LI-NING

LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

About Li Ning Group

Li Ning Company Limited is one of the leading sports brand companies in China, mainly providing sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes primarily under the LI-NING brand. Headquartered in Beijing, the Group has brand marketing, research and development, design, manufacturing, distribution and retail capabilities. It has established an extensive supply chain management system and a retail distribution network in China.

In addition to its core LI-NING brand, the Group also manufactures, develops, markets, distributes and/or sells sports products under several other brands, including Double Happiness (table tennis), AIGLE (outdoor sports) and Lotto (sports fashion) which are either self-owned by, licensed to or operated through joint ventures with third parties of the Group.

Mission

Through sports, we inspire people the desire
and power to make breakthroughs

Vision

A world's leading brand in the sporting goods industry

Core Values

Live for Dream, Integrity and Commitment,
We Culture, Achieving Excellence,
Consumer Oriented, Breakthrough

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. LI Ning *(Executive Chairman)*
Mr. Jin-Goon KIM *(Executive Vice Chairman and Interim Chief Executive Officer)*

Non-executive Directors

Mr. ZHANG Zhi Yong
Mr. CHEN Yue, Scott

Independent non-executive Directors

Mr. KOO Fook Sun, Louis
Ms. WANG Ya Fei
Dr. CHAN Chung Bun, Bunny
Mr. SU Jing Shyh, Samuel

Executive Committee

Mr. LI Ning *(Committee Chairman)*
Mr. Jin-Goon KIM
Mr. CHEN Yue, Scott

Audit Committee

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

Remuneration Committee

Ms. WANG Ya Fei *(Committee Chairperson)*
Mr. CHEN Yue, Scott
Dr. CHAN Chung Bun, Bunny

Nomination Committee

Mr. SU Jing Shyh, Samuel *(Committee Chairman)*
Mr. LI Ning
Mr. Jin-Goon KIM
Dr. CHAN Chung Bun, Bunny

Authorised Representatives

Mr. LI Ning
Mr. CHEN Yue, Scott

Company Secretary

Ms. TAI Kar Lei

Registered Office

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

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Hong Kong
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Operational Headquarters

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Opto-Mechatronics Industrial Park
Zhongguancun Science & Technology Area
Tongzhou District
Beijing, PRC
Postal Code: 101111
Telephone: +8610 8080 0808
Fax: +8610 8080 0000

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisors

Hong Kong law
Troutman Sanders

PRC law
All Bright Law Offices

Principal Bankers

Hong Kong
Hang Seng Bank Limited
DBS Bank Ltd., Hong Kong Branch

PRC
Industrial & Commercial Bank of China
China Construction Bank
Bank of China
China Merchants Bank
China MinSheng Banking Corporation Limited
DBS Bank (China) Limited

LI-NING

SPORTSMANSHIP


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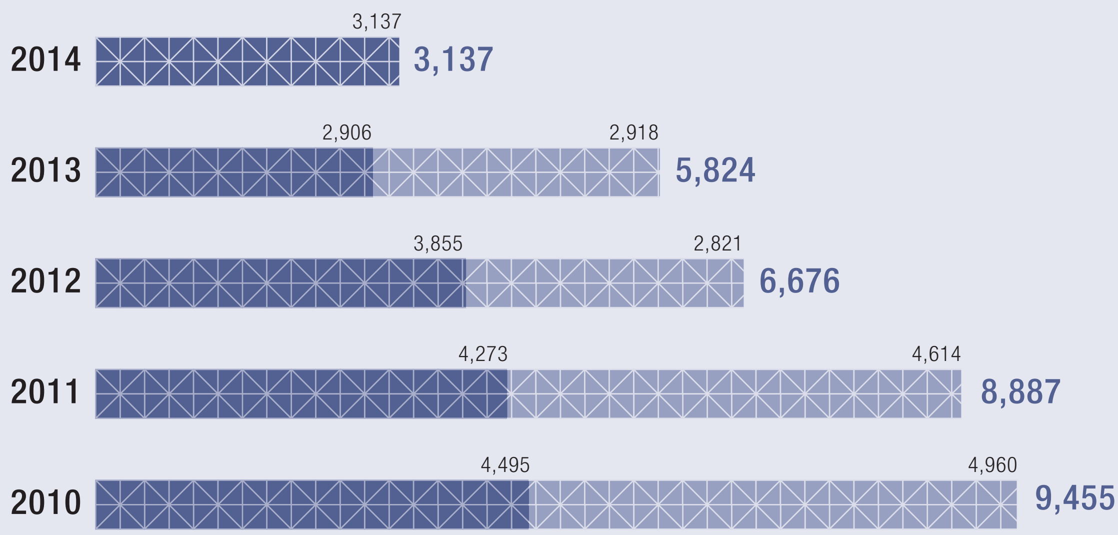
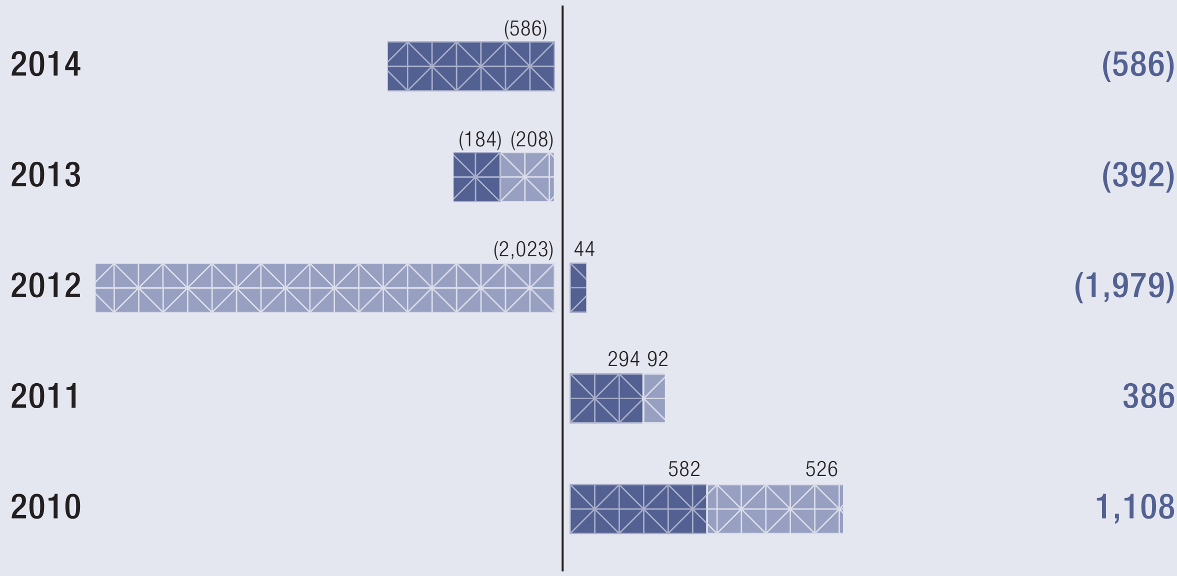
Five-year Financial Highlights

Revenue



(Loss)/Profit Attributable to Equity Holders



(All amounts in RMB millions)

First half year Second half year Full year

LI-NING Brand Sponsorship Resources

	BASKETBALL	TRACK & FIELD/RUNNING	BADMINTON	TENNIS	OLYMPIC CHAMPION TEAMS	GYMNASTICS	TABLE TENNIS	SHOOTING
TOP-NOTCH ATHLETES/ SPORTS TEAMS/ SPORTS CLUBS	Dwyane Wade	Christian Taylor	China National Badminton Team	Peng Shuai	China National Table Tennis Team	Chen Yibing	Ma Long	Tsinghua University Shooting Team
	Evan Turner	Andreas Thorkildsen	Chen Long	Marin Cilic	China National Diving Team		Li Xiaoxia	
	Pooh Jeter	Ngoni Makusha	Cai Yun	Tianjin Tennis Team	China National Shooting Team		Wang Liqin	
	Guo Ailun	China National Junior T&F Team	Wang Yihan	The delegation of Shanghai for the National Game			Ding Ning	
	Xirelijiang		Li Xuerui					
	Han Shuo		Xu Chen					
	Zhou Qi		Fu Haifeng					
	Zhao Jiwei		Zhang Nan					
	He Tianju		Zhao Yunlei					
	China National Junior Team							
TOURNAMENTS	China Basketball Association	Li-Ning China 10K Running League	2013-2016'MAJOR EVENTS' Partner of BWF					
	China Junior & High School Basketball League	China National high attitude endurance challenge	2014 LI-NING Thomas & Uber Cup finals (Title & Equipment sponsor)					
	Chinese University Basketball Association	DaLi 100 Ultra Endurance Race	2014 LI-NING World Championships (Title & Equipment sponsor)					
	Chinese University Basketball Super		BWF Super Series China Open (Equipment sponsor)					
	National Basketball League		BWF Super Series China Masters (Equipment sponsor)					
	CBA Junior League		BWF Super Series Singapore Open (Title & Equipment sponsor)					
			China National Badminton Game (Title & Equipment sponsor)					
			China International Challenge 2014 (Equipment sponsor)					
			2013-2014 China Badminton League (Partner)					
			2013-2014 China's Badminton Serie (Partner)					
			Nanjing 2014 Youth Olympic Games (Badminton equipment sponsor)					
OTHER IMPORTANT SPONSORSHIP RESOURCES	Zhu Yanxi	GuangDong Provincial Athletics Team	Chinese Youth Badminton Team	Zheng Saisai				
	Zeng Lingxu	YunNan Provincial Athletics Team	Singapore National Badminton Team	Karorina Pliskova/Kristyna Pliskova				
	Xu Zhonghao	People's Republic Amy Atheltics Team	Australian National Badminton Team	Lining International Junior Tennis Championships				
	Tian Yuxiang		Indonesian National Badminton Team					
	Zhao Tailong		Provincial Team: Beijing/Shanghai/Liaoning/Sichuan/Zhejiang/Tianjin/Hunan/Hubei/Bayi/Guangdong/Qingdao/Xia Men Club					
	Chen Linjian		Jan Jorgensen (Denmark), Porntip (Thailand), P V Sindhu (India)					
	Heng Yifeng							
	Luo Kaiwen							
	Zhang Zuming							
	Udonis Haslem							
	Will Bynum							
	Dorell Wright							
	Fan Bin							
	Wu Qinglong							
	Qu Shaobin							
	Yang Maogong							
	A Dijiang							
	Dr. Chen Fangcan							

LI-NING

STANDING OUT


LI-NING

Overview

In the first half of 2014, macroeconomic uncertainty, the remaining overhang from over-expansion and excess inventory continued to pose challenges to domestic sportswear industry. While defocusing on non-core sportswear categories and unprofitable markets, the Group is investing boldly, yet wisely, to implement brand building initiatives, redesign the business model, research and development for new products, as well as selectively open retail stores.

New product sales recorded double digits growth, which proved further consumer acceptance of new products with upgraded design and functionality. Organisation and teams within the Company have been integrated around the five core categories to further drive the implementation of category specific strategies. Furthermore, improved marketing model was developed to provide a parallel digital platform, creating better return on investment.

As the first phase of the turnaround is completed with an optimised and stable store network, the Company is poised for the next stage of re-expansion.

Financial Review

During the first half of 2014, the Group carried forward upfront investment in line with the transformation plan initiated in July 2012 ("Transformation Plan"), including the investments in direct-retail network expansion and marketing resources of core sports categories. Meanwhile, the Group maintained active control over sell-in during the channel inventory clearance period and, as a result, the wholesale of new products stayed below the optimal year-on-year growth during the first half of 2014. These key initiatives allowed the Group to gradually release its full earning potential for sustainable growth in the long run, although it takes more time to realise financial benefits. Thus, there is still pressure on the Group's business and financial performance indicators in the short term. The key operating and financial performance indicators of the Group for the six months ended 30 June 2014 are set out below:

	Unaudited Six months ended 30 June		Change
	2014	2013	(%)
Income statement items			
(All amounts in RMB thousands unless otherwise stated)			
Revenue	3,137,078	2,905,908	8.0
Gross profit	1,399,611	1,266,454	10.5
Operating loss	(448,170)	(38,616)	1,060.6
Earnings before interest, tax, depreciation and amortisation (EBITDA) *(Note 1)*	(350,570)	57,649	(708.1)
Loss attributable to equity holders *(Note 2)*	(585,774)	(184,237)	217.9
Basic losses per share *(RMB cents) (Note 3)*	(41.63)	(15.19)	174.1
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	44.6	43.6	
Operating loss margin *(%)*	(14.3)	(1.3)	
Effective tax rate *(%)*	(10.7)	(25.5)	
Margin of loss attributable to equity holders *(%)*	(18.7)	(6.3)	
Return on equity attributable to equity holders *(%)*	(24.3)	(8.2)	
Expenses to revenue ratios			
Staff costs *(%)*	13.8	10.9	
Advertising and marketing expenses *(%)*	19.4	20.6	
Research and product development expenses *(%)*	2.2	2.3	
Asset efficiency			
Average inventory turnover *(days) (Note 4)*	106	96	
Average trade receivables turnover *(days) (Note 5)*	78	88	
Average trade payables turnover *(days) (Note 6)*	92	91	

	Unaudited 30 June 2014	Audited 31 December 2013
Asset ratios		
Debt-to-equity ratio *(%) (Note 7)*	157.1	116.4
Interest-bearing debt-to-equity ratio *(%) (Note 8)*	55.0	39.4
Net asset value per share *(RMB cents)*	172.9	211.40

Notes:

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

2. Including loss attributable to equity holders for the period from 1 January to 31 March 2014: RMB314,610,000.

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

4. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances of the period divided by cost of sales and multiplied by the number of days in the period.

5. The calculation of average trade receivables turnover (days) is based on the average of opening and closing balances of trade receivables of the period divided by revenue and multiplied by the number of days in the period.

6. The calculation of average trade payables turnover (days) is based on the average of opening and closing balances of trade payables of the period divided by total purchases and multiplied by the number of days in the period.

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

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

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

Revenue

The Group's revenue for the six months ended 30 June 2014 amounted to RMB3,137,078,000, representing an increase of 8.0% as compared to the corresponding period last year.

Revenue breakdown by brand and product category

	Six months ended 30 June				
	2014		2013		Revenue
		% of total		% of total	change
	RMB'000	revenue	RMB'000	revenue	(%)
LI-NING brand					
Footwear	1,305,262	41.6	1,238,670	42.6	5.4
Apparel	1,195,759	38.1	1,047,451	36.0	14.2
Equipment/accessories	172,595	5.5	172,165	6.0	0.2
Total	2,673,616	85.2	2,458,286	84.6	8.8
Double Happiness brand					
Total	411,334	13.1	377,150	13.0	9.1
Other brands*					
Total	52,128	1.7	70,472	2.4	(26.0)
Total	3,137,078	100.0	2,905,908	100.0	8.0

* Including Lotto, Kason, Aigle and Z-DO

The Group's core brand, LI-NING brand, recorded revenue of RMB2,673,616,000, which accounted for 85.2% of the Group's total revenue, representing an increase of 8.8% as compared to the corresponding period last year. Since 2013, the Group has started the transformation gradually from the traditional wholesale model to retail-oriented model, while focusing on the five core product categories in order to meet the increasingly matured consumer demand in China. The new strategies have paid off on new products. The growth in LI-NING brand's revenue year-on-year was attributable to the strong recovery of new products, especially in core sports categories, since the second half of 2013 and their robust performance throughout the first half of 2014, as well as the Group's continuous expansion of self-owned retail store network.

