



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

INTERIM REPORT
2015



ANYTHING IS POSSIBLE

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.

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Mission

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

Vision

A world's leading brand in the sports goods industry

Core Values

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

Corporate Information

Board of Directors

Executive Director

Mr. LI Ning (*Executive Chairman and
Interim Chief Executive Officer*)

Non-executive Directors

Mr. CHEN Yue, Scott
Mr. WU, Jesse Jen-Wei

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. CHEN Yue, Scott
Mr. WU, Jesse Jen-Wei

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
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
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Grand Cayman KY1-1111
Cayman Islands

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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

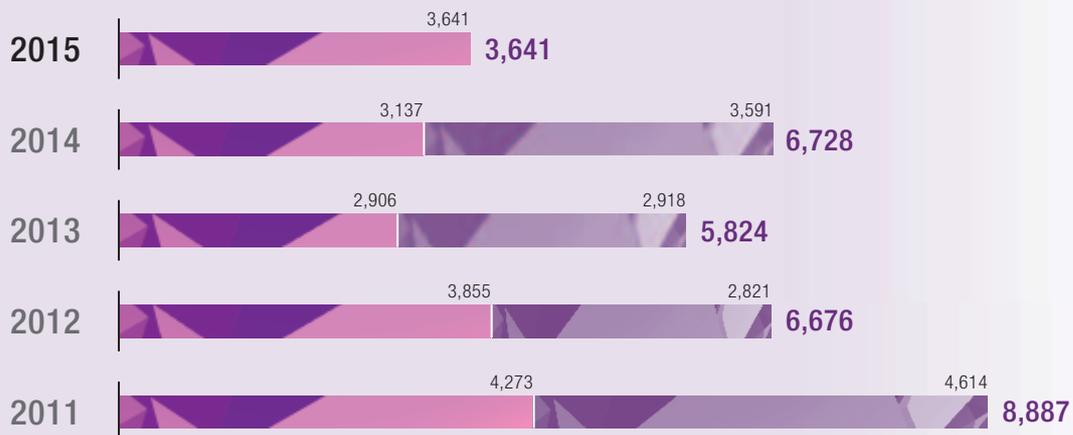


SPORTSMANSHIP



Five-year Financial Highlights

Turnover



Profit attributable to equity holders



(All amounts in RMB millions)

