group's total revenue.

Administrative expenses of LI-NING brand amounted to RMB337,063,000 (2014: RMB622,859,000), accounting for 4.8% of LI-NING brand's revenue, or 5.7 percentage points lower than the 10.5% of 2014. These expenses mainly comprised of staff costs, management consulting fees, office rental, depreciation and amortisation charges, taxes, provision for impairment of trade receivables and other miscellaneous expenses. The notable decrease in administrative expenses during the year was mainly due to the impact of provision for impairment of trade receivables. In 2014, provisions for impairment of trade receivables increased due to the increase in long-aged trade receivables. As the business of most of the distributors demonstrated a stable trend of growth during the year, collection of receivables improved and provisions for impairment of trade receivables were reversed accordingly. At the same time, the Company adjusted its staff structure and reduced the options granted to senior management personnel, and controlled expenses such as consulting fees. Also no extraordinary and non-recurring expense was recorded during the year. Taking into account all the above factors, LI-NING brand's administrative expenses decreased substantially year-on-year.

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

For the year ended 31 December 2015, the Group's EBITDA recorded a profit of RMB393,953,000 (2014: loss of RMB456,221,000), representing a year-on-year increase of 186.4%, which was mainly attributable to the improved performance of LI-NING brand.

EBITDA of LI-NING brand amounted to a profit of RMB350,238,000 (2014: a loss of RMB502,556,000). This was mainly attributable to the increase in revenue and gross profit of the Company and decrease in expense ratio due to control of various expenses.

Finance Expenses

For the year ended 31 December 2015, the Group's net finance expenses amounted to RMB133,203,000 (2014: RMB142,178,000), representing 1.9% (2014: 2.4%) of the Group's total revenue. The net finance expenses included the interest expense of convertible bonds amounting to RMB63,612,000 (2014: RMB60,694,000).

Income Tax Expense

For the year ended 31 December 2015, income tax expense of the Group amounted to RMB73,768,000 (2014: RMB52,179,000) and the effective tax rate was 239.4% (primarily deferred income tax expense arising from deferred tax assets reversal) (2014: -6.7%).

Profit for the Year of Discontinued Operations

On 23 October 2015, the Group and Viva China entered into the Share Transfer Agreement, pursuant to which the Group agreed to sell 10% of the equity interest in Double Happiness to Viva China at a consideration of RMB124,992,000. Upon completion of the equity transfer, the Group will indirectly hold 47.5% of the equity interest in Double Happiness while Viva China will indirectly hold 10% of the equity interest in Double Happiness, and Double Happiness will cease to be a subsidiary of the Group.

According to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, for the purpose of the Group, Double Happiness qualified to be classified as assets held for sale and discontinued operation. The net profit for the year from Double Happiness, which is principally engaged in the operation of Double Happiness brand, was thus re-classified into profit for the year from discontinued operations. During the year, net profit from Double Happiness amounted to RMB104,559,000 (2014: RMB86,563,000), mainly attributable to the steady growth in revenue and gross profit, the effective control of distribution expenses, and the absence of one-off expenditure with respect to the related brand image promotion during the year.

Overall Profitability Indicators

The overall profitability indicators of the Group significantly increased during the year ended 31 December 2015, which was attributable to the increase in both the sales revenue and gross profit of the Group during the year, and the decrease in expense ratios. The Group's profit attributable to equity holders amounted to RMB14,309,000 (2014: loss attributable to equity holders of RMB781,481,000). The corresponding margin of profit attributable to equity holders for the period was 0.2% (2014: -12.9%), representing a year-on-year increase of 13.1 percentage points. Return on equity attributable to equity holders was 0.6% (2014: -33.7%), representing a year-on-year increase of 34.3 percentage points.

Provision for Inventories

The Group's policy in respect of provision for inventories for 2015 was the same as that in 2014. Inventories are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as provision for inventories. The Group considers this policy to be adequate in ensuring appropriate provision for inventories is made by the Group.

As at 31 December 2015, the accumulated provision for inventories was RMB169,697,000 (31 December 2014: RMB264,233,000, of which RMB11,794,000 was Double Happiness). With further clearance of obsolete inventory during the year, the structure of inventory ageing was improved, with a decrease in the balance of the overall provision for inventories.

Provision for Doubtful Debts

The Group's accounting policy in respect of provision for doubtful debts for 2015 was the same as that in 2014.

As at 31 December 2015, the accumulated provision for doubtful debts was RMB475,757,000 (31 December 2014: RMB596,766,000). As the business of our channel distributors improved, the balance of long aged trade receivables gradually decreased, the Group therefore reversed certain provision for doubtful debts during the year.

Liquidity and Financial Resource

The Group's net cash inflow from operating activities for the year ended 31 December 2015 amounted to RMB687,043,000 (2014: net cash outflow of RMB394,799,000). As at 31 December 2015, cash and cash equivalents (including cash at banks and in hand, and fixed term deposits held at banks with original maturity of no more than three months) amounted to RMB1,812,572,000, representing a net increase of RMB781,186,000 as compared with the position as at 31 December 2014. The increase was due to the following items:

Item	**Year ended 31 December 2015** *RMB'000*
Net cash from operating activities	687,043
Net capital expenditure	(370,060)
Net cash from other investing activities	7,315
Net repayment of borrowings	(449,157)
Net proceeds from the open offer of securities	1,202,942
Net cash used in other financing activities	(117,410)
Exchange loss on cash and cash equivalents	(2,794)
Cash classified as held for sale	(176,693)
Net increase in cash and cash equivalents	781,186

As the overall performance of our channel partners demonstrated a steady upward trend, the recovery of trade receivables significantly increased, leading to a significant improvement of the Group's cash flow.