Revenue of Double Happiness brand maintained a steady growth rate of 9.1% for the period.

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

	Six months ended 30 June		
	2014	2013	
	% of revenue of LI-NING brand	% of revenue of LI-NING brand	Change (%)
LI-NING brand			
PRC market			
Sales to franchised distributors	59.6	66.7	(7.1)
Sales from direct operation	38.3	31.3	7.0
International markets	2.1	2.0	0.1
Total	100.0	100.0	

As the management was more focused on sales and expansion at the retail end due to changes in operation models, the weighting of revenue generated from sales to franchised distributors among total revenue recorded a significant decline during the period.

Revenue breakdown of LI-NING brand by geographical location

		Six months ended 30 June				
		2014		2013		
	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*	867,413	32.4	750,830	30.5	15.5
Northern region	*2*	1,267,467	47.4	1,136,065	46.2	11.6
Southern region	*3*	483,847	18.1	522,549	21.3	(7.4)
International markets		54,889	2.1	48,842	2.0	12.4
Total		2,673,616	100.0	2,458,286	100.0	8.8

Notes:

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

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

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

Geographically, southern market recorded a decrease in revenue year-on-year, given the slower expansion paces of direct-retail network and lower sales discounts due to the fiercer competition than eastern and northern markets where steady growths were posted.

Cost of Sales and Gross Profit

For the six months ended 30 June 2014, overall cost of sales of the Group amounted to RMB1,737,467,000 (2013: RMB1,639,454,000), and overall gross profit margin was 44.6% (2013: 43.6%). The improvement in gross profit margin during the period was mainly attributable to the performance of LI-NING brand and Double Happiness brand.

Cost of sales of LI-NING brand amounted to RMB1,467,917,000 (2013: RMB1,373,243,000), and gross profit margin was 45.1% (2013: 44.1%). During the period, the Group's reforms in product design, supply chain and retail promotion resulted in continuous improvements in new product sales, as witnessed by the higher selling prices and sell-through speed of direct-retail outlets as well as the significantly increased proportion of new products with higher gross profit margin. Such contribution of higher-margin new products was partially offset by the increased inventory provision to reflect higher balance of inventories in the current period, compared to the reversal of inventory provision due to the clearance of obsolete inventory in the same period last year. Nevertheless, as a result of the foregoing, LI-NING brand's gross profit margin still rose by 1 percentage point year-on-year in the first half of 2014.

Cost of sales of Double Happiness brand amounted to RMB237,712,000 (2013: RMB226,673,000), and gross profit margin was 42.2% (2013: 39.9%), representing an increase of 2.3 percentage points as compared to the corresponding period last year, which was mainly attributable to the decrease in the cost of major raw materials for the period.

Distribution Expenses

For the six months ended 30 June 2014, the Group's overall distribution expenses amounted to RMB1,372,291,000 (2013: RMB1,209,512,000), accounting for 43.7% (2013: 41.6%) of the Group's total revenue.

Distribution expenses of LI-NING brand amounted to RMB1,307,721,000 (2013: RMB1,135,988,000), accounting for 48.9% (2013: 46.2%) of LI-NING brand's revenue. To push ahead with the transformation towards the retail-oriented model under the Transformation Plan, the Company carried forward upfront investment in the first half of 2014 for expansion of its direct-retail network as scheduled. Staff costs and store rental expenses recorded substantial growths during the period, mainly attributable to the significantly increasing number of direct-retail stores and hence the increases in store operating and management staff as compared with the same period last year. Advertising and marketing expenses remained essentially unchanged, as a result of greater investment in marketing resources of core sports categories (especially basketball) and less investment in other non-core sports marketing resources.

Distribution expenses of Double Happiness brand amounted to RMB61,291,000 (2013: RMB55,930,000), accounting for 14.9% of Double Happiness brand's revenue. This was 0.1 percentage point higher than the 14.8% recorded in the same period of 2013, remaining relatively stable.

Administrative Expenses

For the six months ended 30 June 2014, the Group's overall administrative expenses amounted to RMB494,499,000 (2013: RMB157,425,000), accounting for 15.8% (2013: 5.4%) of the Group's total revenue.

Administrative expenses of LI-NING brand amounted to RMB448,843,000 (2013: RMB118,020,000), accounting for 16.8% of LI-NING brand's revenue. This was 12.0 percentage points above the 4.8% for the same period of 2013. These expenses mainly comprised staff costs, management consulting expenses, office rental, depreciation and amortisation charges, taxes, provision for impairment of trade receivables and other miscellaneous expenses. The notable increase in administrative expenses during the period was mainly attributable to the provision for impairment of trade receivables and staff costs. The increase in the provision for impairment of trade receivables was attributable to the increase in long-ageing trade receivables, as certain channel partners continued to weaken in the course of channel deleveraging although most distributors have improved their profitability through the Channel Revival Plan (adopted in December 2012 as a key component of the Transformation Plan). The provision further reduced the residual risk in bad debt from the weakest channel partners known so far. As for staff costs, the year-on-year increase was attributable to the experienced management executives recruited for the Company's turnaround and transformation since the second half of 2013, coupled with options granted to senior executives according to progress of the Transformation Plan. Besides, the administrative expenses of LI-NING brand included certain expenses arising from investments and closure of flagship stores as well as other one-off expense items, which further increased the administrative expenses.

Administrative expenses of Double Happiness brand amounted to RMB43,084,000 (2013: RMB29,126,000), accounting for 10.5% of Double Happiness brand's revenue. This was 2.8 percentage points higher year-on-year than the 7.7% for the same period of 2013. These expenses comprised mainly staff costs, depreciation and amortisation charges and other miscellaneous expenses. The significant increase in administrative expenses of Double Happiness brand during the period was mainly attributable to the expense incurred for the transformation of the network system and the expense of experts' verification and market research on the development of new materials for table tennis during the period.

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

For the six months ended 30 June 2014, the Group's EBITDA amounted to a loss of RMB350,570,000 (2013: an earning of RMB57,649,000), representing a year-on-year decrease of 708.1%, which was mainly attributable to the performance of LI-NING brand.

EBITDA of LI-NING brand recorded a loss of RMB449,848,000 (2013: a loss of RMB28,205,000). This was mainly attributable to the increase in staff costs, rental expenses of stores, provision for impairment of trade receivables and provision for inventories.

EBITDA of Double Happiness brand remained relatively stable at RMB78,970,000 (2013: RMB79,156,000).

Finance Expenses

For the six months ended 30 June 2014, the Group's net finance expenses amounted to RMB62,375,000 (2013: RMB90,378,000), representing 2.0% (2013: 3.1%) of the Group's total revenue. The net finance expenses included the interest expense of convertible bonds for the period amounting to RMB30,347,000 (2013: RMB28,635,000).

Income Tax Expense

For the six months ended 30 June 2014, income tax expense of the Group amounted to RMB54,486,000 (2013: RMB32,948,000) and the effective tax rate was -10.7% (2013: -25.5%).

Overall Profitability Indicators

Despite the increase in sales revenue and gross profit, the overall profitability indicators of the Group decreased for the six months ended 30 June 2014 due to the surge in expense ratios. The Group's loss attributable to equity holders amounted to RMB585,774,000 (2013: loss attributable to equity holders of RMB184,237,000), representing a year-on-year decrease of 217.9%. The corresponding margin of loss attributable to equity holders for the period was -18.7% (2013: -6.3%), representing a year-on-year decrease of 12.4 percentage points. Return on equity attributable to equity holders was -24.3% (2013: -8.2%), representing a year-on-year decrease of 16.1 percentage points.

Provision for Inventories

The Group's policy in respect of provision for inventories for the first half of 2014 was the same as that in 2013. 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 sufficient in ensuring provision for inventories made by the Group.

As at 30 June 2014, the accumulated provision for inventories was RMB400,452,000 (31 December 2013: RMB382,066,000). As at the end of the period, LI-NING brand witnessed an increase in the original value of inventories as compared with that as at 31 December 2013, resulting in a slight increase 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 the first half of 2014 was the same as that in 2013.

As at 30 June 2014, the accumulated provision for doubtful debts was RMB682,988,000 (31 December 2013: RMB590,928,000). Due to the higher balance of long ageing trade receivables, the Group made certain provision for doubtful debts during the period.

Liquidity and Financial Resource

As at 31 December 2012, the Group had cash and cash equivalents of RMB1,241,304,000. The Group raised RMB1,441,484,000 in funds from the open offer ("Open Offer") of convertible securities issued in April 2013. The Group had operating and investing activities net cash outflow of RMB232,506,000 in 2013, including investments of RMB637,000,000 in the Transformation Plan, as well as financing activities net cash outflow (excluding proceeds from the Open Offer) of RMB1,169,598,000 in 2013, among which RMB1,045,238,000 was used for the repayment of bank loans to de-risk the balance sheet in view of the tightening credit environment in China. Consequently, most of the proceeds from the Open Offer were used to pay down bank loans, with the remainder used to invest in the Transformation Plan and other general purposes. The Group ended with cash and cash equivalents of RMB1,280,684,000 as at 31 December 2013.

The Group's net cash outflow from operating activities for the six months ended 30 June 2014 amounted to RMB319,249,000 (2013: net cash outflow of RMB242,787,000). As at 30 June 2014, cash and cash equivalents (including cash at banks and in hand, and fixed deposits held at banks with original maturity of no more than three months) amounted to RMB909,304,000, representing a net decrease of RMB371,380,000 as compared with the position as at 31 December 2013. The decrease was due to the following items:

Items	Unaudited Six months ended 30 June 2014 RMB'000
Net cash used in operating activities	(319,249)
Net capital expenditure	(128,576)
Net proceeds from bank borrowings	91,000
Other net cash outflow	(14,555)
Net decrease in cash and cash equivalents	(371,380)

The Group's operating cash flow was affected significantly, and this was mainly attributable to the continuous weakening of certain channel partners, less recovery of trade receivables and substantial investment in direct-retail network expansion.

As at 30 June 2014, the Group's available banking facilities amounted to RMB1,100,000,000, amongst which outstanding bank borrowings and utilised suppliers trading financing facilities, in aggregate, amounted to RMB560,000,000. As at the end of the period, the outstanding bank borrowings and convertible bonds to equity ratio (i.e. the gearing ratio) was 55.0% (31 December 2013: 39.4%)

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

Foreign Exchange Risk

The Group's operations are mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. The Group's subsidiary in South Korea and the United States uses South Korean Won and United States Dollars as their respective functional currency. A small portion of the Group's cash and bank deposits are 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 period. Any significant exchange rate fluctuations of foreign currencies against Renminbi could have had financial impact on the Group.

Pledge of Assets

As at 30 June 2014, buildings and land use rights with net book value of RMB412,477,000 and RMB82,447,000 respectively were pledged as securities for the Group's borrowings. As at 31 December 2013, there were no buildings and land use rights pledged as security for the Group's borrowings.

Contingent Liabilities

As at 30 June 2014, the Group had no significant contingent liabilities.

Business Review

The Company continued to embrace the Transformation Plan to pursue the development of various core businesses during the first half of 2014. With a focus on attracting more consumers to our core sports categories, we achieved encouraging results by concentrating our resources to invest systematically in key sports resources; re-designing our merchandising model and supply chain systems; building our direct retail network; enhancing the design, functionality and value proposition of products; optimizing management capabilities; and strengthening our brand value. The Channel Revival Plan has improved the profitability of most channel partners.

Focusing on product differentiation and superior retail experience to provide best value proposition

During the process of transforming to the retail-oriented business model, we constantly believed in the direction of gaining market recognition through providing differentiated products. By focusing on the dynamic demand of multiple target consumers as the driving force, we target to deliver the right products to the right place at the right time with the right price. During the first half of 2014, we continued to execute the merchandising model of combining trade fair orders, A+, Quick Replenishment (QR)/Quick Strike (QS) during product launches. The contribution of such prescriptive orders continued to grow steadily. Meanwhile, we established the resources management platform to monitor and optimize inventory. While implementing the IT integrated full retail platform for all self-owned and part of distributor-owned stores, we applied the standardised and automated "E2E" process in stages. In order to minimize the supply and replenishment time, we rolled out one common planning tool to suppliers to ensure quick response to market demand changes. This demand-driven, quick response model also created challenges for the Company's R&D capabilities, and we are able to provide optimized product choices with both innovative functionality and fashionable appearance in different price range. During the first half of 2014, the performance of new products continued to be strong.

Focused investment resources to promote brand value

The Company's disciplined cost cutting enabled bold investment in strategic marketing on core sports resources. With the solid foundation which we have laid in 2013, we continued to reach target consumer groups while extending our market coverage across price segments. Through hosting various events to promote the five core sports categories and combining top sports resources, we offered more real and unique brand experience for target consumers. At the same time, we have continuously improved the visual display and image of our stores to provide better shopping experience.

Building the "Win" corporate culture, and striving to become the most admired employer in the PRC

During the period, the Company continued to establish the performance-oriented culture and implement the Organizational and Talent Review ("OTR") policy. With an emphasis on employer brand-building, we aimed to enhance the bonding within the enterprise so as to maintain sustainable human resources development.

LI-NING Brand

Brand vision

In the first half of 2014, the Group continued to promote its interaction with target consumer groups, particularly the growing middle class consumers, with a focus on the five most popular core sports categories, namely basketball, running, badminton, training and sports life. Immense resources were invested in launching fashionable sports products of consumers' preference to offer more real and unique brand experience for sports enthusiasts.

We expect a higher level of brand recognition among consumers and sports professionals to regard LI-NING brand as a symbol of pride and confidence which showcases true sportsmanship and the commitment to product innovation and sports experience. LI-NING brand is dedicated to motivating consumers to breakthrough and enjoy at the same time through sports.

Developing core categories to encourage participation in sports and expand and strengthen brand awareness

Basketball

Enhancing functionality and cost-performance through continuous product innovation, boosting reputation among professionals by themed products

– Professional basketball shoes series

- LI-NING Cloud

  The proprietary structure technology and materials result in fully enhanced shock-absorption and rebounding performance, coupled with trendy and stylish designs which are well received among CBA professional players and basketball enthusiasts.

- LI-NING BBlite2

  Equipped with the new carbon midsole developed based on our "lightweight" technology, this series enjoys higher pricing advantage and cost-performance reputation among consumers, and has been rated by Hupu.com users as a must-have item for this summer.

- Rebirth series

  This affordable series targeting students and off-campus games is a perfect combination of practicality and cool design. The product blog was forwarded more than 1,000 times within 3 days and over 95% of the comments we received on our official Weibo account and Hupu forum were positive.

– "Way of Wade" series: WOW2 – Signature models featuring Chinese elements

- Based on our insight into the domestic basketball market and target consumers' preference, we rolled out two new models featuring distinctive Chinese elements, namely, "WOW2 Commemorative Edition 2014" and "WOW2 Screws Limited Edition".

- The new models received positive feedbacks on the Internet, and were sold out on the first day of launch.