■ First half year

■ Second half year

■ Full year

Management Discussion And Analysis

LI-NING Brand Sponsorship Resources

	BASKETBALL	TRACK & FIELD/RUNNING	BADMINTON	TENNIS AND COMPREHENSIVE SPORTS EVENTS	OLYMPIC CHAMPION TEAMS	GYMNASTICS	TABLE TENNIS	SHOOTING
TOP-NOTCH ATHLETES/ SPORTS TEAMS/ SPORTS CLUBS	Dwyane Wade	Ngori Makusha	China National Badminton Team	Peng Shuai	China National Table Tennis Team	Chen Yibing	Ma Long	Tsinghua University Shooting Team
	Evan Turner		Chen Long	Marin Čilić	China National Diving Team		Li Xiaoxia	
	Guo Ailun		Cai Yun	Tianjin Tennis Team	China National Shooting Team		Wang Liqin	
	Xirelijiang		Wang Yifan	The delegation of Shanghai for the National Game			Ding Ning	
	Han Shuo		Li Xuerui					
	He Tianju		Xu Chen					
	Sun Yue		Zhang Nan					
	China National Junior Team		Fu Haifeng					
	Zhao Jiwei		Zhao Yunlei					
	Zhao Tailong		Yu Yang					
Zeng Lingxu								
Sichuan Jinqiang Basketball Club								
TOURNAMENTS	China Basketball Association	Li-Ning 10K Running League	2013-2016 'MAJOR EVENTS' Partner of BWF				China Table Tennis Club Super League	
	China Junior & High School Basketball League	China National High Altitude Endurance Challenge	2015 Sudirman Cup (Equipment Sponsor)				CTTA Members' League	
	Chinese University Basketball Association	2015 Shenzhen International Marathon	2015 BWF Super Series China Masters (Equipment Sponsor)					
	Chinese University Basketball Super		2015 Singapore Open Badminton Championships (Equipment Sponsor)					
	KFC 3on3 Basketball league		2015 China National Tournaments (Title & Equipment Sponsor)					
	CBA Junior League		2015 China(Ling Shu)International Challenge (Equipment Sponsor)					
	AAU Cap City Classic		2014-2015 China Badminton League (Partner) 2014-2015 China's Badminton League Serie A (Partner)					
OTHER IMPORTANT SPONSORSHIP RESOURCES	Udonis Haslem	Provincial Athletics Team (Guangdong/Yunnan/People's Republic Army)	Chinese Youth Badminton Team	Zheng Saisai				
	Dorell Wright	Li Tie	Singapore National Badminton Team	Women's Doubles Karorina Pliskova/Kristyna Pliskova				
	Cleanthony Early		Australia National Badminton Team	Lining International Junior Tennis Championships				
	Glenn Robinson III		Indonesia National Badminton Team					
	Pooh Jeter		Provincial Team: Beijing(Liaoning/Shanghai) Sichuan(Guangdong/Zhejiang/Bay/ Shandong) Xiamen/Tianjin Club: Hunan Club(Qingdao Club)					
	Fang Shuo		K. Srikanth(India), Pomtip (Thailand), PV Sindhu(India), Markis Kido (Indonesia)					
	Zhu Yanxi		Wang Xin, Wang Lin					
	Tian Yuxiang							
	Chen Linjian							
	Heng Yifeng							
	Luo Kaiwen							
	Zhang Zuming							
	Fan Bin							
	A Dijiang							
	Wu Qinglong							
	Qu Shaobin							
	Yang Maogong							
Dr.Chen Fangcan								
Zhao Yanhao								
Wang Zirui								
Yi Li								



The background features a complex arrangement of overlapping, semi-transparent geometric shapes. These include large, elongated triangles and polygons in shades of pink, purple, and blue, as well as smaller, more vibrant shapes in yellow, green, and orange. The overall effect is a sense of depth and movement, with light rays or beams of white and pale yellow emanating from behind the shapes, creating a bright, ethereal atmosphere.

STANDING OUT

Management Discussion And Analysis (Continued)

Financial Review

The key operating and financial performance indicators of the Group for the six months ended 30 June 2015 are set out below:

	Unaudited		Change (%)
	Six months ended 30 June		
	2015	2014	
Income statement items			
<i>(All amounts in RMB thousands unless otherwise stated)</i>			
Revenue	3,640,668	3,137,078	16.1
Gross profit	1,633,884	1,399,611	16.7
Operating profit/(loss)	141,576	(448,170)	(131.6)
Earnings before interest, tax, depreciation and amortisation (EBITDA) (Note 1)	259,646	(350,570)	(174.1)
Loss attributable to equity holders (Note 2)	(29,407)	(585,774)	(95.0)
Basic losses per share (RMB cents) (Note 3)	(1.55)	(37.72)	(95.9)
Key financial ratios			
Profitability ratios			
Gross profit margin (%)	44.9	44.6	
Operating profit/(loss) margin (%)	3.9	(14.3)	
Effective tax rate (%)	100.3	(10.7)	
Margin of loss attributable to equity holders (%)	(0.8)	(18.7)	
Return on equity attributable to equity holders (%)	(1.2)	(24.3)	
Expenses to revenue ratios			
Staff costs (%)	10.2	13.8	
Advertising and marketing expenses (%)	14.3	19.4	
Research and product development expenses (%)	2.2	2.2	
Asset efficiency			
Average inventory turnover (days) (Note 4)	109	106	
Average trade receivables turnover (days) (Note 5)	64	78	
Average trade payables turnover (days) (Note 6)	90	92	

Management Discussion And Analysis (Continued)

	Unaudited 30 June 2015	Audited 31 December 2014
Asset ratios		
Debt-to-equity ratio (%) (Note 7)	103.0	198.3
Interest-bearing debt-to-equity ratio (%) (Note 8)	40.0	86.4
Net asset value per share (RMB cents)	179.11	151.34

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 2015: RMB25,316,000.
 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.