On 17 December 2014, the Company published an announcement on the implementation of the Equity Fund Raising Plan. On 30 January 2015, the Company completed the fund raising and the net proceeds from the open offer amounted to HK$1,515,030,000, equivalent to net price of HK$2.54 per offer security. The Company has applied 38% of the net proceeds for paying down the Group's debts, and 29% for POS network expansion, retail capabilities optimization and product research and development. The Company will gradually utilise the remaining proceeds as planned.

As at 31 December 2015, the Group's available banking facilities amounted to RMB716,499,000, amongst which outstanding bank borrowings and loans amounted to RMB566,499,000. As at the end of the year, the ratio of outstanding bank borrowings, loans and convertible bonds to equity attributable to equity holders (i.e. the gearing ratio) was 40.5% (31 December 2014: 86.4%).

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

Foreign Exchange Risk

The Group's operations are mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. The Group's subsidiaries in South Korea and the United States use South Korean Won and United States Dollars as their respective functional currencies. The Group has a small amount of cash and bank deposits denominated in Hong Kong Dollars, United States Dollars, Euros and South Korean Won. The Company also pays dividends in Hong Kong Dollars. In addition, the Group pays certain license fees and sponsorship fees in United States Dollars or Euros, and repays some bank borrowings in Hong Kong Dollars.

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

Pledge of Assets

As at 31 December 2015, buildings and land use rights with net book value of RMB386,548,000 (2014: RMB403,819,000) and RMB79,661,000 (2014: RMB81,518,000) respectively were secured for acquiring the Group's borrowings.

Contingent Liabilities

As at 31 December 2015, the Group had no significant contingent liabilities.

BUSINESS REVIEW

2015 marks the 25th anniversary and also the beginning of a new development stage of Li Ning Company.

During the year, the supportive national policies stood sportswear industry in good stead. Meanwhile, the initiative to lead an eco-friendly life deeply implants the idea of pursuing a healthy life into the hearts of people. As a result, customers' participation and passion for sports are swelling while the trend towards sport is gaining momentum. In this light, although the consumer goods sector in general was anaemic, the domestic sportswear industry remained in the tailwind. Regarding its own trajectory, Li Ning Company succeeded in achieving its target of break-even thanks to the drive from external environment and its endogenous growth with a number of operating performance indicators improved in the year.

Leveraging on Internet+ platform, we created opportunities for cross-sector collaboration in 2015, presenting a new breakthrough from the company's traditional operation. Instead of using the traditional one-way media promotion, Li Ning Company gained its publicity through a newly established communication platform capitalizing on the consumption pattern that customers were familiar with and the support of its favorite social platforms as propaganda tool. In this light, this enabled consumers to gain brand experiences from Li-Ning products and in daily lives. The success of the smart running shoes such as "Furious Rider" (烈駿) and "Rouge Rabbit" (赤兔) and cross-sector products such as Wade, CBA championship basketball shoes and Marvel's The Avengers products gave a testimony to the Company's foresight on new operation model and its implementation.

To cater for different customers' tastes, the Company regarded clearer brand strategy and product positioning as its key moves for its business in the year. In the second half of 2015, the Company gradually rolled out the "" blue label series, set up stand-alone POS and introduced products with high price-performance ratio to get young consumers on board.

During the year, the sales channel network was readily on the move. In line with the target set in early 2015, the net increase of Point-of-Sales amounted to 507.

LI-NING BRAND

Basketball

Functional basketball shoes specially designed for CBA players: Speed 2 (閃擊II) and Power 2 (空襲II)

LI-NING Brand upgraded Speed and Power into the new Speed 2 and Power 2, for which BOUNSE+ and LI-NING Cloud I, the cushioning materials, were used in tandem with 3D TPU and carbon fiber midsole, utterly bumping up the shoes' performance. Exquisite vamp craftsmanship paired with strong story-telling color series of the shoes came as the hot topics. The color series used in Power 2 against the theme of Biohazard earned the shoes reputation as soon as the product debut and the shoes were soon out of stock shortly after their coming on stream.

An innovative combination of consumer participation and launch of product: Wade China Tour Integrated Marketing

In the first half of 2015, the focus of Wade China Tour lied on the Wade chameleon basketball shoes, the winning entry of Wade design competition. The competition proved to translate consumer's participation and innovation into products and business opportunities. In July, we introduced Wade to over 77 million of Chinese fans through multi-cities' grassroots campaigns of various forms (direct encounter with over 6,000 fans) with the support of PR, statistics and media.

Crossover marketing: Wade's RunWade in US and Art Basel

In November 2015, LI-NING became the sponsor of RunWade, and Wade himself was the organizer. RunWade was a fashion spectacle featuring cross-sector products where LI-NING and Wade's signature shoes crossed over with high-end fashions and the shoes were unveiled to the personalities in the fashion and showbiz worlds present; In December, LI-NING sponsored the Art Basel, an arts extravaganza held in Miami, in which Wade's signature shoes were transformed into some forms of arts as decorations for artistic masks and body of supercars, creating a dynamic with media and reaching an audience of over 480,000.