Marketing supported by sports resources

– Leveraging top domestic basketball resources to enhance sports experience with a focus on events, players, city teams, fans and youth in campus

- Chinese Basketball Association League (CBA)

  Effectively publicise the professional functions of our products and increase brand exposure through product sponsorship. The 2013-14 CBA games broadcasted by CCTV-5 recorded an audience of 510 million in China, contributing to 540 million views in aggregate. The CBA official video-on-demand pages hosted on Sohu.com captured an average 1.09 million clicks per day, up by 36% over the previous season. The CBA official videos shared through PPTV.com captured 720 million clicks and accumulated 310 million independent visitors, up by 329% over the previous season.

- Sponsorship of four levels of domestic basketball student leagues (China Junior & High School Basketball Leagues, CUBA and CUBS) to build up communication channels with students and young people and to foster brand awareness and favour to supplement our investment in the CBA.

  In 2014, the China Junior & High School Basketball Leagues attracted more than 4,970 players from 355 teams in 19 zones. A total of 1,037 games were played and 50,000 onsite views were recorded. CUBA attracted more than 20,000 players and coaches from over 1,000 universities and colleges in 33 zones, covering over 20 million student viewers. CUBS attracted more than 600 players from 36 teams in 18 zones, covering over 800,000 student viewers. According to a survey, more than 80% of young consumers showed significantly higher preference for LI-NING brand's professionalism and appeal to young consumers.

Running

Pushing forward product innovations and functional upgrades to meet differentiated needs of beginners, amateurs, advanced runners and professionals

– Focusing on products' functional upgrades to create better running experience

  Addressing runners' needs and the functions required such as rebounding, shock-absorption, lightweight, comfort and elegance, the Group rolled out a complete fleet of high-performance new running products including LI-NING Cloud, Super Light 11, LI-NING Arc IV, Strike Transition (雙渡) and other professional models.

– Joining the efforts of experts and international researchers to launch shoes and apparel dedicated for runners

  - Shock-absorption series – Strike Transition (雙渡) running shoes: A series catering for the running style of midfoot/heel landing which was co-developed with Dr. Chen Fangcan, a famous sports rehabilitation expert.

  - Control series – Furious Rider (烈駿) running shoes: Co-developed with Rsscan Lab, a Belgium-based world-class sports testing service provider.

  - Racing series – Cloud Racer (雲馬) running shoes: Jointly tested and developed with top marathon runners in the domestic track-and-field teams.

Extending the runner coverage of "LI-NING China 10K Road Racing League" to enhance running experience with LI-NING brand

– This official competition of the Chinese Athletic Association initiated by the Company and exclusively named under the LI-NING brand represents the first road racing competition held in the form of a league in China. The participating runners were provided with professional running testing services and guides.

– The league comprises 10 events held throughout the year. Following the first championship in Shenzhen on 23 March, 8 other events were successfully completed as at 29 June, in Shenzhen, Chongqing, Xi'an, Changsha, Wuhan, Shanghai, Qingdao and Shenyang respectively.

– The first 8 races attracted 37,870 participants (nearly 5,000 participants per station on average), with participants aged below 40 accounting for 82% and a male/female ratio of approximately 7:3.

Badminton

Uplifting brand advantages continuously through top events, professional players and channel promotion

– In 2014, the badminton segment of LI-NING brand carried forward a consumer-oriented integrated marketing strategy. Focusing on sports stars, events, badminton courts, products and promotion channels, we highlighted the national badminton team and promoted international and domestic professional events, while boosting the participation of consumers through a combination of channels. The deepened cooperation with industry leaders further enhanced our brand influence at badminton courts, the closest window for consumers experience.

Effectively integrating sports resources and marketing strengths, enhancing recognition for products' professional functions and promoting sales of products

– As regards top-level sports resources allocation, in addition to the exclusive equipment sponsorship for China National Badminton Team, LI-NING brand partnered with national teams of Indonesia and Australia and entered into sponsorship agreement with international players including Sindhu.

– In China, we partnered with 12 provincial teams including Bayi, Zhejiang, Tianjin and Beijing to provide equipment for these teams.

– Among the major international events in 2014, LI-NING brand was the title sponsor for the Thomas-Uber Cup and the BWF World Championships and the equipment sponsor for the BWF Super Series China Open and the BWF Super Series China Masters (Changzhou), and offered equipment to 12 stations of the BWF Super Series China Tour.

Building brand loyalty and boosting favour and referrals among young consumers

Pushing forward digital marketing

– To continue to push forward its digital marketing strategy, LI-NING brand strengthened the marketing efforts through self-media and social network. The proportion of online advertising expenses increased from 45% in 2013 to 60% in 2014.

– A number of well-received social network marketing campaigns were launched, such as the LI-NING Cloud "X-lab" video clip, the Weibo-based Super Light 11 "Lightness knows no bound" interaction and the WeChat-based Thomas-Uber Cup "Take the rackets" interaction. These initiatives attained superior communication effect and media value, effectively enhanced the appeal of LI-NING brand to young consumers and captured the awareness of more target users of our brand.

– To link up traditional television, outdoor advertising and digital marketing channels through huati.weibo.com, two-dimensional code and other means, integrating online and offline marketing resources to maximise marketing effect.

Bringing our brand closer to the youth through the campus platform

– Campus carnivals

  In late May, the campus carnivals themed "Your turn to shine it up" debuted on 4 college towns in China. The "Campus life" series product promotions specifically designed for the youth attracted more than 10,000 direct participants with an exposure to over 200,000 persons, establishing a large potential customer base for our brand.

Maximising product and brand exposure and strengthening the brand's image of professional functionality through sponsorship and marketing with top-level sports resources

– China National Table Tennis Team

Weibo-based digital marketing and public relation campaigns effectively integrated topics on the World Table Tennis Championships (Tokyo) which enhanced brand awareness and product exposure.

– China National Shooting Team

In the first half of 2014, China National Shooting Team participated in 5 international events, wining 22 gold medals and 61 medals in total. The Beijing event of ISSF Shooting World Cup recorded 18,823 Weibo views and graphic/text conversion rate up of 37.81%, with 1,229 times of sharing and forwarding.

– Gymnastics

In March 2014, LI-NING brand became the exclusive sports apparel sponsor for the Gymnastics World Championships (Nanning).

– China National Diving Team

China National Diving Team won 40 gold and 19 silver medals in 6 stations of the FINA World Diving Series, as well as 36 gold, 15 silver and 4 bronze medals in 5 stations of the FINA Diving Grand Prix as at the first half of 2014. The sponsorship of the Diving World Cup (Shanghai) further strengthened our brand exposure in world-class events.

Sales Channel Expansion and Management

As at 30 June 2014, the number of LI-NING brand conventional stores, flagship stores, factory outlets and discount stores amounted to a total of 5,671, representing a net decrease of 244 stores as compared to 31 December 2013. The number of distributors decreased to 52, down by 3 from 31 December 2013. Store breakdown as at 30 June 2014 is as follows:

Number of franchised and directly-operated retail stores

LI-NING brand stores	30 June 2014	31 December 2013	Change
Franchised retail stores	4,552	4,989	(8.8%)
Directly-operated retail stores	1,119	926	20.8%
Total	5,671	5,915	(4.1%)

Number of retail stores by geographical location

LI-NING brand stores	30 June 2014	31 December 2013	Change
Eastern Region *(Note 1)*	2,126	2,197	(3.2%)
Northern Region *(Note 2)*	2,259	2,324	(2.8%)
Southern Region *(Note 3)*	1,286	1,394	(7.8%)
Total	5,671	5,915	(4.1%)

Notes:

1. Eastern region includes Shanghai, Zhejiang, Jiangsu, Jiangxi, 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, Chongqing and Tibet.

To drive order quality and fast response to market/consumer demands and trend, in our "Go To Market" process, we continued to carry out Trade Fair Orders/Quick Replenishment (QR)/Quick Strike (QS) model, among which QS/QR represented over 15% of our total delivery. Also, traditional future orders continued to grow along with the results brought by the Transformation Plan and the market pick-up in early 2014. Most importantly, we saw continuously increased take-in of our prescriptive A+ products. Since the introduction of our A+ product portfolio from the 2nd quarter (Q2) of 2013, A+ orders have gradually taken up over 50% of the future orders, which demonstrates distributors' strong confidence in both the range of selection of A+ products and the order-placing mechanism and their view that such mechanism will help drive better order quality by broadening the width and depth of SKU. As our production department continues to improve our product design and production capabilities, our sales department will continue to expand our A+ product portfolio and expand store coverage of our A+ products to drive sell-through.

Simultaneously, the Company continues to improve its retail operation capabilities through system, tool and process enhancement. We have worked with multiple retail experts and consultants, such as Accenture, McKinsey, Opera, etc., to ensure that we can deliver the right merchandise at the right place, the right time and the right price.

Our sales department has worked with our product category department, merchandisers and distributors to classify our stores by attributes, in order to drive better store assortment planning with around 50 different store groups. One critical and fruitful initiative taken in 2014 was to increase new product sales in regular stores, and we made great progress in the first half of 2014 by having over 70% of our sales driven by our current and prior season products, which helped raise retail discount across the stores and increase distributors' profitability.

A "Retail and Merchandising Operations Platform" was established to drive in-season product management. We piloted advance launch of key products for stores in suitable districts as a season starts to test market reception, which helped us decide earlier whether to restore or cancel phased manufacturing orders or to add more orders. These major decisions were being made through weekly QS/QR executive committee meetings. On a weekly basis, by tracking product coverage in stores, visual display, retail discount and sell-through rates, we were able to determine inventory movements (replenishment, consolidation, off the shelf, etc.), promotional activities and visual display adjustments to provide a better consumer experience and further drive revenue growth.

A "Resources Management Platform" was built to monitor and optimise inventory resources, in order to move them around to the stores that can sell them at the highest price with the fastest speed. The platform helped us identify distributors and subsidiaries which have inventory excess/shortfall. We were able to catch the opportunity to replenish the bestsellers in 2014 Q2 to distributors and sub-distributors with out-of-stock or short-in-size situations. We also intentionally offloaded some 2014 Q2 new products to be sold in discount stores to clear up the space in regular stores, while addressing the product shortage issue. This platform will continue to help us optimise and expand our inventory.

We also built various tools and processes to keep in touch with consumers, stores, sales managers, distributors and our satellite offices using advanced technology. Our customer loyalty program "NingJu" card has seen growth in membership to over 300,000 since its launch in earlier 2013, covering all of our self-owned stores. Members frequently visit our stores and accounted for over 30% of the store revenues in some of the markets. We will continue to expand the program to our distributors and integrate it with our "e-Commerce" program. We built a few "WeChat" platforms to connect with store managers to communicate and share seasonal initiatives, retail knowledge and trends, etc., while giving store managers a platform to report directly on what is happening in the store, issues and product demands. An internet platform has also been created for photo uploading to keep track of the store visual display.

All the above processes and systems aim to enhance our retail operations. As regards channels, we have added over 200 new stores in the first half of the year, and have established a team to standardise store opening and operations to ensure that they can become profitable within 6 to 9 months. We will continue to add new stores in the second half of the year, and will review some of the significant markets we lost in the last three years. One of the challenges and risks we are still facing today is that many of our sub-distributors are single-store operators with low productivity and poor retail operations and they face high risk of store closure. Many sub-distributors' stores have a high proportion of outdated products which make the store look stale and affect its revenue-generating capability. We have identified multiple approaches to address sub-distributor revival. To ensure that their stores look fresh and inviting, it is crucial to add new products and improve the visual display. With some positive results, we will expand such measures to cover more sub-distributors. Meanwhile, we will encourage distributors to open more directly owned stores as we continue to expand our channels.

We have also started our efforts in making further market segmentation and differentiation by grouping up stores by city tier, commercial zone, consumer segments, sports/sports life relativity, etc. based on our product category strategy. Beyond flagship stores which have a complete categories of products, we have set up basketball and running-focused stores in order to drive both directive and all-encompassing product category assortments and product category brand-storytelling. We piloted new visual/fixture designs in basketball-focused stores, and will continue to develop and build product category stores in the future. We are also looking into opportunities to build unique LNC (Li-Ning Collection) store to present cross-category product assortment which attracts fashion-minded consumers.

On retail and visual display, we have worked with ESPEC, a Korean VMD company, not just to elevate our seasonal retail marketing initiatives, but also to revamp our store look by a new design – the 7th generation, whereby the very first store will soon be up running in Tianjin.

e-Commerce

The Company's e-commerce business has seen tremendous growth in the first half of 2014, with the total revenue up by 40% and direct stores' retail revenue up by 63%. E-lining.com, the online flagship store of the Company, has seen a 24% growth through improved merchandising. Sales of new products has exceeded 60% of the total revenue from e-commence.

Moving forward, business model innovations and further improvement in profitability will be the focus of the second half of 2014. The Company will further expand its presence in mobile channel, optimise its operational processes, build up "O2O" eco-system, develop individualised services and provide a world-class Omni-channel shopping experience for customers of LI-NING brand.

Product Design, Research and Development

As a professional sporting goods brand, the Group continues to advance its product design and innovation. The Group continues to invest in functional technologies to meet the requirements of high performing athletes while reflecting commercial trends for the style savvy.

New Products Adopt a New Merchandising Model

The Group continues to develop and expand its merchandising model, established in 2013 which combines prescriptive trade fair orders and optimised product assortments. The size of prescriptive "A+" product range for both footwear and apparel has been expanded, yielding exceptional sell-through performance. Region-specific A+ products are tailored to fit each region's unique market trends and climate attributes.

The Group has further strengthened its fast response capabilities. The first half of 2014 saw the integration of fast design with large-scale promotional campaigns. The Group collaborated with Korean pop star Jessica to build several head to toe outfits on a fast response timeline, capitalising on the singer's current success. The outfits combine Li-Ning's authenticity with Jessica's iconic styling, and will be launched through events and e-commerce channels starting from September 2014.

The Group's shift to retail focus continues as its leverages fast response capabilities to shorten the traditional long-cycle of product creation and respond to proven, best-selling segments. The capability to react quickly and efficiently (demand pursuit) are complementing the Group's commitment to developing innovative performance technologies (demand creation). Fast response processes are also leveraged to test new concepts in limited distribution. Once a new concept proves to be successful, product designs will be streamlined with the traditional sell-in model for maximum gain.

Footwear Products

Footwear Technology Platform Highlights

- Li-Ning Cloud launch – natural fit, pure and smooth motion;
- Li-Ning Cool Shell – breathable shoe construction to maximise ventilation and comfort for both professional athletes and casual consumers;

- Li-Ning Bow expansion is the high-end running shoes with its high level cushioning technique – Li-Ning ring arch, in future we will continue improving the arch structure and use Gel technique to realize a best cushioning effect and bring consumer a smooth and stable experience;

- Li-Ning Arc revamp is Li-Ning Hero product, full-length buckling groove and big arc design can provide a fantastic cushioning experience to consumers.