Management Discussion And Analysis (Continued)

Revenue

The Group's revenue for the six months ended 30 June 2015 amounted to RMB3,640,668,000, representing an increase of 16.1% as compared to the corresponding period last year.

Revenue breakdown by brand and product category

	Six months ended 30 June				Revenue change (%)
	2015		2014		
	RMB'000	% of total revenue	RMB'000	% of total revenue	
LI-NING brand					
Footwear	1,585,214	43.5	1,305,262	41.6	21.4
Apparel	1,345,443	37.0	1,195,759	38.1	12.5
Equipment/accessories	196,619	5.4	172,595	5.5	13.9
Total	3,127,276	85.9	2,673,616	85.2	17.0
Double Happiness brand					
Total	454,216	12.5	411,334	13.1	10.4
Other brands*					
Total	59,176	1.6	52,128	1.7	13.5
Total	3,640,668	100.0	3,137,078	100.0	16.1

* Including Lotto, Kason and Aigle

The Group's core brand, LI-NING brand, recorded revenue of RMB3,127,276,000, which accounted for 85.9% of the Group's total revenue, representing a year-on-year increase of 17.0%. Since the second half of 2014, the business of the Group has entered into a phase of stable growth. Both the tag price of trade fair orders from distributors and same-store sales of self-operated stores registered a year-on-year growth, contributing to the double digit growth in the revenue of the Group.

Revenue of Double Happiness brand maintained a steady growth rate of 10.4% for the period.

Management Discussion And Analysis (Continued)

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

	Six months ended 30 June		Change (%)
	2015 % of revenue of LI-NING brand	2014 % of revenue of LI-NING brand	
LI-NING brand			
PRC market			
Sales to franchised distributors	51.3	55.7	(4.4)
Sales from direct operation	39.6	38.3	1.3
Sales from E-commerce channel	7.0	3.9	3.1
International markets	2.1	2.1	0.0
Total	100.0	100.0	

As Management continued to focus on boosting retail operation capability, the weighting of the revenue of sales from direct operation continued to increase during the period. At the same time, the boom of E-commerce in China and the Group's continuous expansion of E-commerce channel contributed to the substantial increase in the weighting of the revenue of sales from E-commerce channel.

Management Discussion And Analysis (Continued)

Revenue breakdown of LI-NING brand by geographical location

	Note	Six months ended 30 June		2014		Revenue change (%)
		2015	% of revenue of LI-NING brand	2014	% of revenue of LI-NING brand	
		RMB'000		RMB'000		
LI-NING brand						
PRC market						
Eastern region	1	1,048,677	33.5	867,413	32.4	20.9
Northern region	2	1,483,240	47.4	1,267,467	47.4	17.0
Southern region	3	529,484	17.0	483,847	18.1	9.4
International markets		65,875	2.1	54,889	2.1	20.0
Total		3,127,276	100.0	2,673,616	100.0	17.0

Notes:

1. Eastern region includes Shanghai, Zhejiang, Jiangsu, Anhui, Shandong, Hunan and Hubei.
2. Northern region includes Beijing, Tianjin, Shanxi, Hebei, Inner Mongolia, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Gansu, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region and Qinghai.
3. Southern region includes Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Sichuan, Jiangxi, Chongqing and Tibet.

Geographically, given the fiercer competition in the southern market, revenue growth was slower when compared with that of the eastern market and northern market, where higher growth was posted.

Cost of Sales and Gross Profit

For the six months ended 30 June 2015, overall cost of sales of the Group amounted to RMB2,006,784,000 (2014: RMB1,737,467,000), and overall gross profit margin was 44.9% (2014: 44.6%). Gross profit margin for the period represented a slight increase year-on-year.

Cost of sales of LI-NING brand amounted to RMB1,710,947,000 (2014: RMB1,467,917,000), with gross profit margin of 45.3% (2014: 45.1%). During the period, the overall procurement cost of the Group increased as labour and material costs increased. However, the increased proportion of high-margin operations such as retail and E-commerce, and the reversal of inventory provision along with the clearance of obsolete inventory, had offset the impact of the increase in procurement cost. Taking into account all the above factors, LI-NING brand's gross profit margin represented a slight increase year-on-year in the first half of 2015. The Group will continue to control costs with a view to further improving its gross profit margin.