Leveraging the wealth of top domestic basketball resources to enhance sports experience with focuses on events, star players, city teams, fans and youth on campus

– Chinese Basketball Association League (CBA)

  - We effectively publicized the professional functions of our products and increased brand exposure through product sponsorship;

  - In September 2015, Guo Ailun and Zhao Jiwei, under contract with LI-NING, displayed splendor in the FIBA Asia Championship by leading the China national team to wrest the laurel in the game and won the chance to attend the Olympic Games in 2016. Guo Ailun also claimed the honor of "the best point guard in Asia";

  - For the 2015-16 season, LI-NING set up basketball stars stores in Liaoning, Beijing and Xinjiang. Leveraging on the influence of signed players and clubs over the local markets, LI-NING attracted customers to its retail outlets and enhanced customers' purchasing experience through the intake of a wealth of sports resource and new product launches;

  - For the 2015-16 season, LI-NING partnered with Letv Sports to roll out the exclusive Guo Ailun birthday edition basketball shoes where the basketball player was acclaimed as "the best point guard in Asia". LI-NING also offered professional endorsement for its Speed 2, the featured basketball shoes in15Q4;

- For the 2015-16 season, LI-NING rolled out the exclusive Sun Yue (a star player of Beijing basketball team) birthday edition basketball shoes; LI-NING also offered professional endorsement for its LI-NING Mightiness basketball shoes (李寧弓虽).

– Building up communication channel with students and youth and enhancing the brand recognition and preference through sponsorship of four levels of domestic basketball student leagues: China Junior & High School Basketball Leagues, Chinese University Basketball Association League (CUBA) and Chinese University Basketball Super League (CUBS).

Badminton

In 2015, the badminton segment under LI-NING brand adjusted the pricing policy for its channels, which not only increased the profitability of channel distributors, but was also more viable in boosting the sales of LI-NING brand badminton products by small and medium distributors. Various badminton categories such as rackets, apparel, footwear and accessories registered decent sales growth, and the rise in sales of apparel and footwear was particularly evident.

– The professional channel of LI-NING did not come to a halt for its expansion but instead sharpened its focus on developing professional channel distributors, POS in courts and stores for LI-NING badminton business. By smartening up the display, strengthening staff's knowledge of products and implementing the racket stringer training across the board, the retail capability was therefore enhanced;

– LI-NING badminton business completed the establishment of the micro e-commerce system with badminton opinion leaders having close interaction with LI-NING brand to gradually take up the major role in implementing micro e-commerce. By making full play of their edges in the areas of product expertise and influence in badminton circles, they will carry out promotional initiatives directly among target consumer groups;

– As the core of the LI-NING badminton segment, LI-NING badminton rackets continued to develop and launch new products in 2015 on the basis of the "LI-NING badminton technology platform", maintaining the sales momentum of high-end products with a focus on promoting the sales of mid-range products. The sales and business volume of mid-end products driven by the "LI-NING badminton technology platform" increased by a wide margin. In 2015, among the sales of LI-NING badminton rackets via e-commerce channels, the rise in mid-to-low-range products was particularly evident;

– Leveraging the product exposure during the Sudirman Cup, a top badminton event held in Dongguan, the innovatively designed LI-NING badminton apparel and footwear products quickly gained wide recognition from the market, with outstanding performance in sales of high-end products. Meanwhile, the market reputation and sales of mid-range classic products, which have continuously commanded a ready sale in the market, were further boosted. The popularity of mid-range and high-end products increased the average customer transaction price of LI-NING badminton apparel and footwear products;

– With the backing of China National Badminton Team as the brand's premium sports resources, LI-NING's strong cast including Indonesia, Australia and Singapore national teams as well as Indian badminton icons such as Srikanth Kidambi and Pusarla Venkata Sindhu came under the spotlight in the badminton events during the year, gaining the brand and its products exposure. Concurrently, LI-NING sustained its honor of being the sponsor for the major international tournaments such as Sudirman Cup, BWF World Championships and China Open, integrating its athlete and event resources. Leveraging on the platform of top events, LI-NING fully demonstrated its edges in product development and sport resources time and again;

– LI-NING badminton brand conducted a cultural promotion campaign themed "Sa" (颯). In some regional dialects, "Sa" denotes the meaning of "beauty" or "smartness", delivering a defined expression of youthful vivacity and staggering ambition. More than that, "Sa" is also an exclamation that badminton players uttered during the very moment that they win an arduous match. Noticing the common features that "Sa" shares with badminton, LI-NING brand based on it and built a crisp new badminton culture. This theme of culture was infused in the Sudirman stadium. The "Sa" themed T-shirt line was snapped up in the seven-day sale at the stadium;

– We continued to forge ahead the training programme of "LI-NING Certification Scheme for Racket Stringers". Through the training, racket stringers learned practical LI-NING stringing method while acquired valuable knowledge of a wide array of badminton products. Racket stringers who undergo stringent training and pass the tests will be offered the opportunity to serve in national and international tournaments. In 2015, the number of professional racket stringers who completed the training reached more than 200 and now committing themselves to rendering premium services to consumers and promoting LI-NING badminton products;

– Kason, a well-known badminton equipment brand with over 20 years of history, is an important and integral part of the Group's badminton segment. During the reporting period, Kason brand continued to strengthen its "classic" brand positioning perceived by consumers through product mix optimisation, launching retro classic racket models, as well as reduction of production costs and enhancement of value proposition of products. The retro classic racket models of Kason brand continued to sell well, while newly developed apparel and footwear products remained competitive in terms of product design and pricing;

– Through differentiated brand positioning between LI-NING brand and Kason brand, the Group will continue to enhance product competitiveness and rationally utilise the brands' superior sports marketing resources to increase its market share in the badminton category.

Running

The Running Division has achieved a significant business growth in 2015 through the innovation of product development, marketing approach and end-users experience

– Product: The standing of the professional running products rose while the sales volume experienced a significant growth.