Footwear Product Highlights

- Basketball cool shell – breathable shoe tongue and lightweight construction using air-mesh fabric and thermal bonding, resulting in a highly breathable, lightweight basketball shoe. The outsole construction has additional ventilation for discharging heat with extra TPU protection against dirt and water;

- Training cloud technology – maximised energy rebound for ultimate performance and comfort. Cushioning effects and resilient construction are built to disperse pressure and protect the wearer's Achilles tendon, effectively reducing fatigue. The metallic paint finish brings an elegant aesthetic touch for stylists and performers alike;

- Running cool shell – cooling tongue, midsole and outsole are leveraged across the category. The running cool shell takes aesthetic resemblance to the Superlight 11, Li-Ning's largest running shoes launch to date;

- Running Superlight 11 – design inspiration is from Chinese traditional windowpane, using ice crack pattern to realize a light-weight support and enlarged breathability surface at important part. Superlight 11 is one of Li-Ning star products with its cool shell technique (light, breathable and comfortable);

- Medalist 92 – hemp sock liners feature anti-bacterial treatment to absorb odor and sweat. Enhanced TPU heel construction and midsole tuning increases the comfort for the wearer, while feather upper construction and rubber outsole improvements give the iconic sneaker a performance improvement.

Apparel Products

Apparel Technology Platform Highlights

- AT Dry, AT Dry Smart, AT Dry Freeze, AT Dry Fast, AT Venting – AT Dry technique platform. The fabric is very special with its hygroscopic and sweat releasing features, it can take sweat away from body and low down body temperature quickly, and make users feel dry and comfortable;

- LITE AT, LITE Feather – LITE AT technique platform. New light-weight technique can reduce physical load and bring consumers better sport experience. Meanwhile it is easy to carry;

- Warm AT, Warm AT ECO – Warm AT technique platform, the fabric is good at thermal storage & insulation, which can keep body warm;

- AT PROOF Wind, AT PROOF Rain, AT PROOF Storm – AT PROOF technique platform, the feature of this fabric is waterproof, windproof and breathable, which can keep body dry and comfortable in the wind and rain;

- AT Anti-UV, AT Anti-static, AT Anti-bacteria – AT Anti technique platform – UV techniques can be anti-UV, protect skin from UV hurt, – static can protect user from static, – bacteria can stop reproduction of bacteria and micro-organisms, and keep cloths clean and refreshing;

- 2013-2014 CBA season team uniforms and playoff/championship graphic tee – CBA Team Uniforms are the simpler version of the player edition which commercially available for the fans from each city involved. Champion Graphic TEE are designed for 2015 CBA champion team with team logo and related city elements for championship celebration;

- 3D fitting – to strengthen Li-Ning apparel's sportive property, we successfully developed 3D Fitting, which can make clothing slim and more comfortable.

Apparel Product Highlights

- Li-Ning Premium (LNP) – Products from Li-Ning Korea creative center, we add more fashion icons and innovation techniques to design process, using new materials to create fashionable pattern, and well combine the sportive function with fashion style. LNP belongs to Li-Ning high-end sports product;

- Jessica (Footwear, Apparel, Accessories) – K-pop star Jessica joins in the design and cooperate with Li-Ning Seoul studio, these series product combine well sports with fashion, and perfectly meet the concept of Li-Ning sports life category – Sports & fashion. This crossover cooperation with K-pop star Jessica is a very successful case;

- Li-Ning Campus Basketball – Campus Basketball products are targeted for the young consumers that are basketball fans or players and also/or sensitive to sports fashion elements;

- Training base layer – Training base layer belongs to Li-Ning POWERSHELL training apparels which aims to increase consumer demand for fitness. It uses compacting fabric and Li-Ning's unique sportive pattern; the product will open a larger market with its competitive price in China;

- Badminton uniforms – Sponsoring National Badminton Team in 2014 Asian Games; Initial application of 3D seamless sleeves in professional badminton suits, perfectly fitting shoulders, which make sure of the flexibility of swinging; Laser cut technology and the whole body premium fabrics make sure of fresh and cool during games.

Supply Chain Management

Retail Business Model

Li-Ning has been seeking a strategic transformation from wholesale to retail-oriented business model, with the purpose of advancing its channel efficiency and operation effectiveness so as to expand the market share and elevate the profitability of the Company and its business partners.

Significant achievements have been made in the first half of 2014 to strengthen our management capabilities with an aim of providing appropriate amount of products to consumers at the right place and the right time:

- A comprehensive IT integrated retail platform has been rolled out in all self-operated stores and selected distributors, which is expected to expand to cover all stores within this year;

- Standardised and automated "E2E" process (including demand forecasting, merchandising, product assortment planning, supply chain collaboration and retail operation) is being adopted by the Company by stages;

- Decisions on sales operation are being made on a weekly basis with the support of real time POS data collection, daily sales trend analysis and weekly demand/supply review and adjustment.

Supply Chain

Li-Ning continued to strengthen its capabilities in establishing a demand-driven and market-responsive supply chain system to support its retail-oriented model and business growth. In the first half of 2014, the flexibility and stability of the supply chain were enhanced by the following major measures to support both the trade fair orders and fast response models:

- A common planning tool is applied to all first-tier/second-tier suppliers to ensure quick response to demand changes;
- VMI and production/delivery by batches have successfully assisted the Company in mitigating inventory risks and making quick response to real time sales demand;
- Streamlining the production line to cater for retail needs of small order/high frequency/short-cycle products and adopting a green passage for fast response and quick replenishment orders;
- Centralising warehouses in the proximity of factories to reduce lead-time; while shipments are sent to regional distribution centers which are located closely to stores to ensure fast replenishment (based on data analysis and demand forecasting);
- Optimising supply bases by investing in key suppliers, moving production bases to Central China and purchasing from Southeast Asia to control supply of resources, thereby easing the issue of labor shortages, saving costs and obtaining additional production capacity.

Double Happiness Brand

Double Happiness brand is owned by Shanghai Double Happiness Co., Ltd. and its subsidiaries (collectively, "Double Happiness"), in which the Group holds a 57.5% equity interest. It is principally engaged in the manufacture, research and development, marketing and sales of table tennis equipment and other sports equipment.

Double Happiness continued to adopt "sponsorship of sports stars and sports events" as its core marketing and promotion strategy. In 2014, Double Happiness continued to endorse outstanding table tennis players in China as spokespersons for the brand's table tennis equipment, including Wang Hao (王皓), Wang Liqin (王勵勤), Ma Long (馬龍), Ding Ning (丁寧) and Li Xiaoxia (李曉霞), and entered into new endorsement with outstanding players such as Fan Zhendong (樊振東), Yan An (閆安), Zhu Yuling (朱雨玲) and Chen Meng (陳夢). Double Happiness also actively sponsored various professional domestic and international tournaments. During 2014, it delivered the sponsorship and marketing promotion for the World Table Tennis Championships in Tokyo, and continued to provide professional equipment for events such as the International Table Tennis Federation (ITTF) Professional Tour and the Chinese Table Tennis Club Super League.

Over 85% of China National Table Tennis team members opted for Double Happiness covering, and Double Happiness blades were among the most popular choices. Besides equipment for professional players, Double Happiness introduced and successfully launched more than 100 new products in 2014, including equipment specifically catered for supermarkets and e-commerce, professional blades, covering and badminton rackets designed with new concept. These new products expanded the product line of the Double Happiness brand, demonstrating the strong product development and design capabilities of Double Happiness.

Double Happiness launched seamed table tennis balls made with a new material in the first half of 2014 to gradually phase out celluloid material which has been used for more than 120 years. Table tennis balls made with this new material under the Double Happiness Brand will be used in major top events from 2014 to 2016. New models of blade and covering which fits the new table tennis balls were also rolled out and received recognition from the professional athletes of the China National Team.

Double Happiness products are mainly distributed via wholesale and integrated sporting goods stores. It has adopted a wholesale model for its domestic business, with a relatively stable clientele across 30 provinces and municipalities in China. Double Happiness continued to refine and regulate the management of customer behaviors and sales policies in 2014 by implementing a specific policy for providing "supply specially catered for supermarkets", under which access was made to dozens of domestic supermarket systems through specific product and sales policies that suit the supermarket channels. It also continued to carry out the "specific e-commerce development" project by developing unique products to support the implementation and promotion of the specific e-commerce policy.

Other Brands

Kason Brand

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.

The recognition of Kason brand remained stable in 2014. During the period, Kason brand continued to strengthen its "classic" brand positioning perceived by consumers through optimisation in product mix, production costs and value proposition of products as well as replicas of classic racket models. The newly developed apparel and shoe 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 make reasonable use of the brands' superior marketing resources to increase its market share in the badminton category.

AIGLE Brand

Despite the fact that the general economic and retail environment remained challenging and the performance of major leisure and outdoor brands fell due to unfavorable market environment, AIGLE brand continued to gain higher brand recognition among consumers, largely due to the brand's unique market positioning and competitive edge.

During the period, AIGLE brand continued its effective retail management and well-paced shop opening strategy. As a result, stable progress in the business development of the brand was achieved, including double-digit sales growth in the existing stores and positive business momentum for newly opened stores. AIGLE brand continued to be one of the leading brands in outdoor and leisure goods.

In the future, AIGLE brand will continue the following major operational strategies to increase its brand recognition and loyalty among consumers and sustain its business growth:

- Continue to penetrate into provincial capitals and other first-tier cities by gradually opening brand image stores with a globally common identity, increasing retail store coverage in cities above the provincial level, and diversifying the development and composition of different types of channels to ensure stable financial returns in the long run;
- Further strengthen retail management to enhance consumer-oriented customer relations management and effective inventory management;
- Collaborate with the Asian Division's product development team to enhance the development of the Asian product lines, optimise these product lines and expand consumer groups;
- Expand into the e-commerce sector in the second half of the year by developing an online shopping market.

Lotto Brand

In 2013, the Company authorised Li-Ning Shanghai e-Commerce to manage Lotto production as well as research and development. During the first half of 2014, online sales of Lotto increased by 76% year-on-year through a combination of direct retail, authorised distribution and TV channel, boosting the brand recognition of Lotto substantially. In the future, we will put more emphasis on positioning Lotto differently from LI-NING brand while maintaining a stable growth in sales, and leverage Lotto's "fashion sports" heritage while aligning with the trends to target a group of customers who are eager to explore, discover, try and experience new things.

HUMAN RESOURCES

The transformation of the Group's business continued in 2014. Under the vision of striving to become the most admired employer brand in the PRC, our human resources play a key part in value creation. During the period, a "win" culture was created within the Company by supporting business needs while controlling labour costs, collaborating with business departments to push forward organisational development as well as enhancing standardisation, efficiency and quality of services. Other major tasks during the period include the following:

- The Company continued to carry out the Organisational and Talent Review ("OTR") policy. Performance review of employee was completed in various core business departments such as sales, marketing and product. Capability assessment was conducted for critical positions and promising talents. While seeking experienced hires externally, focus was placed on effective identification, assessment, promotion and appointment of internal talents.
- The Company has always placed emphasis on building a performance-oriented culture. During the period, Short Term Incentive ("STI") was implemented in full swing by revising the performance management policy to effectively strengthen the matching of position, capability and performance. Targeted incentives and promotion were offered to outperformers, while underperformers were given timely performance counseling and feedback.
- To support its business development, the Company has introduced a brand-new leadership development programme to accelerate the training of high calibre employees within the Group through various projects such as catalyst workshops and performance leadership enhancement.

- As regards employer brand-building, an official LI-NING recruitment WeChat account was set up as a window to vividly showcase the Company's activities and achievements. Design contests were organized to attract designers of high calibre and raise their awareness of the Company. Industry elites were recruited by stepping up internal referrals. A set of new staff training mechanisms was designed for new staff stationing in stores to assist them in rapidly adapting to the Group's culture. CEO open days and all-staff communication sessions were held regularly to enhance communication with staff. Annual dinner, club and other activities were hosted on an ongoing basis to enhance the bonding within the enterprise.

As at 30 June 2014, the Group had in total 3,834 employees (3,592 employees as at 31 December 2013), including 2,233 employees at the Group's headquarters and retail subsidiaries (1,991 employees as at 31 December 2013), and 1,601 employees at the Group's other subsidiaries (1,601 employees as at 31 December 2013).

OUTLOOK AND CORRESPONDING STRATEGIES

While the overall macro-economy is not going to record a significant recovery in the near term, the Company believes the core sportswear market with differentiated products will remain competitive and achieve strong growth in the future. The Company is currently in a new starting point and all the past efforts will be paid off and gradually be reflected in its financial performance.

Going forward, the Company's focuses will be:

- Continuing to focus on the five core categories as well as related sports market;
- Improving marketing or branding approaches to re-shape and regenerate the brand;
- Continuing to improve channel efficiency;
- Improving POS appeal and consumer store experience;
- Continuing to enhance the merchandising model and value proposition for products;
- Optimising the cost structure and improving efficiency;
- Re-positioning e-commerce towards the direction of high profitability and business innovation.

With the successful implementation and smooth progress of Transformation Plan during the past 24 months, the Company firmly believes in the current transformation direction and the vision of building the leading brand in China, and it is confident that this is the best way to deliver the highest value for stakeholders in the medium to long term.