Cost of sales of Double Happiness brand amounted to RMB261,532,000 (2014: RMB237,712,000), with gross profit margin of 42.4% (2014: 42.2%), representing an increase of 0.2 percentage point year-on-year, which was mainly due to the decrease in cost as the production of some of the products was transferred to areas with comparatively lower labour cost starting from the period.

Distribution Expenses

For the six months ended 30 June 2015, the Group's overall distribution expenses amounted to RMB1,313,646,000 (2014: RMB1,372,291,000), accounting for 36.1% (2014: 43.7%) of the Group's total revenue.

Distribution expenses of LI-NING brand amounted to RMB1,239,504,000 (2014: RMB1,307,721,000), accounting for 39.6% (2014: 48.9%) of LI-NING brand's revenue. As the Group invested its resources mainly in product development and channel construction, the number of self-operated stores significantly increased year-on-year, leading to a corresponding increase in rental and staff costs for stores. However, at the same time, the Group controlled other distribution expenses, such as substantially reducing investment in advertising. Taking into account all the above factors, LI-NING brand's distribution expenses decreased year-on-year.

Distribution expenses of Double Happiness brand amounted to RMB69,913,000 (2014: RMB61,291,000), accounting for 15.4% of Double Happiness brand's revenue, and 0.5 percentage point higher than the 14.9% recorded in the same period of 2014. This was mainly due to the increase in the settlement price of logistics expenses, leading to a higher rate of increase in logistics expenses than that of revenue.

Management Discussion And Analysis (Continued)

Administrative Expenses

For the six months ended 30 June 2015, the Group's overall administrative expenses amounted to RMB199,524,000 (2014: RMB494,499,000), accounting for 5.5% (2014: 15.8%) of the Group's total revenue.

Administrative expenses of LI-NING brand amounted to RMB151,811,000 (2014: RMB448,843,000), accounting for 4.9% of LI-NING brand's revenue, and 11.9 percentage points lower than the 16.8% for the same period of 2014. These expenses mainly comprised of staff costs, management consulting fees, office rental, depreciation and amortisation charges, taxes, provision for impairment of trade receivables and other miscellaneous expenses. The notable decrease in administrative expenses during the period was mainly due to the impact of provision for impairment of trade receivables and staff costs. In the first half of 2014, provisions for impairment of trade receivables increased due to the increase in long-aged trade receivables. As the business of most of the distributors demonstrated a stable trend of growth in the period, collection of receivables improved and provisions for impairment of trade receivables were reversed accordingly. As the same time, the Company adjusted its staff structure and reduced the options granted to senior management personnel, and controlled expenses such as consulting fees. Also no extraordinary and non-recurring expense was recorded during the period. Taking into account all the above factors, LI-NING brand's administrative expenses decreased substantially year-on-year.

Administrative expenses of Double Happiness brand amounted to RMB41,850,000 (2014: RMB43,084,000), accounting for 9.2% of Double Happiness brand's revenue, and 1.3 percentage points lower than the 10.5% for the same period of 2014. These expenses comprised of mainly staff costs, depreciation and amortisation charges and other miscellaneous expenses. In the first half of 2014, expenses were incurred for the transformation of the network system and experts' verification and market research on the development of new table tennis materials. As no such expenses were incurred in the period, Double Happiness brand's administrative expenses decreased in the period.

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

For the six months ended 30 June 2015, the Group's EBITDA amounted to RMB259,646,000 (2014: a loss of RMB350,570,000), representing a year-on-year increase of 174.1%, which was mainly attributable to the improved performance of LI-NING brand.

EBITDA of LI-NING brand amounted to RMB139,918,000 (2014: a loss of RMB449,848,000). This was mainly attributable to the increase in revenue and gross profit and decrease in expense ratio due to control of various expenses.

EBITDA of Double Happiness brand amounted to RMB96,543,000 (2014: RMB78,970,000), representing a year-on-year increase of 22.3%. For the period, both the sales revenue and gross profit of the brand increased while the expense ratio decreased, contributing to the increase in EBITDA.