    • Additional planning effort was made for the product planning and investment in RMB299 to RMB399 entry level products, yielding a growth of over 50% in both order and sales for products at RMB300 level;

    • Launch of smart products proved quintessentially to secure leadership in the market: "Furious Rider" (烈駿) and "Rough Rabbit" (赤兔), two models of LI-NING smart running shoes, came on stream through the e-commerce channels in August and hit a sales volume of around three hundred thousand pairs within five months. The daily average online sales volume of entry model "Rough Rabbit" (赤兔) hovered around 1,000 pairs, sustaining to top the chart by running shoes category in Tmall and chalking the world record of smart apparel and footwear sale.

– Innovative Marketing Approach: Combining the smart ecosystem and innovative digital marketing, the Division reengineered and operated "Lemon", the LI-NING online fans group.

- The Division developed the LI-NING Smart Running Ecosystem and established a new way to interact with consumers and generate sales by integrating professional apparel and footwear, digital devices, mobile internet and big data analysis;

- The Division also continued to strengthen and expand LI-NING China 10K Running League and jointly hosted LI-NING 10K Online Running League with Xiaomi sports APP in order to enroll 500,000 participants for the year, magnifying the influence and involvement of LI-NING 10K tournaments. Besides, the Division drew runners directly into the stores through online marketing activities and generated sales;

- The hardcore fans of LI-NING Running fans group in Wechat and Weibo exceeded 1 million, of which the rate of views, shares and comments witnessed a prominent growth. The Division hosted the "Frequency of Stride Challenge (步頻挑戰)" activity via Sina Weibo in December. Despite a small sum of investment, the activity was well received with 10 million views and shares, and attracted 50,000 participants owing to the stride calculation function of smart running shoes APP.

– Innovative experience: The Division actively promoted the setup of Running Corners in Flagship Stores, the LI-NING iRun Club and LI-NING running product specialty shops alongside targeted product planning and assortment in support of the Sales Department's multi-store tactic. The Flagship Store at Wangfujing presented its new look and opened in August, in which the three-storied iRun Experience Zone offered a galaxy of facilities for professional courses, physical training, foot shape analysis, meetups of running groups and a platform for finding running partners. The store has been visited by over 10,000 runners since its opening.

Sports Life

As the most crucial business unit of LI-NING brand, sports life products are styled to accommodate demands for trendy and sporty fashions with affordable prices. In addition, as our products are versatile and can match up with various occasions, and with which the young clienteles and those who wish to dress to look younger are well-satisfied, they are pursued by a broad range of consumers. The Company subdivides sports life category into three groups: popular and classic sports life products, the fast fashion sports and leisure "lining" label products, and the high-end sports and fashionable LNG products.

In the future, the popular and classic sports life products will no longer be a separate category in LI-NING brand POS and will be redefined as the specific sports life categories which are based on and inspired by different sports attributes, among which running products will be categorized as professional running and running culture products, basketball products as professional basketball and basketball culture products, and training items as professional training and training culture products. This product-attribute-specific approach focuses much more on the core consumers, making sure that users' demand is satisfied to the largest extent, and the sales of sports life products are stabilized and maximized.

"lining" label is newly launched by the Company, and positioned to be a fast fashion brand with sports and leisure features, and cater for the functionalities demanded by the general public. The price range of the brand is set below that of LI-NING's popular and classic sports life products, which makes it more lifestyle-friendly. Its sales channels are predominantly the core business circles and shopping malls in the second-tier and third-tier markets. By providing casual-sportswear with affordable prices that one will find no difficulty to put on, the brand introduces the idea that simple designs can match up with different styles, giving its dresser the pleasure of matching up. By the end of 2015, about 30 "lining" label POS in total were opened in 10 cities including Nanning, Wuhan and Hefei. In the future, the Company aims to forge "lining" label as a brand that goes beyond gender and age by which consumers can demonstrate their own aesthetic senses and egos as well as the sportsmanship of China's new generation. In 2016, the Company will continue to open around 100 POS based on subject to specific progress and performance.

LNG's target group is the urban and fashionable white collar in the business world. It establishes itself as a new sporty and stylish brand and locates in the core business districts of metropolitans and first-tier cities. The LNG brand is wholly designed and created by the Korean designer team. Meeting the demand for functionalities and comfort, LNG also attaches its emphasis to fabrics, styles, details and colours that customers are concerned about. To date, more than 50 LNG POS have been opened in more than 30 cities including Beijing, Shanghai, Chengdu, Shenyang, and so on and the brand is widely sought after by young adults in the cities. In 2016, the Company sets its target to add 40 more POS; enhance the compatibility of its products with the markets in the PRC to the full; smoothen sales of products; continue to refine the LNG brand endorsement; strengthen marketing and promotion of the LNG brand; smarten up the operation capability of LNG; and fully heighten store efficiency.

Training

Training

We continued to launch functional products under training category, to fully satisfy the functional requirements of beginners, amateurs and fitness professionals.

Apparel

– Professional Tights

  We put an emphasis on their wrapping and recovering capability for a more comfortable wearing experience with improvement on athletic performance. Short-sleeved or long-sleeved products or vest were launched according to seasonality. Lady products feature feminine appearances and designs demonstrating our professionalism and their comfortability.

– Functional Water Repellent Products

  Water repellent jackets feature a water-proof, stain-proof and oil-proof layer and good breathability. Combining the state-of-the-art sewing techniques, its existing functionalities, decent appearance and the 3D fit, it has become a core ever-green model for training and won high market recognition with positive sales performance.

– Icy Sensation Functional Products

  Made up of AT Dry Freeze technology materials, the products demonstrate strong breathability and wickability as well as icy sensation functions, and together with 3D functional cutting, allowing free stretching and perfect fitting, and also convenience for exercise while giving a better wearing experience during summer.