Condensed Consolidated Interim Financial Information

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*7*	817,966	791,071
Land use rights	*8*	376,916	351,352
Intangible assets	*9*	449,410	380,935
Deferred income tax assets		311,137	345,610
Available-for-sale financial assets		26,000	46,930
Investments accounted for using the equity method		15,938	13,496
Other receivables and prepayments	*12*	42,377	125,807
Total non-current assets		2,039,744	2,055,201
Current assets			
Inventories	*10*	1,089,580	942,368
Trade receivables	*11*	1,317,736	1,371,240
Other receivables and prepayments – current portion	*12*	363,120	362,643
Current income tax recoverable		6,635	2,566
Restricted bank deposits		1,569	2,149
Cash and cash equivalents		909,304	1,280,684
Total current assets		3,687,944	3,961,650
Total assets		5,727,688	6,016,851

Interim Condensed Consolidated Balance Sheet *(Continued)*

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	13	136,692	136,613
Share premium	13	1,142,126	1,146,845
Shares held for Restricted Share Award Scheme	13	(18,232)	(31,509)
Other reserves	14	1,132,098	1,101,347
(Accumulated deficit)/retained earnings	14	(254,840)	330,934
		2,137,844	2,684,230
Non-controlling interests in equity		230,719	207,534
Total equity		2,368,563	2,891,764
LIABILITIES			
Non-current liabilities			
License fees payable	17	101,609	122,309
Borrowings	18	200,000	200,000
Convertible bonds	20	661,074	645,727
Deferred income tax liabilities		79,179	75,316
Deferred income	21	63,365	64,012
Total non-current liabilities		1,105,227	1,107,364
Current liabilities			
Trade payables	15	997,489	913,988
Other payables and accruals	16	884,481	836,611
License fees payable – current portion	17	57,208	54,624
Borrowings	18	291,000	200,000
Convertible bonds – interest payable	20	23,720	12,500
Total current liabilities		2,253,898	2,017,723
Total liabilities		3,359,125	3,125,087
Total equity and liabilities		5,727,688	6,016,851
Net current assets		1,434,046	1,943,927
Total assets less current liabilities		3,473,790	3,999,128

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Revenue	6	3,137,078	2,905,908
Cost of sales		(1,737,467)	(1,639,454)
Gross profit		1,399,611	1,266,454
Distribution expenses		(1,372,291)	(1,209,512)
Administrative expenses		(494,499)	(157,425)
Other income and other gains – net	23	19,009	61,867
Operating loss	6	(448,170)	(38,616)
Finance income	24	5,352	3,625
Finance expenses	24	(67,727)	(94,003)
Finance expenses – net		(62,375)	(90,378)
Share of profit/(loss) of investments accounted for using the equity method		2,442	(178)
Loss before income tax		(508,103)	(129,172)
Income tax expense	25	(54,486)	(32,948)
Loss for the period		(562,589)	(162,120)
Attributable to:			
Equity holders of the Company		(585,774)	(184,237)
Non-controlling interests		23,185	22,117
		(562,589)	(162,120)
Losses per share for loss attributable to equity holders of the Company (RMB cents)			
– basic	26	(41.63)	(15.19)
– diluted	26	(41.63)	(15.19)

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

		Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Dividends	27	–	–

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2014 RMB'000	 2013 RMB'000
Loss for the period	(562,589)	(162,120)
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Currency translation differences	(257)	453
Total comprehensive loss for the period	(562,846)	(161,667)
Attributable to:		
Equity holders of the Company	(586,031)	(183,784)
Non-controlling interests	23,185	22,117
	(562,846)	(161,667)

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Ordinary shares RMB'000 (Note 13)	Share premium RMB'000 (Note 13)	Shares held for Restricted Share Award Scheme RMB'000 (Note 13)	Other reserves RMB'000 (Note 14)	Retained earnings/ (accumulated deficit) RMB'000 (Note 14)	Subtotal RMB'000	Non-controlling interests in equity RMB'000	Total equity RMB'000
As at 1 January 2014	136,613	1,146,845	(31,509)	1,101,347	330,934	2,684,230	207,534	2,891,764
Total comprehensive loss for the period	–	–	–	(257)	(585,774)	(586,031)	23,185	(562,846)
Transactions with owners:								
Net proceeds from shares issued pursuant to share option schemes	51	2,427	–	–	–	2,478	–	2,478
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	–	39,313	–	39,313	–	39,313
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	(8,084)	–	8,084	–	–	–	–
Shares vested under Restricted Share Award Scheme	–	–	15,423	(15,423)	–	–	–	–
Shares purchased for Restricted Share Award Scheme	–	–	(2,146)	–	–	(2,146)	–	(2,146)
Shares converted from convertible securities	28	938	–	(966)	–	–	–	–
As at 30 June 2014	136,692	1,142,126	(18,232)	1,132,098	(254,840)	2,137,844	230,719	2,368,563
As at 1 January 2013	111,622	315,972	(41,185)	489,485	737,703	1,613,597	198,644	1,812,241
Total comprehensive loss for the period	–	–	–	453	(184,237)	(183,784)	22,117	(161,667)
Transactions with owners:								
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	–	11,359	–	11,359	–	11,359
Issuance of convertible securities	–	–	–	1,441,484	–	1,441,484	–	1,441,484
Shares converted from convertible securities	23,760	785,764	–	(809,524)	–	–	–	–
Dividends to non-controlling interests of a subsidiary	–	–	–	–	–	–	(1,268)	(1,268)
Acquisition of non-controlling interests of a subsidiary	–	–	–	(3,045)	–	(3,045)	(1,955)	(5,000)
Contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	2,500	2,500
As at 30 June 2013	135,382	1,101,736	(41,185)	1,130,212	553,466	2,879,611	220,038	3,099,649

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Net cash used in operating activities	(319,249)	(242,787)
Cash flows from investing activities:		
– acquisition of non-controlling interests of a subsidiary	–	(5,000)
– proceeds on disposal of investment in an associate	–	1,000
– investment in available-for-sale financial assets	(14,000)	–
– purchases of property, plant and equipment	(85,371)	(60,272)
– purchases of intangible assets	(31,726)	(35,810)
– proceeds on disposal of property, plant and equipment	2,521	4,763
– interest received	3,453	3,625
Net cash used in investing activities	(125,123)	(91,694)
Cash flows from financing activities:		
– dividends paid to non-controlling interests of a subsidiary	–	(1,268)
– proceeds from issuance of ordinary shares	2,478	–
– shares purchased for Restricted Share Award Scheme	(2,146)	–
– contribution from non-controlling interests of a subsidiary	–	2,500
– proceeds from bank borrowings	121,000	1,408,005
– repayment of bank borrowings	(30,000)	(2,060,238)
– proceeds from issuance of convertible securities	–	1,480,488
– transaction costs paid in relation to issuance of convertible securities	–	(39,004)
– interest paid	(20,562)	(46,219)
– decrease/(increase) in restricted bank deposits	580	(19,792)
Net cash generated from financing activities	71,350	724,472
Net (decrease)/increase in cash and cash equivalents	(373,022)	389,991
Cash and cash equivalents at beginning of period	1,280,684	1,241,304
Exchange gains/(losses) on cash and cash equivalents	1,642	(13,787)
Cash and cash equivalents at end of period	909,304	1,617,508

The notes on pages 39 to 68 are an integral part of this condensed consolidated interim financial information.

Notes to Condensed Consolidated Interim Financial Information

1. General information

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

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

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors (the "Board") on 13 August 2014.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard ("IAS'') 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

- The Group has adopted IFRIC-Int 21 'Levies'. IFRIC-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect IFRIC-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.

- Other amendments to IFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

Notes to Condensed Consolidated Interim Financial Information (Continued)

4. Estimates

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5. Financial risk management

(a) Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

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

(b) Liquidity risk

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

6. Segment information

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

Management considers the business from a brand perspective. The Group has three reportable segments as follows, LI-NING brand, Double Happiness brand and all other brands segments. 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 this financial information.

Revenue consists of sales from LI-NING brand, Double Happiness brand and all other brands, which are RMB2,673,616,000, RMB411,334,000 and RMB52,128,000 for the six months ended 30 June 2014 and RMB2,458,286,000, RMB377,150,000 and RMB70,472,000 for the six months ended 30 June 2013 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 interim condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Information (Continued)

6. Segment information *(continued)*

The segment information provided to the management for the reportable segments for the six months ended 30 June 2014 and 2013 is as follows:

	Unaudited			
	LI-NING brand RMB'000	Double Happiness brand RMB'000	All other brands RMB'000	Total RMB'000
Six months ended 30 June 2014				
Total revenue	**2,673,616**	**411,525**	**62,698**	**3,147,839**
Inter-segment revenue	**–**	**(191)**	**(10,570)**	**(10,761)**
Revenue from external customers	**2,673,616**	**411,334**	**52,128**	**3,137,078**
Operating (loss)/profit	**(532,156)**	**69,547**	**14,439**	**(448,170)**
Distribution expenses and administrative expenses	**1,756,564**	**104,375**	**5,851**	**1,866,790**
Depreciation and amortisation	**82,308**	**9,423**	**3,427**	**95,158**
Six months ended 30 June 2013				
Total revenue	2,458,286	377,621	95,188	2,931,095
Inter-segment revenue	–	(471)	(24,716)	(25,187)
Revenue from external customers	2,458,286	377,150	70,472	2,905,908
Operating (loss)/profit	(112,048)	70,371	3,061	(38,616)
Distribution expenses and administrative expenses	1,254,008	85,056	27,873	1,366,937
Depreciation and amortisation	84,021	8,785	3,637	96,443

Notes to Condensed Consolidated Interim Financial Information (Continued)

6. Segment information *(continued)*

A reconciliation of operating loss to loss before income tax is provided as follows:

	Unaudited Six months ended 30 June 2014 RMB'000	 2013 RMB'000
Operating loss	(448,170)	(38,616)
Finance income	5,352	3,625
Finance expenses	(67,727)	(94,003)
Share of profit/(loss) of investments accounted for using the equity method	2,442	(178)
Loss before income tax	(508,103)	(129,172)

Geographical information of revenue

	Unaudited Six months ended 30 June 2014 RMB'000	 2013 RMB'000
The PRC (including the Hong Kong Special Administrative Region)	3,056,927	2,821,661
Other regions	80,151	84,247
Total	3,137,078	2,905,908

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

The Group has a large number of customers. For the six months ended 30 June 2014 and 2013, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

Notes to Condensed Consolidated Interim Financial Information (Continued)

7. Property, plant and equipment

	Unaudited						
	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Office equipment and motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Six months ended 30 June 2014							
As at 1 January 2014	552,278	23,921	51,557	94,871	63,961	4,483	791,071
Additions	44,710	38,854	849	1,621	6,161	1,857	94,052
Acquisition of business *(Note 30)*	–	5,039	–	–	524	–	5,563
Transfer out from construction-in-progress	243	–	–	282	–	(525)	–
Disposals	–	(228)	(1,710)	(1,288)	(1,698)	–	(4,924)
Depreciation charge	(14,978)	(21,555)	(13,758)	(6,269)	(11,236)	–	(67,796)
As at 30 June 2014	582,253	46,031	36,938	89,217	57,712	5,815	817,966
Six months ended 30 June 2013							
As at 1 January 2013	570,963	34,921	52,107	104,956	68,484	25,613	857,044
Additions	316	1,774	977	1,553	11,264	4,567	20,451
Transfer out from construction-in-progress	–	–	–	316	–	(316)	–
Disposals	(9,845)	(78)	–	(2,964)	(998)	–	(13,885)
Depreciation charge	(13,803)	(12,976)	(17,016)	(6,317)	(12,350)	–	(62,462)
As at 30 June 2013	547,631	23,641	36,068	97,544	66,400	29,864	801,148

All of the Group's buildings are located in the PRC. Buildings with net book value of RMB5,190,000 (31 December 2013: RMB5,796,000) are built on land which the Group is in the process of updating the legal title (Note 8).

As at 30 June 2014, buildings with net book value of RMB412,477,000 were pledged as securities for the Group's borrowings. As at 31 December 2013, the Group has no secured bank borrowings (Note 18).

Notes to Condensed Consolidated Interim Financial Information (Continued)

8. Land use rights

	Unaudited RMB'000
Six months ended 30 June 2014	
As at 1 January 2014	**351,352**
Additions	**29,785**
Amortisation charge	**(4,221)**
As at 30 June 2014	**376,916**
Six months ended 30 June 2013	
As at 1 January 2013	362,763
Amortisation charge	(4,500)
As at 30 June 2013	358,263

All the Group's land use rights are located in the PRC and are held under leases for periods varying from 20 to 50 years. The Group is in the process of updating the legal title for land use rights with net book value of RMB100,202,000 as at 30 June 2014 (31 December 2013: RMB101,613,000).

As at 30 June 2014, land use rights with net book value of RMB82,447,000 were pledged as securities for the Group's borrowings. As at 31 December 2013, the Group has no secured bank borrowings (Note 18).

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

9. Intangible assets

	Unaudited					
	Goodwill RMB'000	Trademarks RMB'000	Computer software RMB'000	License rights RMB'000	Customer relationships & Non-compete agreements RMB'000	Total RMB'000
Six months ended 30 June 2014						
As at 1 January 2014	**179,226**	**78,992**	**46,328**	**60,283**	**16,106**	**380,935**
Additions	**–**	**–**	**4,589**	**–**	**–**	**4,589**
Acquisition of business *(Note 30)*	**67,087**	**–**	**–**	**–**	**19,940**	**87,027**
Amortisation charge	**–**	**(2,769)**	**(9,478)**	**(6,879)**	**(4,015)**	**(23,141)**
As at 30 June 2014	**246,313**	**76,223**	**41,439**	**53,404**	**32,031**	**449,410**
Six months ended 30 June 2013						
As at 1 January 2013	179,226	84,530	54,893	83,220	21,513	423,382
Additions	–	–	870	3,699	–	4,569
Amortisation charge	–	(2,769)	(9,766)	(14,243)	(2,703)	(29,481)
As at 30 June 2013	179,226	81,761	45,997	72,676	18,810	398,470

Notes to Condensed Consolidated Interim Financial Information (Continued)

10. Inventories

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Raw materials	39,590	43,597
Work in progress	45,805	50,634
Finished goods	1,404,637	1,230,203
	1,490,032	1,324,434
Less: provision for write-down of inventories to net realisable value	(400,452)	(382,066)
	1,089,580	942,368

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB1,651,012,000 for the six months ended 30 June 2014 (30 June 2013: RMB1,561,851,000).

Inventory provision and the amount of reversal have been included in cost of sales in the interim condensed consolidated income statement for the six months ended 30 June 2014 and 2013.

11. Trade receivables

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Accounts receivable	1,956,784	1,948,188
Notes receivable	43,940	13,980
	2,000,724	1,962,168
Less: allowance for impairment of trade receivables	(682,988)	(590,928)
	1,317,736	1,371,240

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

11. Trade receivables *(continued)*

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

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
0 – 30 days	410,401	420,487
31 – 60 days	240,603	175,736
61 – 90 days	337,741	195,300
91 – 180 days	348,648	662,768
Over 181 days	663,331	507,877
	2,000,724	1,962,168

Customers are normally granted credit terms within 90 days. As at 30 June 2014, trade receivables of RMB1,011,979,000 (31 December 2013: RMB1,170,645,000) were past due. The Company'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 significantly 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 receivable balances, and latest communication with individual customers. The Group had launched a series of plans to communicate with individual customers and manage the credit risk of the customers. Management will closely monitor and continue to pursue collection of those receivables and a portion of the receivables is expected to be recovered. An allowance of RMB682,988,000 has been made as at 30 June 2014 (31 December 2013: RMB590,928,000).

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.

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

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
As at 1 January	590,928	937,535
Provision/(reversal of provision) for impairment of trade receivables	92,148	(106,868)
Trade receivables written off during the period as uncollectible	(88)	(8,565)
As at 30 June	682,988	822,102

The creation and release of provision for impaired trade receivables have been included in administrative expenses in the interim condensed 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.

Notes to Condensed Consolidated Interim Financial Information (Continued)

12. Other receivables and prepayments

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Prepaid rentals and other deposits	223,818	209,648
Advances to suppliers	51,297	12,434
Loans to a joint venture	21,354	20,441
Prepayment for advertising expenses	20,554	37,837
Staff advances and other payments for employees	11,568	8,736
Prepayment for purchase of land use rights and buildings	–	71,829
Prepayment for acquisition of the business of certain distributors	–	66,956
Others	76,906	60,569
	405,497	488,450
Less: non-current portion	(42,377)	(125,807)
Current portion	363,120	362,643

Other receivables and prepayment do not contain impaired assets. Non-current portion mainly comprised prepaid rentals, deposits and prepayment for purchase of land use rights and buildings.