Finance Expenses

For the six months ended 30 June 2015, the Group's net finance expenses amounted to RMB62,838,000 (2014: RMB62,375,000), representing 1.7% (2014: 2.0%) of the Group's total revenue. The net finance expenses included the interest expense of convertible bonds for the period amounting to RMB31,806,000 (2014: RMB30,347,000).

Management Discussion And Analysis (Continued)

Income Tax Expense

For the six months ended 30 June 2015, income tax expense of the Group amounted to RMB82,305,000 (2014: RMB54,486,000) and the effective tax rate was 100.3% (primarily deferred income tax expense arising from deferred tax assets reversal) (2014: -10.7%).

Overall Profitability Indicators

The overall profitability indicators of the Group significantly increased during the six months ended 30 June 2015, which was attributable to the increase in both the sales revenue and gross profit of the Group in the period, and the decrease in expense ratios. The Group's loss attributable to equity holders amounted to RMB29,407,000 (2014: loss attributable to equity holders of RMB585,774,000), representing a year-on-year increase of 95.0%. The corresponding margin of loss attributable to equity holders for the period was -0.8% (2014: -18.7%), representing a year-on-year increase of 17.9 percentage points. Return on equity attributable to equity holders was -1.2% (2014: -24.3%), representing a year-on-year increase of 23.1 percentage points.

Provision for Inventories

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

As at 30 June 2015, the accumulated provision for inventories was RMB239,159,000 (31 December 2014: RMB264,233,000). As at the end of the period, LI-NING brand witnessed a decrease in the gross value of inventories as compared with that as at 31 December 2014, with a decrease in the balance of the overall provision for inventories.

Provision for Doubtful Debts

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

As at 30 June 2015, the accumulated provision for doubtful debts was RMB545,656,000 (31 December 2014: RMB596,766,000). As the business of our channel distributors improved, the balance of long aged trade receivables gradually decreased, the Group therefore reversed certain provision for doubtful debts during the period.

Management Discussion And Analysis (Continued)

Liquidity and Financial Resource

The Group's net cash inflow from operating activities for the six months ended 30 June 2015 amounted to RMB164,763,000 (2014: net cash outflow of RMB319,249,000). As at 30 June 2015, 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 RMB1,756,856,000, representing a net increase of RMB725,470,000 as compared with the position as at 31 December 2014. The increase was due to the following items:

	Unaudited Six months ended 30 June 2015 RMB'000
Items	
Net cash from operating activities	164,763
Net capital expenditure	(141,692)
Net repayment of borrowings	(449,157)
Proceeds from the open offer of securities	1,206,729
Other net cash outflow	(55,173)
	<hr/>
Net increase in cash and cash equivalents	725,470

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

On 17 December 2014, the Company published an announcement on the implementation of the proposed equity fund raising by way of open offer. On 30 January 2015, the Company completed the fund raising and the net proceeds from the open offer amounted to HK\$1,515,030,000, equivalent to net price of HK\$2.54 per offer security. The Company has applied 38% of the net proceeds for paying down the Group's debts, and 8% for store network expansion and retail capabilities optimization. The Company will gradually utilise the remaining proceeds as planned.

As at 30 June 2015, the Group's available banking facilities amounted to RMB727,986,000, amongst which outstanding bank borrowings amounted to RMB547,986,000. As at the end of the period, the ratio of outstanding bank borrowings and convertible bonds to equity attributable to equity holders (i.e. the gearing ratio) was 40.0% (31 December 2014: 86.4%).

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

Management Discussion And Analysis (Continued)

Foreign Exchange Risk

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

The Group did not hedge its foreign exchange exposure during the 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 2015, buildings and land use rights with net book value of RMB395,160,000 (31 December 2014: RMB403,819,000) and RMB80,590,000 (31 December 2014: RMB81,518,000) respectively were secured for acquiring the Group's borrowings.

Contingent Liabilities

As at 30 June 2015, the Group had no significant contingent liabilities.