– AT Dry Fast Technology Materials Products

  Made up of self-developed proprietary technology materials, the products feature unique fabric construction delivering an efficient moisture-wicking function and a softer texture of a cotton-feel material preferred by consumers.

– Honeycomb shell down coats

  A self-developed proprietary technology under the LI-NING brand. Capitalizing on the folded three-dimensional structure of honeycomb, this product effectively prevents heat loss, insulates from cold air and enhances thermal effect, which has been granted a utility model patent from the State Intellectual Property Office.

Footwear

Our training shoes focus on fitness for all. They are built on lightweight and comfort, and matched by a colourful or versatile style, hence suitable for various occasions and a number of light aerobic exercises.

– Fitness shoes

  They combine the functions of walking, jogging, light aerobic exercises into one, with lightweight, soft and resilient features targeted at the technology trend, and price and style friendly to all.

– Indoor fitness shoes

  Their design strikes a balance between sports trendiness and protection. The cutting of the soles meets the diverse needs of aerobic exercises and strength training.

– Female training shoes

  Fashioned with feminine fine details, catering for the desire to purchase of female consumers who strive to look good, the shoes offer their best attraction to female consumers while providing the function for body protection.

Outdoor products

Satisfying consumer demand through functional and differentiated products, we hit consumer psychology with a brand concept of relaxation and pleasure. The target consumer group is urban white collars aged between 30 and 45, who have relatively higher spending power, relatively lower price sensitivity and passions for outdoor living style.

Product strategy

– Adopting cross country running as its core project, LI-NING Outdoor is positioned as a middle-end brand with pro-outdoor concept. Catering for the mainstream consumer market comprising mountain running, travelling and walking, the brand covers apparel, footwear and equipment accessory products;

– The footwear products adopt ITF, which is an intelligent shock-absorbing structure with unique and proprietary patented design. The apparel products use materials that are equipped with outstanding functions, such as 3-dimensional elastic, water-proof, ventilation, moisture-wicking, super light, thermal and wear proof, etc. Integrating self-developed fabrics and fabrics of mainstream technology, woven and knit footwear are our core products. Accessory products are highlighted with their functionalities and differentiations and mainly include tents, sleeping bags, water-proof bags and backpacks for travellers.

Urban light exercise products

Focused on developing the most professional domestic walking shoes and enhancing the technological functionalities as well as appearance and design for walking, we aim to produce healthy and comfortable urban walking shoes.

Health collection

– Professional walking shoes Air-Fluid

  They are built on our self-developed Air-Fluid soles adopting "light breathing" technology and featuring built-in ventilation duct and dual-layer dual-density design. Every step enables the feet to feel the air inside flowing, bringing a cool, comfortable and flexible feel.

– Professional walking shoes Energy-Return

  With a "∞" shaped structure of Energy Return system, a unique technology, the walking shoes are professionally designed according to the pressure distribution of a human body walking barefoot and the kinetics of front leg's muscle and tendons. They allow users to store energy when arch and front leg touch the floor, and release the stored energy when stepping away from the floor, thus giving the momentum to move forward.

Comfort collection

– Daily walking shoes Dynamic

  Featuring mixed use of classic lines and seamless weaving, the ever-green model, Dynamic, combines both trendiness and functionality; the materials of seamless weaving wrap well, and with diffusive and gradual distribution, Dynamic is simple and smooth, and suitable for various age groups.

– Daily walking shoes Retro Walker

  Featuring brand-new Retro-style uppers, the leisure fashionable shoes are exquisite and elegant. Their flexible and elastic soles bring healthy and comfortable walking experience.

Resources and promotion of walking shoes

With health and comfort as their main features, the shoes meet the needs for walking exercise of the middle-aged and the elderly. We adopted both online and offline marketing and promotion.

– "Father's Day": We used both our official website and official weibo for promotion of special editions, with the theme "bringing health and comfort to fathers";

– With the unique seasonal features of winter, the shoes meet the consumer needs for thermal proof/rain and snow protection functions. We collaborated with 3M to launch online sale in order to promote WARM-SHELL and 3-Proof technologies.

Sales Channel Expansion and Management

As at 31 December 2015, the number of LI-NING brand (including LNG and “” label) conventional stores, flagship stores, factory outlets and discount stores amounted to a total of 6,133, representing a net increase of 507 Point-of-Sales (POS) as compared to 31 December 2014. The number of distributors was 56, representing a net increase of 5 from 31 December 2014. POS breakdown as at 31 December 2015 is as follows:

Number of franchised and directly-operated POS

LI-NING brand	**31 December 2015**	31 December 2014	**Change**
Franchised	**4,618**	4,424	**4.4%**
Directly-operated retail	**1,515**	1,202	**26.0%**
Total	**6,133**	5,626	**9.0%**

Number of POS by geographical location

LI-NING brand	**31 December 2015**	31 December 2014	**Change**
Eastern Region *(Note 1)*	**2,155**	2,026	**6.4%**
Northen Region *(Note 2)*	**2,517**	2,278	**10.5%**
Southern Region *(Note 3)*	**1,461**	1,322	**10.5%**
Total	**6,133**	5,626	**9.0%**

Notes:

1. Eastern region includes Shanghai, Zhejiang, Jiangsu, Anhui, Shandong, Hunan and Hubei.

2. Northern region includes Beijing, Tianjin, Shanxi, Hebei, Inner Mongolia, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Gansu, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region and Qinghai.