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

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

	Number of shares (Thousands)	Approximate amount HK$'000
Authorised at HK$0.10 each		
As at 30 June 2014 and 31 December 2013	10,000,000	1,000,000

Issued and fully paid

	Unaudited				
	Number of share of HK$0.10 each (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
As at 1 January 2014	1,367,934	136,613	1,146,845	(31,509)	1,251,949
Net proceeds from shares issued pursuant to share option schemes *(Note a)*	636	51	2,427	–	2,478
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	(8,084)	–	(8,084)
Shares vested under the Restricted Share Award Scheme	1,375	–	–	15,423	15,423
Shares purchased for Restricted Share Award Scheme	(470)	–	–	(2,146)	(2,146)
Shares converted from convertible securities *(Note 14)*	360	28	938	–	966
As at 30 June 2014	1,369,835	136,692	1,142,126	(18,232)	1,260,586
As at 1 January 2013	1,053,470	111,622	315,972	(41,185)	386,409
Shares converted from convertible securities *(Note 14)*	298,397	23,760	785,764	–	809,524
As at 30 June 2013	1,351,867	135,382	1,101,736	(41,185)	1,195,933

Note:

(a) During the six months ended 30 June 2014, the Company issued 636,000 ordinary shares (30 June 2013: nil) of HK$0.10 each to certain directors and employees of the Group at weighted average issue price of HK$4.93 pursuant to the Company's share option schemes (Note 28).

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

14. Reserves

	Unaudited								
	Capital reserves RMB'000	Statutory reserve funds RMB'000	Share-based compensation reserve RMB'000	Convertible bonds reserve RMB'000	Convertible securities reserve RMB'000	Currency translation difference RMB'000	Subtotal RMB'000	Retained earnings/ (accumulated deficit) RMB'000	Total RMB'000
As at 1 January 2014	66,791	249,174	75,556	113,395	591,878	4,553	1,101,347	330,934	1,432,281
Loss for the period	–	–	–	–	–	–	–	(585,774)	(585,774)
Value of services provided under share schemes and Restricted Share Award Scheme	–	–	39,313	–	–	–	39,313	–	39,313
Share options lapsed	4,992	–	(4,992)	–	–	–	–	–	–
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	8,084	–	–	–	8,084	–	8,084
Shares vested under Restricted Share Award Scheme	–	–	(15,423)	–	–	–	(15,423)	–	(15,423)
Shares converted from convertible securities *(Note a)*	–	–	–	–	(966)	–	(966)	–	(966)
Translation difference of foreign currency financial statements	–	–	–	–	–	(257)	(257)	–	(257)
As at 30 June 2014	71,783	249,174	102,538	113,395	590,912	4,296	1,132,098	(254,840)	877,258
As at 1 January 2013	64,175	233,945	74,074	113,395	–	3,896	489,485	737,703	1,227,188
Loss for the period	–	–	–	–	–	–	–	(184,237)	(184,237)
Value of services provided under share schemes and Restricted Share Award Scheme	–	–	11,359	–	–	–	11,359	–	11,359
Share options lapsed	1,437	–	(1,437)	–	–	–	–	–	–
Issuance of convertible securities *(Note a)*	–	–	–	–	1,441,484	–	1,441,484	–	1,441,484
Shares converted from convertible securities *(Note a)*	–	–	–	–	(809,524)	–	(809,524)	–	(809,524)
Acquisition of non-controlling interests of a subsidiary	(3,045)	–	–	–	–	–	(3,045)	–	(3,045)
Translation difference of foreign currency financial statements	–	–	–	–	–	453	453	–	453
As at 30 June 2013	62,567	233,945	83,996	113,395	631,960	4,349	1,130,212	553,466	1,683,678

Notes to Condensed Consolidated Interim Financial Information (Continued)

14. Reserves *(continued)*

Note:

(a) In April 2013, the Company issued convertible securities (the "CS") in the aggregate principal amount of HK$1,847,838,000 (equivalent to approximately RMB1,480,488,000). The CS are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK$3.50 per ordinary share of the Company (subject to standard anti-dilution adjustments). The CS can be converted into 527,953,814 ordinary shares of the Company.

The CS cannot be redeemed unless the Company exercises the pre-emption right (but shall not be obliged) to redeem (or procure the purchase of) all or part of the principal amount of the CS.

As the Company has no contractual obligation to settle the CS in cash, the CS do not meet the definition of financial liabilities under IAS 32. As a result, all of the CS are classified as equity upon initial recognition and the net proceeds of HK$1,798,838,000 (net of the transaction costs of HK$49,000,000), which is equivalent to approximately RMB1,441,484,000, are included in shareholders' equity as other reserves. In relation to the issuance of the CS, the Company paid HK$18,617,000 and HK$12,412,000 to Viva China Holdings Limited ("Viva China") and TPG Stallion, L.P. ("TPG") respectively, which, equivalent to approximately RMB14,819,000 and RMB9,879,000 respectively, had been included as part of the transaction costs.

As at 30 June 2014, convertible securities with carrying value of HK$1,068,272,000 (equivalent to approximately RMB850,572,000) had been converted into 313,535,000 ordinary shares of the Company, amongst which carrying value of HK$1,226,000 (equivalent to approximate RMB966,000) had been converted into 360,000 ordinary shares of the Company during the six months ended 30 June 2014 (Note 13).

15. 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:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
0 – 30 days	738,021	651,017
31 – 60 days	213,304	206,844
61 – 90 days	31,366	27,899
91 – 180 days	6,793	18,580
181 – 365 days	526	2,737
Over 365 days	7,479	6,911
	997,489	913,988

Notes to Condensed Consolidated Interim Financial Information (Continued)

16. Other payables and accruals

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Accrued sales and marketing expenses	392,616	305,439
Wages and welfare payables	100,059	102,488
Advances from customers	71,297	106,270
Payable for property, plant and equipment	15,803	49,096
Other tax payables	14,647	18,354
Others	290,059	254,964
	884,481	836,611

17. License fees payable

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

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

	Unaudited RMB'000
Six months ended 30 June 2014	
As at 1 January 2014	176,933
Payment of license fees	(27,896)
Amortisation of discount *(Note 24)*	9,021
Adjustment for exchange difference	759
As at 30 June 2014	158,817
Six months ended 30 June 2013	
As at 1 January 2013	263,663
Acquisition of license rights	3,699
Payment of license fees	(34,940)
Amortisation of discount *(Note 24)*	10,784
Adjustment for exchange difference	(205)
As at 30 June 2013	243,001

Notes to Condensed Consolidated Interim Financial Information (Continued)

17. License fees payable *(continued)*

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Analysis of license fees payable:		
Non-current		
– over five years	814	2,324
– the second to fifth year	100,795	119,985
Current	57,208	54,624
	158,817	176,933

The license fees payable are mainly denominated in RMB, US$ and EUR.

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

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Less than 1 year	61,726	57,998
Between 1 and 5 years	130,852	158,682
Over 5 years	1,538	4,572
	194,116	221,252

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

18. Borrowings

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Borrowings		
– non-current	200,000	200,000
– current	291,000	200,000
	491,000	400,000
Borrowings		
– denominated in RMB	491,000	400,000
Borrowings		
– secured	200,000	–
– unsecured	291,000	400,000
	491,000	400,000

The carrying amounts of the borrowings at the respective balance sheet dates approximate their fair value as the impact of discounting is not significant.

The weighted average effective interest rates per annum of the borrowings were 6.97% (30 June 2013: 6.50%) for bank borrowings denominated in RMB for the six months ended 30 June 2014.

Unsecured bank borrowings amounting to RMB200,000,000 as at 31 December 2013 became secured during the six months ended 30 June 2014. These borrowings remain outstanding as at 30 June 2014 and are secured by the Group's buildings and land use rights (Notes 7 and 8). As at 31 December 2013, the Group has no secured bank borrowings.

Notes to Condensed Consolidated Interim Financial Information (Continued)

18. Borrowings *(continued)*

Movement in borrowings is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2014	
As at 1 January 2014	**400,000**
Additions	**121,000**
Repayments	**(30,000)**
As at 30 June 2014	**491,000**
Six months ended 30 June 2013	
As at 1 January 2013	1,447,157
Additions	1,408,005
Effect of change in exchange rate	(1,919)
Repayments	(2,060,238)
As at 30 June 2013	793,005

19. Borrowing facilities

As at 30 June 2014, the Group had undrawn borrowing facilities within one year amounting to RMB540,000,000 (31 December 2013: RMB1,128,580,000). These facilities have been arranged to help financing the Group's working capital.

In May 2014, the Group, certain of the Group's suppliers (the "Suppliers") and a PRC bank entered into trade financing facilities arrangement amounting to RMB130 million. As at 30 June 2014, RMB69 million has been utilised by the Suppliers under this arrangement.

Notes to Condensed Consolidated Interim Financial Information (Continued)

20. Convertible bonds

On 8 February 2012, the Company issued convertible bonds (the "CB") in the aggregate principal amount of RMB750,000,000 to TPG and the GIC Investor (existing shareholders of the Company). The CB bears a minimum interest rate of 4% per annum and due on 7 February 2017 (the "Maturity Date"). The initial conversion price is HK$7.74 per ordinary share of the Company (subject to anti-dilutive adjustments).

The CB cannot be redeemed prior to maturity, unless due to events of default, upon which the holders have the right to require early redemption at 130% of the outstanding principal amount of the CB plus any unpaid interests.

The initial fair value of the liability component and the equity conversion component was determined based on net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount of RMB113,395,000, representing the value of the equity conversion component, was included in shareholders' equity as other reserves.

In relation to the CB issued on 8 February 2012, the Company and the bondholders signed an amendment deed on 23 January 2013 (the "Modification Date"), under which both parties agreed to (1) modify certain clauses for the remaining term of the CB, as such clauses may create future financial constraints on the Company, and (2) reset the conversion price from the initial conversion price of HK$7.74 to HK$4.5 per ordinary share of the Company. The amendment became effective on the Modification Date.

The above two changes constituted a substantial modification of the original CB, which resulted in the derecognition of the carrying value of the debt portion of the CB as of the Modification Date amounting to RMB668,525,000 and the recognition of a new financial liability based on the fair value of the debt portion of the CB as of the Modification Date amounting to RMB634,896,000. The consequential gain of RMB33,629,000 was recognised in the interim condensed consolidated income statement for the six months ended 30 June 2013 as "Other income and other gains – net" (Note 23).

The convertible bonds recognised in the interim condensed consolidated balance sheet were calculated as follows:

	Unaudited RMB'000
Liability component at 1 January 2014	658,227
Payment of interest	(3,780)
Accumulated interest expenses up to 30 June 2014	30,347
Liability component at 30 June 2014	684,794
Less: interest payable due within one year	(23,720)
Non-current portion	661,074

The face value of the CB as at 30 June 2014 is RMB750,000,000. None of the CB was converted into ordinary shares of the Company during the period or subsequent to 30 June 2014 and before the approval date of this condensed consolidated interim financial information. The carrying value of the liability component is calculated using cash flows discounted at a risk adjusted market interest rate of 9.51% per annum. The carrying value of the liability component approximates its fair value as of 30 June 2014.

Notes to Condensed Consolidated Interim Financial Information (Continued)

21. Deferred income

	Unaudited RMB'000
Six months ended 30 June 2014	
As at 1 January 2014	64,012
Credited to income statement	(647)
As at 30 June 2014	63,365
Six months ended 30 June 2013	
As at 1 January 2013	59,736
Credited to income statement	(647)
As at 30 June 2013	59,089

22. Expenses by nature

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Cost of inventories recognised as expenses included in cost of sales	1,651,012	1,561,851
Depreciation on property, plant and equipment *(Note a)*	67,796	62,462
Amortisation of land use rights and intangible assets	27,362	33,981
Advertising and marketing expenses	607,344	599,132
Staff costs, including directors' emoluments	432,667	315,924
Operating lease rentals and related expenses in respect of land and buildings	357,930	275,899
Research and product development expenses *(Note a)*	69,517	67,128
Transportation and logistics expenses	134,800	130,350
Provision/(reversal of provision) for impairment of trade receivables	92,148	(106,868)
Impairment of available-for-sale financial assets	34,930	–
Auditor's remuneration	2,100	2,000
Management consulting expenses	50,950	41,688
Travelling and entertainment expenses	26,222	21,389

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

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

23. Other income and other gains – net

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Government grants	14,816	23,191
License fees income	4,193	5,047
Gain on modification of the CB *(Note 20)*	–	33,629
	19,009	61,867

24. Finance income and expenses

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Finance income		
– Interest income on bank balances and deposits	3,453	3,625
– Net foreign currency exchange gain	1,899	–
	5,352	3,625
Finance expenses		
– Amortisation of discount – license fees payable *(Note 17)*	(9,021)	(10,784)
– Interest expense on bank borrowings	(16,347)	(31,219)
– Interest expense on convertible bonds	(30,347)	(28,635)
– Net foreign currency exchange loss	–	(14,741)
– Others	(12,012)	(8,624)
	(67,727)	(94,003)
Finance expenses – net	(62,375)	(90,378)

Notes to Condensed Consolidated Interim Financial Information (Continued)

25. Income tax expense

	Unaudited Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current income tax		
– Hong Kong profits tax	(9)	1,630
– PRC corporate income tax	21,144	28,514
	21,135	30,144
Deferred income tax	33,351	2,804
Income tax expense	54,486	32,948

26. Losses per share

Basic

Basic losses per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme during the period. Such weighted average number of ordinary shares outstanding shall be adjusted for events such as bonus issue and stock dividend. In April 2013, the Company has completed the issuance of the CS (Note 14). The below market subscription price has effectively resulted in 37,986,000 ordinary shares (30 June 2013: 79,288,000 ordinary shares) to be issued upon conversion for nil consideration (i.e. the bonus element), and therefore such impact has been taken into account in calculating the weighted average number of ordinary shares for the purpose of basic losses per share calculation. Such shares issued for nil consideration have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2013.

Notes to Condensed Consolidated Interim Financial Information (Continued)

26. Losses per share *(continued)*

	Unaudited Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Loss attributable to equity holders of the Company	**(585,774)**	(184,237)
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (in thousands)	**1,369,009**	1,133,761
Adjustment for bonus element arising from the issuance of the CS (in thousands)	**37,986**	79,288
Deemed weighted average number of ordinary shares for basic losses per share (in thousands)	**1,406,995**	1,213,049
Basic losses per share (RMB cents)	**(41.63)**	(15.19)

Diluted

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

26. Losses per share *(continued)*

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Loss attributable to equity holders of the Company, used to determine diluted losses per share	(585,774)	(184,237)
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (in thousands)	1,369,009	1,133,761
Adjustment for bonus element arising from the issuance of the CS (in thousands)	37,986	79,288
Adjustment for share options, awarded shares, convertible bonds and convertible securities (in thousands) *(Note a)*	–	–
Deemed weighted average number of ordinary shares for diluted losses per share (in thousands)	1,406,995	1,213,049
Diluted losses per share (RMB cents)	(41.63)	(15.19)

Note:

(a) For the six months ended 30 June 2014 and 2013, the effect of all potentially dilutive ordinary shares outstanding was anti-dilutive. As at 30 June 2014, there were 59 million share options, 2 million restricted shares, 205 million ordinary shares assuming conversion of convertible bonds and 176 million ordinary shares assuming conversion of convertible securities that could potentially have a dilutive impact in the future but were anti-dilutive during the six months ended 30 June 2014 (30 June 2013: 37 million, 2 million, 205 million and 189 million respectively).

27. Dividends

The Board did not propose interim dividend for the six months ended 30 June 2014 and 2013.