Management Discussion And Analysis (Continued)

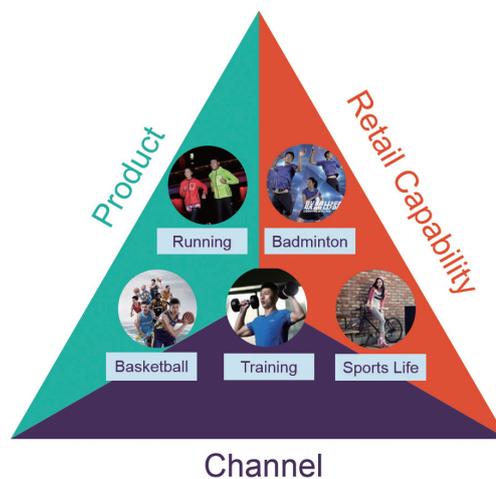
Business Review

In 2015, with the support of national policies and the increasing importance attached to healthy lifestyles by the public, the passion for sports participation remained unabated among Chinese consumers and continued to drive overall market demand. Meeting the needs for better fashion style in everyday life is the main driving force behind the consumption. Nevertheless, competition in the sports life mass market is intense.

Compared to the professional sports market which is characterised by more preference to product functionality and stable brand loyalty, the mass market is commonly characterised by higher price sensitivity and lower brand loyalty, where demands are less predictable and purchases are more random. The brand needs to highlight its competitive edge in products with low price and high price-performance ratio in order to consolidate and expand its market share. Meanwhile, the consumption pattern is also shifting from traditional demand-driven in-store purchase to a spending habit that is inspired by the social networks and lifestyle which the consumers rely on and are most familiar with.

To further meet the changing market environment, on the basis of our core foundation focusing on China, on sports and on LI-NING brand, we adhered to our unique sports value DNA and culture in the pursuit of development and innovation, "making professionals more professional and making life more congenial". We adopted a strategic initiative to expand the low-price mass market share while creating opportunities for cross-sector collaboration and e-business through the Internet+ platform, the most popular and influential platform for consumers. During the first half of 2015, the Company made good progress in terms of products, channels and retail capabilities, and laid a solid foundation for our business to return to the growth path.

"Three Pillars" Strategy



LI-NING Brand

Basketball

Functional basketball shoes specially designed for professional players: LI-NING BB Lite Sonic 4

Carrying over the core “carbon fiber midsole cushioning” technology, LI-NING BB Lite Sonic 4 are paired with multi-layer exquisite crafting that gives its vamp an utterly stylish outlook, making it a pair of professional basketball shoes that excels in both comfortability and aesthetics. Meanwhile, in collaboration with Marvel’s The Avengers, the Company launched unique color series with both LI-NING and Marvel branding on it.

A perfect combination of fan culture and sales model: CBA Championship T-shirt

As a stylistic breakthrough from the tag- or logo-oriented designs for the Chinese Basketball Association (CBA) championship T-shirts, the LI-NING basketball segment integrated the calligraphy of the Chinese character “cow” (牛), the buzzword of basketball fans in the CBA championship city Beijing, into the design of its 2015 championship T-shirt. The design not only exhilarated the fan base but also went on to become one of the hottest media events, helping LI-NING to strengthen its brand image and inject a sense of commitment among the fans.

Innovative customer interaction and sales model: “Make Your Own WOW” Global Design Competition

To enhance customers’ interactive experience with LI-NING, the LI-NING basketball segment launched the “Make Your Own WOW” Global Design Competition in April 2015, inviting grassroots designers from all over the world who are passionate about the WOW series to submit their creative artworks. In a more groundbreaking manner, we provided an opportunity for the selected design to be put into mass production. Over 1,000 artworks were collected in one month, recording over 360 million views and over 3 million online interactions including comments, votes and shares. We also initiated a brand new marketing approach for the release of the CBA championship basketball shoes by preselling the championship T-shirts with red pocket giveaways. The amount given away would increase if the number of purchasers increased. Such initiative not only attracted more customers, but also help confirm orders for the CBA championship basketball shoes in advance, incorporating customers who made pre-orders into the proactive marketing mechanism.