3. Southern region includes Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Sichuan, Jiangxi, Chongqing and Tibet.

In 2015, we devoted our efforts in developing the management capacity of sales and operation. Moreover, we also stepped up our management and reform in channel innovation and development, product planning and new product launch management, maintenance of retail capability and logistics by taking following measures to boost overall operational efficiency and retail performance.

Channel Innovation and Development

– Further advanced the market segmentation and differentiated channel distribution:

  • By analyzing different market and customer behaviors and taking features of cities, business circles and locations with steady customer flow and key factors like channels, product categories and price preferences into consideration, we drew up plans on POS deployment. We reclassified our existing POS as the basis for regional expansion. Regarding products and operation, we also formulated different guidelines on distribution and operation for different POS;

- We made an extensive effort through 4 major channels (arcades/shopping malls, sports complexes, street-level stores and supermarkets), strived for the development of multiple new channels, made an attempt to collaborate with multi-categories stores and combination stores as well as broadened the business of supermarket channel;

- We pressed ahead with the establishment of “” label (leisure sportswear), LNG (fashionable sportswear), Wade (high-end basketball) POS and achieved initial fruitful results to complement the Company’s products strategy;

- The number of POS achieved a turnaround from net decrease to increase, sales network resumed expansion.

– Endeavored to explore multiple methods of operational cooperation and sought new opportunities for business growth:

- Through high-level visits, we formed comprehensive and stable strategic partnership with 10 leading groups engaging in the operation of shopping malls and supermarkets, namely, Parkson, Bailian, Grandbuy, RT-Mart, Rainbow, Maoye and Yinzuo. In 2015, the net increase of POS in shopping malls amounted to 303;

- By matching sports resources and launching sports marketing, we strengthened the relationship with our existing business partners, while gaining access to more resources through cooperation with various channels. We established comprehensive strategic partnership with Wanda Group and established our competitive edge through such partnership of sports products.

– Against the backdrop of the upsurge of e-commerce, proactively adopted the O2O strategy:

- We dedicated to the development of the all-in-one and all-channel inventory system and strived for the online and offline channels to heighten shopping experience of consumers;

- We made online sales accessible to distributors and authorized them to manage online POS. In addition, we introduced epos management which laid a solid foundation for the Company’s O2O development.

Product planning and new product launch management

– We established the product integration department and product management decision platform to step up the management efficiency of product planning, new product launch and replenishment orders;

- We continued enhancing our capacity in product assortment planning, formulated guidelines on quarterly order mix planning, and differentiated product assortment planning based on different POS clusters, set key product sales targets and ordering criteria for individual POS.

- Trade fair orders, in terms of tag price, for LI-NING brand products from franchised distributors registered a year-on-year growth for nine consecutive quarters. The orders from the latest trade fair, which are for the third quarter of 2016, registered a 10% to 20% low-teens growth on a year-on-year basis.

– For execution of new product launch, established a sales management system based on product contribution rates and sell-through rates:

- Through weekly, monthly, quarterly and promotional period sales performance tracking analysis, we provide tailor-made sales strategy guidelines and achieve optimized management of sales profits for seasonal products.

- Leveraging of business opportunities in various channels promoted our sales through rational movements of products of various ages and inventories, particularly for product management, optimization of cash flow and gross profits targeted at the factory stores channel. In 2015, the retail efficiency of the Company was effectively improved. For the fourth quarter ended 31 December 2015, in respect of LI-NING brand POS which have been in operation since the beginning of the same quarter last year, the same-store-sales growth of LI-NING brand products for the overall platform(including e-commerce business) increased by low-single digit on a year-on-year basis. In terms of channels, the retail (direct operation) and wholesale (franchisee) channels decreased by mid-single digit and low-single digit on a year-on-year basis respectively while the e-commerce virtual stores business registered a 60% to 70% high-teens growth on a year-on-year basis.

Retail Operation Management

– We continued our vigorous clearance of aged inventory through our factory stores, general discount stores, temporary bargains stores, e-commerce and channels outside our system. With this, the Company's inventory level was seen with a notable decrease while our inventory mix was optimized, laying a solid foundation for the growth of the Company in the future.

– For the image of POS, we complemented the business development of the Company with the development of a new channel image (such as LNG, "" label and Wade POS); meanwhile, we continued to optimize the images for the stores of the 7th generation and factory stores with the focus placed on communication and interaction with customers and customer experience, which fits more to the positioning of the business circles nearby, the features of local consumers as well as product characteristics;

– For retail marketing and display, we integrated the marketing resources of all product categories to the largest extent and dispensed such resources to POS. At the same time, we formulated flexible yet effective guidelines for the style and class of the POS to highly match up with the POS type, product assortment and shopfront display in order to highlight the themes, colors, series and matchup so as to optimize sales of new products. We actively seek cross-sector collaboration through multi-channels and new channels. On one hand we remained strong on our regular sales, on the other hand we took step to explore more opportunities in a bid to make sales more innovative and effectively boost the sales;

– For retail training, we enriched the training with basic knowledge and sales skills and introduced the new media platform into daily training. Moreover, through various flexible means such as competition, we reinforced the operation and sharpened the quality of operation of the retail end.

Logistics management

– Integrated our logistics and supply planning division to the sales team to smoothen and optimize the supply and sales process;

– Fostered relationship with strategic suppliers such as JingDong and cost-oriented suppliers such as China Merchants Logistics to optimize our supplier mix;

– Invited new tenders for transport routes for purchase and wholesale as prices of the national petroleum retreated and there was more price bargain space;

– Carried out integrated planning and warehouse integration for the origin warehouses, fully unleashing the capacity of Jingmen logistic base;

– Optimized work flow and curtailed logistics costs. Logistics cost per unit registered a remarkable decrease.

e-Commerce

In 2015, the e-commerce division of Li Ning Company continued its efforts in enhancing overall operations and the general layout was constantly adjusted based on the needs of the market and users, while establishing an operational and products response mechanism effectively and efficiently.