Notes to Condensed Consolidated Interim Financial Information (Continued)

28. Share-based compensation

(a) Share Option Scheme

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

	Unaudited Six months ended 30 June			
	2014		2013	
	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	7.677	40,780	8.884	35,451
Adjustment in relation to issuance of the CS *(Note a)*	–	–	8.167	3,040
Granted	6.933	21,456	–	–
Exercised	4.926	(636)	–	–
Lapsed	9.321	(2,562)	7.886	(1,393)
As at 30 June	7.365	59,038	8.171	37,098
Exercisable as at 30 June	9.421	25,335	13.268	12,584

Note:

(a) As a result of the issuance of the CS, the exercise prices and the number of the shares to be allotted and issued upon full exercise of the outstanding share options were adjusted in accordance with the Share Option Scheme. The above adjustments have taken effect from 22 April 2013. Save for the above adjustments, all other terms and conditions of the share options granted under the Share Option Scheme remain unchanged.

Notes to Condensed Consolidated Interim Financial Information (Continued)

28. Share-based compensation *(continued)*

(a) *Share Option Scheme (continued)*

Share options outstanding under this scheme as at 30 June 2014 and 31 December 2013 have the following expiry date and exercise price:

	Unaudited 30 June 2014		Audited 31 December 2013	
Expiry date	Exercise price (per share) HK$	Share options (Thousands)	Exercise price (per share) HK$	Share options (Thousands)
4 July 2014	15.820	1,194	15.820	1,301
31 December 2014	4.920	9,260	4.920	9,937
19 January 2015	10.450	7,121	10.450	7,465
1 April 2015	12.110	–	12.110	450
22 October 2015	20.090	2,361	20.090	2,567
15 July 2017	9.090	2,569	9.090	2,932
4 July 2018	4.310	726	4.310	726
31 December 2018	4.920	7,386	4.920	7,980
31 December 2018	7.000	15,071	–	–
30 September 2019	7.000	1,950	–	–
31 December 2019	5.070	6,013	5.070	6,328
31 December 2019	6.790	1,094	6.790	1,094
31 December 2020	7.000	3,538	–	–
31 December 2020	5.100	755	–	–
		59,038		40,780

(b) *Restricted Share Award Scheme*

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

	Unaudited Six months ended 30 June 2014		2013	
	Weighted average fair value (per share) HK$	Number of Restricted Shares granted (Thousands)	Weighted average fair value (per share) HK$	Number of Restricted Shares granted (Thousands)
As at 1 January	19.61	825	18.27	1,774
Granted	6.71	2,740	–	–
Vested	6.74	(1,375)	–	–
Lapsed	8.96	(37)	12.23	(156)
As at 30 June	11.59	2,153	18.85	1,618

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

29. Commitments

Operating lease commitments – where any group companies are the lessees.

The Group has commitments to make the following aggregate minimum payments under non-cancelable operating leases in respect of its office premises and shops:

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Not later than 1 year	234,384	248,935
Later than 1 year and not later than 5 years	331,914	443,192
Later than 5 years	17,231	31,197
	583,529	723,324

30. Business combinations

On 11 February 2014, the Group acquired the business of two distributors in Heilongjiang region, namely Harbin Sego Sports Franchise Ltd. and Daqing Yidong Sport Products Sales Co., Ltd. (collectively, "Harbin Sego"), for a total consideration of RMB33,612,000.

On 22 February 2014, the Group acquired the business of two distributors in Liaoning region, namely Liaoning Dadaoren Trade Co., Ltd. and the Tianshizhixing Sport Products Store at Yangguang Life Square in Shenhe District, Shenyang (collectively, "Shenyang Yangguang"), for a total consideration of RMB30,542,000.

On 28 March 2014, the Group acquired the business of a distributor in Zhejiang region, namely Zhejiang Jinguan Co., Ltd. ("Zhejiang Jinguan"), for a total consideration of RMB32,323,000.

The above acquisitions are expected to increase the Group's retail sales and market share in the related regions. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill of RMB67,087,000 mainly arises from the retail network of the distributors' stores which does not meet the criteria for recognition as an intangible asset and unrecognised assets such as the workforce.

Notes to Condensed Consolidated Interim Financial Information (Continued)

30. Business combinations *(continued)*

The following table summarises the consideration paid for the above acquisitions, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	Harbin Sego 11 February 2014 RMB'000	Shenyang Yangguang 22 February 2014 RMB'000	Zhejiang Jinguan 28 March 2014 RMB'000
Purchase considerations	33,612	30,542	32,323
Recognised amounts of identifiable assets acquired and liabilities assumed			
Fair value			
Other receivables and prepayments	506	2,827	5,539
Property, plant and equipment *(Note 7)*	1,997	562	3,004
Intangibles:			
– Customer relationships *(Note 9)*	10,100	5,640	4,200
Deferred income tax liabilities	(2,525)	(1,410)	(1,050)
Total identifiable net assets	10,078	7,619	11,693
Goodwill *(Note 9)*	23,534	22,923	20,630
	33,612	30,542	32,323

Acquisition-related costs amounting to RMB170,000 have been included in administrative expenses in the interim condensed consolidated income statement for the period ended 30 June 2014.

The above acquisitions are non-cash transactions and the purchase considerations were settled by the Group's trade receivables due from the related distributors. As a result, there was no impact on the interim condensed consolidated statement of cash flows for the six months ended 30 June 2014.

Revenue and profit contribution

The acquired businesses contributed revenues of RMB109,144,000 and net profit of RMB16,797,000 (after intra-group eliminations) to the Group for the period from acquisition date to 30 June 2014. If the acquisitions had occurred on 1 January 2014, the Group's pro-forma consolidated revenue and consolidated loss for the half year ended 30 June 2014 would have been RMB3,153,360,000 and RMB560,489,000 respectively, which are calculated by aggregating the financial information of the acquired businesses and the Group and after intra-group eliminations.

Notes to Condensed Consolidated Interim Financial Information (Continued)

31. Related-party transactions

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

(a) Sales of goods to:

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Related companies of Shanghai Double Happiness (Group) Co., Ltd., all being controlled by a key management personnel of a non-wholly owned subsidiary	4,557	1,432

(b) Purchases of goods from:

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	9,375	8,766
Subsidiary of Li-Ning Aigle Ventures Company Limited ("Li Ning Aigle Ventures"), being controlled by a joint venture of the Group	3,207	4,175
	12,582	12,941

Notes to Condensed Consolidated Interim Financial Information (Continued)

31. Related-party transactions *(continued)*

(c) *Sales of services to:*

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Subsidiary of Li-Ning Aigle Ventures	250	250
Subsidiary of Viva China Holdings Limited ("Viva China"), being controlled by a substantial shareholder of the Company	214	–
Tianjin Kuan Mao Mi Children's Products Company Limited ("Tianjin Kuan Mao Mi"), being an associate of the Group	1,350	1,323
Tianjin Yue Hao Tuo Outdoor Sports Company Limited ("Tianjin Yue Hao Tuo"), being an associate of the Group	1,484	–
	3,298	1,573

(d) *Purchases of services from:*

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Subsidiary of Viva China	34,540	19,744

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

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

31. Related-party transactions *(continued)*

(e) *Key management compensation*

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

	Unaudited Six months ended 30 June 2014 RMB'000	2013 RMB'000
Salaries and other benefits	9,428	8,382
Contribution to retirement benefit scheme	205	151
Employee share schemes for value of services provided	32,539	4,544
	42,172	13,077

(f) *Period-end/year-end balances arising from sales/purchases of goods/services*

	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
Receivables from related parties:		
Tianjin Yue Hao Tuo	1,428	462
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	366	–
Subsidiary of Viva China	214	6,750
Tianjin Kuan Mao Mi	–	900
	2,008	8,112
Payables to related parties:		
Subsidiary of Viva China	28,490	8,688
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	3,932	4,016
	32,422	12,704

Other Information

Interim Dividend

In light of the current operating environment, the Board considers it appropriate to retain cash for the future development of the Group, therefore, it does not recommend to declare an interim dividend in respect of the six months ended 30 June 2014 (2013: Nil).

Long-term Incentive Schemes

Share Purchase Scheme

The Share Purchase Scheme expired on 5 June 2014 upon the expiration of the 10-year scheme period. As at 4 June 2014 (last effective date of the Share Purchase Scheme) and 30 June 2013, there was no option outstanding under the Share Purchase Scheme.

Share Option Schemes

At the annual general meeting of the Company held on 30 May 2014, the Shareholders approved the adoption of Share Option Scheme and the termination of the Post-IPO Share Option Scheme. The Share Option Scheme will be valid and effective for a period of 10 years commencing on its adoption date. Under the Share Option Scheme, the Company may grant options to employees, officers, agents, consultants or representatives of the Company or any of its subsidiaries, including any executive or non-executive directors of the Company or any of its subsidiaries who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his performance and/or years of service, or is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors. On the basis of 1,370,236,257 Shares in issue on the date of adoption of the Share Option Scheme, the maximum number of Shares that may be issued upon exercise of options that may be granted under the Share Option Scheme is 137,023,625 Shares. Other details of the Share Option Scheme are set out in the circular of the Company dated 10 April 2014. No share option has been granted under the Share Option Scheme since the date of its adoption and up to 30 June 2014.

Options granted under the Post-IPO Share Option Scheme and which remained outstanding immediately prior to the termination of the Post-IPO Share Option Scheme shall continue to be exercisable in accordance with their terms of grant. The outstanding share options granted under the Post-IPO Share Option Scheme as at 30 June 2014 entitled the holders to subscribe for 59,037,827 Shares. Details of movements of the options granted under the Post-IPO Share Option Scheme for the six months ended 30 June 2014 are as follows:

			Number of Shares								
Grantees	Date of grant	Exercise price per Share HK$	As at 01/01/2014	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30/06/2014	Vesting period	Exercise period
Executive Directors										
Li Ning	17/01/2014	7.00	–	1,370,073 *(Note 1(a))*	–	–	–	1,370,073	17/01/2014 – 31/12/2014	17/01/2014 – 31/12/2018
Jin-Goon Kim	20/12/2012	4.92 *(Note 3)*	312,906	–	–	–	–	312,906	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
	17/01/2014	7.00	–	6,850,369 *(Note 1(a))*	–	–	–	6,850,369	17/01/2014 – 31/12/2014	17/01/2014 – 31/12/2018
		7.00	–	6,850,369 *(Note 1(a))*	–	–	–	6,850,369	*(Note 1(c))*	*(Note 1(c))*
Non-executive Directors										
Zhang Zhi Yong	04/07/2008	15.82 *(Note 3)*	132,369	–	–	–	–	132,369	04/07/2009 – 04/07/2011	04/07/2009 – 31/12/2015
	19/01/2009	10.45 *(Note 3)*	4,919,629	–	–	–	–	4,919,629	19/01/2010 – 19/01/2014	19/01/2010 – 31/12/2015
	15/07/2011	9.09 *(Note 3)*	910,785	–	–	–	–	910,785	01/07/2012 – 04/07/2014	01/07/2012 – 31/12/2015
	04/07/2012	4.31 *(Note 3)*	726,058	–	–	–	–	726,058	04/07/2013 – 04/07/2015	04/07/2013 – 31/12/2015
Chen Yue, Scott	20/12/2012	4.92 *(Note 3)*	312,906	–	–	–	–	312,906	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Independent non-executive Directors										
Koo Fook Sun, Louis	04/07/2008	15.82 *(Note 3)*	55,952	–	–	–	–	55,952	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014
	19/01/2009	10.45 *(Note 3)*	286,726	–	–	–	–	286,726	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015
	15/07/2011	9.09 *(Note 3)*	227,705	–	–	–	–	227,705	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	4.92 *(Note 3)*	312,906	–	–	–	–	312,906	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Wang Ya Fei	04/07/2008	15.82 *(Note 3)*	55,952	–	–	–	–	55,952	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014
	19/01/2009	10.45 *(Note 3)*	286,726	–	–	–	–	286,726	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015
	15/07/2011	9.09 *(Note 3)*	227,705	–	–	–	–	227,705	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	4.92 *(Note 3)*	312,906	–	–	–	–	312,906	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018

Grantees	Date of grant	Exercise price per Share HK$	As at 01/01/2014	Granted during the period	Number of Shares Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30/06/2014	Vesting period	Exercise period
Chan Chung Bun, Bunny	04/07/2008	15.82 *(Note 3)*	55,952	–	–	–	–	55,952	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014
	19/01/2009	10.45 *(Note 3)*	286,726	–	–	–	–	286,726	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015
	15/07/2011	9.09 *(Note 3)*	227,705	–	–	–	–	227,705	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	4.92 *(Note 3)*	312,906	–	–	–	–	312,906	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Su Jing Shyh, Samuel	20/12/2012	4.92 *(Note 3)*	312,906	–	–	–	–	312,906	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Employees of the Group										
In aggregate	04/07/2008	15.82 *(Note 3)*	599,319	–	–	(31,677)	–	567,642	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014
In aggregate	19/01/2009	10.45 *(Note 3)*	1,341,191	–	–	–	–	1,341,191	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015
In aggregate	22/10/2009	20.09 *(Note 3)*	2,240,249	–	–	(205,991)	–	2,034,258	01/07/2010 – 01/07/2012	01/07/2010 – 22/10/2015
In aggregate	15/07/2011	9.09 *(Note 3)*	975,087	–	–	–	–	975,087	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
In aggregate	20/12/2012	4.92 *(Note 3)*	15,944,959	–	(610,154) *(Note 2(a))*	(660,866)	–	14,673,939	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
In aggregate	13/08/2013	5.07	6,203,960	–	(25,656) *(Note 2(b))*	(288,823)	–	5,889,481	31/03/2014 – 14/08/2018	31/03/2014 – 31/12/2019
In aggregate	18/12/2013	6.79	1,093,962	–	–	–	–	1,093,962	19/12/2014 – 19/12/2018	19/12/2014 – 31/12/2019
In aggregate	17/01/2014	7.00	–	3,643,307 *(Note 1(a))*	–	(142,813)	–	3,500,494	18/01/2015 – 18/01/2019	18/01/2015 – 31/12/2020
In aggregate	04/04/2014	5.10	–	754,440 *(Note 1(b))*	–	–	–	754,440	05/04/2015 – 05/04/2019	05/04/2015 – 31/12/2020

Grantees	Date of grant	Exercise price per Share HK$	As at 01/01/2014	Number of Shares Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30/06/2014	Vesting period	Exercise period
Other participants										
In aggregate	04/07/2008	15.82 *(Note 3)*	401,170	–	–	(74,603)	–	326,567	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014
In aggregate	19/01/2009	10.45 *(Note 3)*	344,071	–	–	(344,071)	–	–	19/01/2010 – 19/01/2014	19/01/2010 – 01/04/2014
In aggregate	01/04/2009	12.11 *(Note 3)*	449,683	–	–	(449,683)	–	–	01/04/2010 – 01/04/2012	01/04/2010 – 31/01/2014
In aggregate	22/10/2009	20.09 *(Note 3)*	326,567	–	–	–	–	326,567	01/07/2010 – 01/07/2012	01/07/2010 – 22/10/2015
In aggregate	15/07/2011	9.09 *(Note 3)*	363,662	–	–	(363,662)	–	–	01/07/2012 – 01/07/2014	01/07/2012 – 31/01/2014
In aggregate	20/12/2012	4.92 *(Note 3)*	94,814	–	–	–	–	94,814	15/01/2013 – 15/01/2014	15/01/2013 – 31/12/2014
In aggregate	13/08/2013	5.07	123,960	–	–	–	–	123,960	31/03/2014 – 14/08/2018	31/03/2014 – 31/12/2019
In aggregate	17/01/2014	7.00	–	1,950,000 *(Note 1(a))*	–	–	–	1,950,000	17/01/2014 – 01/09/2016	17/01/2014 – 30/09/2019
In aggregate	17/01/2014	7.00	–	37,188 *(Note 1(a))*	–	–	–	37,188	18/01/2015 – 18/01/2019	18/01/2015 – 31/12/2020
			40,780,080	21,455,746	(635,810)	(2,562,189)	–	59,037,827		

Notes:

1. a. The closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets immediately before 17 January 2014 is HK$6.96 per Share.

   b. The closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets immediately before 4 April 2014 is HK$4.92 per Share.

   c. The vesting of the 6,850,369 options is subject to certain conditions set out in the relevant grant letter instead of a vesting period. Upon vesting, this part of options are exercisable from vesting date to 31 December 2018.