Management Discussion And Analysis (Continued)

Leveraging the wealth of top domestic basketball resources to create a sports experience centering around matches, players, city teams, fans and youth on campus

- Chinese Basketball Association League (CBA)
 - Effectively publicised the professional functions of our products and increased brand exposure through product sponsorship;
 - Collaboratively organised events with Jingdong Mall, including online store, championship guessing game and fans party;
 - Become the official on-court basketball provider of CBA in the 2014-15 season;
 - Signed Beijing team star player Sun Yue for the 2014-15 season to solidify our presence in the market of CBA championship teams;
 - He Tianju of Liaoning team, under contract with LI-NING, was invited by the NBA New Orleans Pelicans to attend the NBA Summer League in Las Vegas in July because of his superb performance in the CBA championship finals;
 - In 2015, LI-NING set up a basketball intensive training base in the US to provide professional training for future CBA stars. After receiving a series of intensive training, Zhao Jiwei of Liaoning team was admitted to the national team for training in June. He Tianju will also receive a one-month training series in the US base to get ready for the NBA Summer League.

- To establish a communication channel targeting students and teenagers and enhance LI-NING's familiarity and popularity through sponsorship of four levels of domestic basketball student leagues: China Junior & High School Basketball Leagues, Chinese University Basketball Association League (CUBA) and Chinese University Basketball Super League (CUBS).
 - In 2015, 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.

Badminton

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

- As the core of the LI-NING badminton segment, LI-NING badminton rackets continued to develop and launch new products in the first half of 2015 on the basis of the “LI-NING badminton technology platform”, maintaining the sales momentum of high-end products with a focus on promoting the sales of mid-range products.
- In the first half of 2015, leveraging the product exposure during the Sudirman Cup, a top badminton event held in Dongguan, the innovatively designed LI-NING badminton apparel and footwear products quickly gained wide recognition from the market. Meanwhile, the market reputation and sales of mid-range classic products, which have continuously commanded a ready sale in the market, were further boosted. The popularity of mid-range and high-end products increased the average customer transaction price of LI-NING badminton apparel and footwear products.
- In May 2015, the Sudirman Cup kicked off in Dongguan, Guangdong. By sponsoring this top event, LI-NING brand once again demonstrated its edges in product development and sports resources. The event attracted in total 51 coverages by 29 print media to reach an audience of approximately 195 million and 24 coverages by television media to reach an audience of approximately 526 million. As the exciting event progressed, LI-NING brand continued to strengthen the connection between the brand and the sport of badminton, top events, top athletes and athletic teams through television, social media, interactive activities inside and outside the stadium and field sales; and shared images and videos related to the event with the physical stores along its distribution channels across the country in a timely manner, so as to disseminate the promotional effects of the event across the country.
- In the first half of 2015, the establishment of the micro e-commerce system was completed as part of the development of the badminton segment, with badminton opinion leaders having close interaction with LI-NING brand to take up the major role in implementing micro e-commerce. By making full play of their edges in the areas of product expertise and influence in badminton circles, they will carry out promotional initiatives for LI-NING brand badminton products via this new channel.
- 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. In the first half of 2015, the business of Kason brand remained stable. During the reporting period, Kason brand continued to strengthen its “classic” brand positioning perceived by consumers through product mix optimisation, launching retro classic racket models, as well as reduction of production costs and enhancement of value proposition of products. The retro classic racket models of Kason brand continued to sell well, while newly developed apparel and footwear products remained competitive in terms of product design and pricing.
- Through differentiated brand positioning between LI-NING brand and Kason brand, the Group will continue to enhance product competitiveness and rationally utilise the brands’ superior sports marketing resources to increase its market share in the badminton category.

Management Discussion And Analysis (Continued)

Running

Since its establishment in early 2015, the Running Division has achieved radical innovation and breakthrough in product development, marketing approach and sales channels.