In the past year, the overall strength of e-commerce division in respect of product planning and the quick response ability according to the online market changes were enhanced to optimize the overall sales structure and establish an outstanding marketing system.

In 2015, the e-commerce of Li Ning Company achieved a breakthrough in the relevant core categories by the optimization of the overall marketing approach, digital communication and retails operation. Smart running shoes were launched at the end of July 2015 and around 300,000 pairs of the shoes have been sold by the end of 2015, delivering a strong performance of online sales. On 11 November 2015, the sales of LI-NING Brand on the entire network during the day of Double 11 exceeded RMB200 million. On Double 11, the daily sales of a single store on the entire network ranked third among the sports industry while ranking top among all domestic brands, further securing the leading position in the industry.

Regarding the layout of O2O, the Company scored a success with certain special products such as smart running shoes and Xiaoqiang basketball shoes under the breakthrough and attempts of certain projects, such as all-in-one inventory management.

During 2015, the year-on-year revenue of the e-commerce increased by 95%. Meanwhile, the e-commerce division will continue to advance overall POS structure, consumption channels for mobile groups, user experience, online sales product structure and businesses such as O2O. Looking forward, we will continue to invest in various emerging initiatives including digital operation, breakthrough businesses and rapid supply chain for further breakthrough. It is expected that the growth will continue throughout 2016.

Double Happiness brand

Double Happiness continued to adopt "promotion by sports stars and sponsorship of sports events" as its marketing philosophy. In 2015, the brand continued to sign up outstanding table tennis players in China as endorsers for its table tennis equipment, including Wang Hao (王皓), Wang Liqin (王勵勤), Ma Long (馬龍), Ding Ning (丁寧), Li Xiaoxia (李曉霞), Fan Zhendong (樊振東), Yan An (閆安), Zhu Yuling (朱雨玲) and Chen Meng (陳夢), and signed up outstanding badminton players in China as endorsers for its badminton equipment, including Xia Xuanze (夏煊澤), Chen Jin (陳金) and Zhang Ning (張寧). At the same time, the brand also actively sponsored various domestic and international professional tournaments. In 2015, it successfully provided equipment and accomplished the marketing promotion for the 52nd World Table Tennis Championships in Suzhou. The brand continued to provide professional equipment for events such as the Table Tennis World Cup, the International Table Tennis Federation (ITTF) World Tour, the China Table Tennis Super League, and the Chinese National Championships.

Double Happiness covering and Double Happiness blades were still the most popular choices of China National Table Tennis team members, according to the latest statistics in 2015. Double Happiness introduced and successfully launched over one hundred new products in 2015, including specific products for e-commerce, professional blades, professional coverings, new concept badminton racket, footballs, basketballs and volleyballs. These new products expanded the product line of the Double Happiness brand, demonstrating the strong product R&D and design capabilities of Double Happiness.

In May 2015, seamed table tennis balls made with a new material under Double Happiness brand have been used in major top events. Apart from 2016 Rio de Janeiro Olympic Games and the World Table Tennis Championships in Kuala Lumpur, Double Happiness signed an agreement with ITTF in respect of the provision of equipment for the world table tennis competitions from 2017 to 2020, pursuant to which it will provide equipment for major events such as 2020 Tokyo Olympic Games, World Team Table Tennis Championships 2017-2020 and the Table Tennis World Cup.

In 2015, Double Happiness launched the LED table tennis table and it was used in final of the China Table Tennis Super League and the Euro-Asia Cup. The introduction of LED tabletop, which blends table tennis culture together with sports events, making television broadcasting of table tennis events even more enjoyable. This innovation further sustained the research and development ability and innovation of Double Happiness, and contributed to the promotion and development of table tennis events.

Double Happiness products are mainly distributed via wholesale and integrated sporting goods stores. The brand has adopted a wholesale model for its domestic business, with a relatively stable clientele across nearly 30 provinces and municipalities in China. Double Happiness continued to refine and regulate the management of customer behaviours and sales policies in 2015. In terms of e-commerce channels, apart from putting forth effort into the support and control over its e-commerce dealers and implementing strict authorisation and management over such dealers, Double Happiness also opened e-commerce flagship stores and set benchmarks of its brand and products. Double Happiness brand topped the sales charts of sports products on major e-commerce platforms.

Other Brands

AIGLE Brand

In 2015, attributable to its precise market positioning, well-planned expansion strategy, high quality products featured with design and functionality as well as professional retail management, the sales of AIGLE brand continued to achieve double-digit positive growth and maintained its leading position as one of the outdoor and leisure brands in the market.

In 2016, AIGLE brand will maintain the operation strategy of 2015 to enhance consumers' brand recognition and awareness. Under the current circumstances which the macro economy is under a complex situation, enhancing the ability of risk identification will be crucial in guaranteeing the sustainability of businesses. In addition, we will strive to implement the following initiatives:

– Enhance the performance and rate of returns of existing stores;

– Open new stores on a reasonable basis;

– Explore opportunities for outlets and e-commerce markets;

– Sustain efforts to upgrade inventory management and improve sell-out ratio of sub-distributors' channels;

– Gradually reinforce requirements on product quality.

HUMAN RESOURCES

The reform on the Group’s business continued in 2015, where the Group entered into a development stage focusing on the optimisation of its products, operation and channels. In order to accomplish goals in establishing a business-oriented model, expanding the business scale and improving cash flow continuously, our human resources team joined hands with the operations departments to roll out various important measures to streamline the business flow, optimise the organisational structure and control labour costs. The outcome was encouraging.