2. a. The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$6.30.

   b. The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$5.86.

3. As a result of the Open Offer, the exercise prices were adjusted in accordance with the Post-IPO Share Option Scheme on 22 April 2013. Please refer to the announcement of the Company dated on 25 April 2013 for details.

Details of valuation of the share options granted during the six months ended 30 June 2014 under the Post-IPO Share Option Scheme is set out in note 28 to the condensed consolidated interim financial information. The fair values are inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

Restricted Share Award Scheme

During the six months ended 30 June 2014, 2,740,146 restricted shares were granted to a Director pursuant to the Restricted Share Award Scheme. During the period, 1,374,609 restricted shares were vested and 36,768 restricted shares lapsed. Details of movements of the restricted shares under the Restricted Share Award Scheme for the six months ended 30 June 2014 are as follows:

		Number of Restricted Shares					
Date of grant	Fair value per Restricted Share *(Note 1)* HK$	as at 01/01/2014	granted during the period	vested during the period	lapsed during the period	as at 30/06/2014	Vesting period
03/09/2010	23.30	610,000	–	–	–	610,000	01/07/2011 – 01/07/2016
30/12/2010	16.62	4,536	–	(4,536)	–	–	30/12/2011 – 28/02/2014
15/07/2011	8.96	210,282	–	–	(36,768)	173,514	15/07/2012 – 15/07/2014
17/01/2014	6.71	–	2,740,146	(1,370,073)	–	1,370,073	*(Note 2)*
		824,818	2,740,146	(1,374,609)	(36,768)	2,153,587	

Notes:

1. The fair values of the restricted shares were based on the closing price per Share on the date of grant.

2. The vesting of the 1,370,073 restricted shares is subject to certain conditions set out in the relevant grant letter instead of a vesting period.

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

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, are as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares	Total (Long Position)	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	269,551,923 *(Note 1)*	149,499,090 *(Note 1)*	419,051,013	30.57%
Jin-Goon Kim	Personal interest	–	14,013,644 *(Note 2)*	14,013,644	1.02%
Zhang Zhi Yong	Personal interest	100	6,688,841 *(Note 2)*	6,688,941	0.49%
Chen Yue, Scott	Personal interest	–	312,906 *(Note 2)*	312,906	0.02%
Koo Fook Sun, Louis	Personal interest	345,450	883,289 *(Note 2)*	1,228,739	0.09%
Wang Ya Fei	Personal interest	347,044	883,289 *(Note 2)*	1,230,333	0.09%
Chan Chung Bun, Bunny	Personal interest	189,450	883,289 *(Note 2)*	1,072,739	0.08%
Su Jing Shyh, Samuel	Personal interest	–	312,906 *(Note 2)*	312,906	0.02%

* The percentage has been calculated based on 1,370,628,953 Shares in issue as at 30 June 2014.

Notes:

1. Mr. Li Ning ("Mr. Li") is interested in 269,551,923 Shares, among which 1,370,073 Shares are held as personal interest, and he is deemed to be interested in an aggregate of 268,181,850 Shares held by Viva China Holdings Ltd ("Viva China BVI") and Alpha Talent Management Limited ("Alpha Talent"). Moreover, Mr. Li is deemed to be interested in 149,499,090 underlying Shares, among which 1,370,073 Shares are share options granted by the Company, 1,370,073 Shares are unvested restricted shares granted by the Company, and there is a total amount of HK$513,656,304 of convertible securities which is entitled to the conversion of 146,758,944 Shares. Details are as follows:

   (a) 266,374,000 Shares are held by Viva China BVI which is wholly owned by Viva China Holdings Limited ("Viva China"). Viva China is owned as to approximately 15.10% by Victory Mind Assets Limited ("Victory Mind"), approximately 25.16% by Lead Ahead Limited ("Lead Ahead") and approximately 28.31% by Dragon City Management (PTC) Limited ("Dragon City") respectively, and Victory Mind, Lead Ahead and Dragon City in turn are respectively 57%, 60% and 60% owned by Ace Leader Holdings Limited (which is 100% owned by a discretionary trust of which Mr. Li is a settlor) and Mr. Li himself. Mr. Li is therefore deemed to be interested in the Shares held by Viva China. Mr. Li is the chairman and chief executive officer of Viva China.

   (b) 1,807,850 Shares are held by Alpha Talent which is solely owned by Mr. Li. Mr. Li is therefore deemed to be interested in the 1,807,850 Shares held by Alpha Talent. Mr. Li is a director of Alpha Talent.

   (c) Viva China BVI subscribed convertible securities in an aggregate amount of HK$513,656,304 under the Open Offer, entitling to the conversion of 146,758,944 Shares.

2. The underlying Shares are the share options granted by the Company to the respective Directors under the Post-IPO Share Option Scheme.

Save as disclosed above, so far as was known to any Director, as at 30 June 2014, none of the Directors or chief executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares, underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, the register of substantial shareholders maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, representing 5% or more of the Company's issued share capital:

		Number of underlying Shares					
Name of the Shareholder	Number of Shares held	Convertible Bonds due 2017	Convertible Securities issued under the Open Offer	Share options and Restricted Shares	Total (Long Position)	Capacity	Approximate % of total issued Shares*
Li Ning	269,551,923	–	146,758,944	2,740,146	419,051,013 *(Note 1)*	Personal interest and Interest of controlled corporations	30.57%
Li Chun	266,374,000	–	146,758,944	–	413,132,944 *(Note 2)*	Interest of controlled corporations	30.14%
Viva China Holdings Limited	266,374,000	–	146,758,944	–	413,132,944 *(Note 1(a))*	Interest of controlled corporation	30.14%
David Bonderman	53,000,000	153,340,000	35,396,706	–	241,736,706 *(Note 3)*	Interest of controlled corporations	17.64%
James G. Coulter	53,000,000	153,340,000	35,396,706	–	241,736,706 *(Note 3)*	Interest of controlled corporations	17.64%
Genesis Asset Managers, LLP	154,687,492	–	–	–	154,687,492	Investment manager	11.29%
Minister for Finance	67,360,876	51,660,000	–	–	119,020,876 *(Note 4)*	Interest of controlled corporations	8.68%
FIL Limited	81,085,742	–	–	–	81,085,742	Investment manager	5.92%
Marathon Asset Management LLP	68,968,239	–	–	–	68,968,239	Investment manager	5.03%

* The percentage has been calculated based on 1,370,628,953 Shares in issue as at 30 June 2014.

Notes:

1. Mr. Li Ning is interested in 269,551,923 Shares, among which 1,370,073 Shares are held as personal interest, and he is deemed to be interested in an aggregate of 268,181,850 Shares held by Viva China BVI and Alpha Talent. Moreover, Mr. Li is deemed to be interested in 149,499,090 underlying Shares, among which 1,370,073 Shares are share options granted by the Company, 1,370,073 Shares are unvested restricted shares granted by the Company, and there is a total amount of HK$513,656,304 of convertible securities which is entitled to the conversion of 146,758,944 Shares. Details are as follows:

   (a) Viva China BVI, a wholly-owned subsidiary of Viva China, is interested in the 266,374,000 Shares and convertible securities in the total amount of HK$513,656,304 entitling to the conversion of a total of 146,758,944 Shares. Viva China is owned as to approximately 15.10% by Victory Mind, approximately 25.16% by Lead Ahead and approximately 28.31% by Dragon City respectively. Lead Ahead and Dragon City is also owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li Ning is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settlor). As a result, Mr. Li Ning is deemed to be interested in the 266,374,000 Shares and the 146,758,944 underlying Shares held by Viva China. He is also the chairman and chief executive officer of Viva China.

   (b) 1,807,850 Shares are held by Alpha Talent which is solely owned by Mr. Li Ning. Mr. Li Ning is therefore deemed to be interested in the 1,807,850 Shares held by Alpha Talent. He is a director of Alpha Talent.

2. As disclosed in Note 1(a) above, Mr. Li Chun is deemed to be interested in the 266,374,000 Shares and the 146,758,944 underlying Shares held by Viva China. He is the brother of Mr. Li Ning.

3. 53,000,000 Shares and the Convertible Bonds with the principal amount of RMB561,000,000 due 2017 and the convertible securities in the principal amount of HK$123,888,471 entitling to the conversion in aggregate of 153,340,000 Shares and 35,396,706 Shares respectively are held by TPG Stallion Holdings, L.P. which is wholly owned by TPG Asia Advisors V, Inc. and, in turn, it is owned as to 50% by Mr. David Bonderman and 50% by Mr. James G. Coulter.

4. 58,735,500 Shares and the Convertible Bonds with the principal amount of RMB189,000,000 due 2017 entitling to the conversion of a total of 51,660,000 Shares are directly held by Tetrad Ventures Pte Ltd ("Tetrad") which is wholly owned by Government of Singapore Investment Corporation (Ventures) Pte Ltd ("GICV"). GIC Special Investments Pte Ltd manages the investment of Tetrad, and is wholly owned by Government of Singapore Investment Corporation Pte Ltd ("GIC"). GIC also directly holds 8,625,376 Shares and is wholly owned by Minister for Finance.

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any person (other than a Director or chief executive of the Company or their respective associate(s)) of any interest and short position in the Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

Convertible Bonds

The Company had issued Convertible Bonds in the principal amount of RMB561,000,000 to TPG Stallion Holdings, L.P. ("TPG") and Convertible Bonds in the principal amount of RMB189,000,000 to Tetrad Ventures Pte Ltd ("GIC Investor") on 8 February 2012 at a conversion price of HK$7.74 per Share. Nevertheless, on 23 January 2013, the Company entered into deeds of amendment with TPG and GIC Investor respectively to amend certain terms and conditions attached to the Convertible Bonds, among which the conversion price of the Convertible Bonds was reset to HK$4.5 per Share. Please refer to the announcement of the Company dated 25 January 2013 for details.

Convertible Securities

As at 30 June 2014, convertible securities in an aggregate principal amount of HK$1,097,370,799 had been converted into 313,534,514 Shares, and the outstanding convertible securities amounted to HK$750,467,550 entitling a total of 214,419,300 Shares to be issued thereby.

Purchase, Sale or Redemption of the Company's Shares

The Company did not redeem any of its shares during the six months ended 30 June 2014. 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 had purchased or sold any of the Company's shares during the period.

Corporate Governance

For the period from 1 January 2014 to 30 June 2014, the Company has complied with all the code provisions of the Corporate Governance Code ("code provision") contained in Appendix 14 of the Listing Rules with the exception of code provisions A.2.1 and A.5.1.

According to code provision A.2.1, the role of the chairman and chief executive of the Company 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"), the day-to-day responsibilities of the CEO has been assumed by Mr. Li Ning, the Executive Chairman, who manages the external affairs and relationships of the Group, and by Mr. Jin-Goon Kim, the Executive Vice Chairman and Interim CEO (with effect from 21 March 2014), who manages the internal affairs and the operations of the Group, from 1 January 2014 to 30 June 2014. Therefore, there was no separation of the roles of the chairman and the CEO as both of the roles are currently undertaken by the Executive Chairman and the Executive Vice Chairman and Interim CEO of the Board. Notwithstanding the above, the Board is of the view that the current management structure is effective for the Group's operations and sufficient checks and balances are in place. The operations and management of the Company is constantly subject to the scrutiny and valuable contributions of the independent non-executive Directors. The Board will continue to review the management structure regularly to ensure that it continues to meet these objectives and is in line with industry practices. The Board will also continue to identify suitable candidates to become the CEO.

According to code provision A.5.1, the chairman of the nomination committee must either be held by the chairman of the board, or an independent non-executive director, and the majority of its members must be independent non-executive directors. The Company's nomination committee (the "Nomination Committee") currently consists of Mr. Su Jing Shyh, Samuel (independent non-executive Director) as the chairman with effect from 21 March 2014, Mr. Li Ning (Executive Chairman), Mr. Jin-Goon Kim (Executive Vice Chairman and Interim CEO) and Dr. Chan Chung Bun, Bunny (independent non-executive Director) as the members. From 1 January 2014 to 20 March 2014, the chairman of the nomination committee was Mr. Jin-Goon Kim (Executive Vice Chairman). With the appointment of Mr. Su Jing Shyh, Samuel as the chairman on 21 March 2014, the Company has complied with the requirement under code provision A.5.1.

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules regarding securities transactions by its Directors. Following specific enquiry by the Company, all the Directors of the Company confirmed that they have compiled with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

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 interim results for the six months ended 30 June 2014.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2014 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

By order of the Board
Li Ning
Executive Chairman

Hong Kong, 13 August 2014

Information for Investors

Share Information

Listing: Main Board of the Hong Kong Stock Exchange on 28 June 2004
Stock code: 2331
Board lot: 500 Shares
No. of issued Shares as at 30 June 2014: 1,370,628,953 Shares
Market capitalization as at 30 June 2014: approximately HK$8,497,899,509

Interim Dividend for 2014

Nil

Financial Calendar

Announcement of 2014 interim results: 13 August 2014
Announcement of 2014 annual results: March 2015

Corporate Websites

Corporate Website: http://www.lining.com
Official Website – Chinese only: http://www.li-ning.com
IR Website: http://www.lining.com/eng/ir/finhigh.php

Contact for Investor Relations

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Glossary

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

"Alpha Talent"	Alpha Talent Management Limited, a limited liability company incorporated in the British Virgin Islands and wholly owned by Mr. Li Ning for the purpose of holding the relevant Shares under the Share Purchase Scheme
"Annual Report 2013"	the Company's annual report for the year ended 31 December 2013
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company" or "Li Ning Company"	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Director(s)"	the director(s) of the Company
"Group" or " Li Ning Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Post-IPO Share Option Scheme"	the post-IPO share option scheme of the Company adopted on 5 June 2004 and as amended on 15 May 2009 and 11 October 2012
"PRC" or "China"	the People's Republic of China
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on 14 July 2006 and as amended on 30 April 2009 and 4 July 2012
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 30 May 2014
"Share Purchase Scheme"	the share purchase scheme set up by Mr. Li Ning and adopted by Alpha Talent on 5 June 2004 and expired on 5 June 2014
"Shareholders"	shareholders of the Company
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.