We stepped up efforts in talent identification and assessment in the process of organisational optimisation, and promoted a talent retention program in order to ensure internal staff stability. The Organisational and Talent Review (OTR) policy was also implemented, through which the Group took stock of staff from two aspects, namely staff performance and staff potential. We also convened roundtables to formulate staff development plans, so as to achieve talent development and organisational development through communication with staff to convey the Company’s expectation on their development.

Upholding the core value of “Achieving Excellence”, we continued to implement the annual Short Term Incentive (STI) plan by setting the 2015 goal for the Group and all employees. By means of quantitative indicators, as well as effective communications between supervisors and subordinates, the Group ensured that each staff member understood and strived to achieve the corporate and personal targets for 2015 by performing their daily duties diligently. Meanwhile, the Group launched the sales-performance oriented sales incentive bonus scheme and special bonus scheme as incentives for sales performance, with an aim of achieving satisfactory corporate performance.

Regarding employer brand-building, an official LI-NING WeChat account was set up as a window to vividly showcase the Company’s activities and achievements in this area, such as the 25th anniversary celebration of the Company and Creativity Competition. In 2015, the Company was awarded several employer brand awards such as Best Employer, Enterprise with the Best Working Environment and Best Talent Attraction.

Looking ahead, we will adhere to the approach of creating LI-NING brand’s experience value to strengthen the management and construction of organisational performance. We wish to effectively control our labour cost, while continue to enhance the implementation capacity of the organisation and the performance of its staff, which will in turn improve the operational efficiency. We will also enhance the management and operational capacities of each business unit with full support of the Company’s strategic development.

As at 31 December 2015, the Group had 2,962 employees in total (3,735 employees as at 31 December 2014), including 1,762 employees at the Group’s headquarters and retail subsidiaries (2,158 employees as at 31 December 2014), and 1,200 employees at the Group’s other subsidiaries (1,577 employees as at 31 December 2014).

OUTLOOK

Looking forward, we will continue to achieve breakthroughs in the following aspects based on our major tasks which were accomplished in 2015:

– Continue to optimise user experience via digital strategies and platforms and incorporate it into the entire business operation process in a more comprehensive manner;

– Thoroughly implement strategies of product segmentation and labelling. Further differentiate the product mix by geographical location and consumer categories and continue to develop the “” label to expand the sports life market with low price range.

– Improve the stability of logistic supply chain and inventory placement. The Company has entered into a strategic cooperation agreement with JingDong, pursuant to which individual pilot regions will be chosen at the preliminary stage and JingDong will provide a one-stop logistic solution from product level to store level, in order to improve inventory utilisation and operational efficiency;

- Strive to enhance efficiency and profitability of existing POS while continue to optimise sales channel network to achieve a net increase of 300-500 POS in 2016;
- Maintain the level of cost control and continue to enhance profitability of the Company.

Mobile internet has had a subtle yet formative effect on the public's thinking and spending habits. The expectation on the provision of goods and services by commercial organisations is also evolving. The pursuit of new lifestyles among consumers in terms of leisure, sports and health represents a huge room for development of the industry in the future. In the foreseeable future, the strategic development of the Company will be integrating our brands with sports projects, creating user experience in sports and building the value of LI-NING.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company did not redeem any of its shares during the year ended 31 December 2015. Except for the purchase of shares by the trustee of the Restricted Share Award Scheme pursuant to the trust deed and the Restricted Share Award Scheme rules, neither the Company nor any of its subsidiaries purchased or sold any shares of the Company during the year.

CORPORATE GOVERNANCE

The Company is committed to upholding a high standard of corporate governance by continued review and enhancement of its corporate governance practices, which enables the Company to keep abreast of the corporate governance level oriented to its business needs in a timely and effective manner. During the year ended 31 December 2015, the Company has complied with the code provisions of the Corporate Governance Code ("Code Provisions") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation specified with considered reason as explained below.

According to paragraph A.2.1 of the Code Provisions, the roles of the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. As the Company has not yet identified a suitable candidate to be the Chief Executive Officer ("CEO"), Mr. Li Ning, the Executive Chairman of the Company, assumed the role of CEO with the assistance of the current senior management of the Company during the year ended 31 December 2015, and he was officially appointed as Interim CEO of the Company from 18 March 2015. Therefore, there was no separation of the roles of the chairman and the chief executive as both roles are currently undertaken by Mr. Li Ning. Notwithstanding the above, the Board is of the view that the assumption of the roles of Executive Chairman and Interim CEO by Mr. Li Ning will provide the Group with sound and consistent leadership, and is particularly beneficial to the planning and implementation of the Group's business strategies. The Board also believes that the current arrangement in the interest of the Company and its shareholders as a whole.

Details about the corporate governance practices of the Company will be set out in the Corporate Governance Report contained in the 2015 Annual Report of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company, consisting of three independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group, and has also reviewed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2015.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at 11:00 am on Friday, 3 June 2016.

The notice of the AGM will be despatched to the shareholders together with the 2015 annual report of the Company on or around 8 April 2016 and published on the website of the Company (http://ir.lining.com) and the "HKExnews" website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

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

Hong Kong, 16 March 2016

As at the date of this announcement, the executive director of the Company is Mr. Li Ning. The non-executive directors are Mr. Chen Yue, Scott and Mr. Wu, Jesse Jen-Wei. The independent non-executive directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei, Dr. Chan Chung Bun, Bunny and Mr. Su Jing Shyh, Samuel.