- **Product Innovation:** The Division spearheaded two product streams, namely For Run and For Fun, with the former focusing on technology and function and the latter comfortability and fashion, targeting professional runners and general consumers respectively. Key products launched in the first two quarters of 2015 were well received by consumers. We enhanced efforts in the planning and investment in products within the RMB250 to RMB400 price range, with notable progress achieved for products at RMB300 level.
- **Channel Innovation:** The Division actively promoted the setup of Running Corners in Flagship Stores, the Li-Ning iRun Club and Li-Ning running product specialty shops alongside targeted product planning and assortment in support of the Sales Department's multi-store tactic. The Division also leveraged the opportunity of promoting high-profile running events to facilitate the integration of online and offline channels, paving the way for the Company's O2O transition.
- **Innovative Marketing Approach:** The Division initiated the development of Li-Ning Smart Running Ecosystem and established a new way to interact with consumers and generate sales by integrating professional apparel and footwear, digital devices, mobile internet and big data analysis. Collaborating with Huami Inc., which forms part of the Xiaomi ecosystem, two models of smart running shoes have been launched in July 2015. Scrutinizing the output ratio of each investment and focusing on boosting the popularity and reputation of key products and technologies, the Division allocated resources in online marketing as well as direct marketing channels in regional markets (including outdoor advertisements). Additional capital has been injected in direct and terminal sales related aspects such as staff equipment and training. The Division also continued to strengthen and expand Li-Ning China 10K Running League and jointly hosted Li-Ning 10K Online Running League with Xiaomi sports APP in order to boost the number of participants and draw runners directly into the stores through virtual runs.

Smart Shoes



Management Discussion And Analysis (Continued)

Sports Life

The Company launched a major project in collaboration with Marvel Studios for the first time. Leveraging the Marvel movie's release, the products were a massive draw to young consumers.

The year 2015 marks the 25th anniversary of the Company, and a series of products featured by a young, energetic style inspired by the 25th anniversary was released under the sports and lifestyle category during the first and second quarters of the year, generating a sales volume of two hundred and fifty thousand items. Shoe products, with classic designs as the key selling point, proved to be popular and up to nine hundred thousand pairs were sold in merely three months.

The Company also ventured into new business areas by collaborating with famed professional athletes to gain exposure to parents and kids products through numerous TV reality-variety shows including Dad is Back so as to extend the influence of LI-NING brand.

It is evident that sports is playing a more crucial role in our lives, which is a steadily-growing trend; and the level of recognition for the values upheld by LI-NING brand, such as health, enthusiasm, community, interaction, recognition, etc., has been on a stable rise. In this context, consumers are developing a stronger-than-ever demand for Li Ning's sports and lifestyle products to serve as a medium to help them freely express their personality, trendiness and personal style. For the sports and lifestyle category, content is king, and customer communications is critical to its success; the product line positions itself has been the iconic choice for consumers aimed at displaying their unique sense of style.

Sports Functionality and Sports Life



From the second half of the year up to 2016, an opportunity to drive business growth lies in adapting to the growing sports and lifestyle market by product segmentation based on mass consumers' taste and demand. Supported by strategic product planning in the first half of the year, sports and lifestyle products with different types of positioning and corresponding labels were released to the market in July and August. The sports and lifestyle category is being further classified as the popular and classic sports and lifestyle label, the young and energetic "" label.

The targets for the popular and classic sports and lifestyle label are the generation of consumers who have grown up with and are under the charm of Mr. Li Ning and the golden age of sports in China. They have witnessed the heyday of a sports empire and are well versed in and fond of how Mr. Li Ning became world champions time and again. They share common streaks in character and lifestyle: they become steadfast supporters of Li Ning's products due to a deep bond with the story of LI-LING brand; they have a stable income, a settled way of life and a sane and moderate character. For the style of its products, the label provides consumers with classic products in an everlasting style, while new materials, craft techniques and trendy colours will be employed to cater to their demands for new elements. It is the brand's sustained mission to cater to customers' expectations by producing quality and comfortable products that fit well into their lifestyle, aided by brilliant sales stories.

Management Discussion And Analysis (Continued)

The young and energetic “” label caters to the needs of the new generation of consumers who have grown up with the Internet and are now in their 20s. They are information-savvy and are eager to broaden their horizons, pursue a better quality of life and showcase their personal style. They aspire to get a taste of different products and brands. Their shopping channels are vastly diversified with plazas, malls or online stores among their lists; they are primarily attracted to products with distinctive designs, which can in turn symbolize the owners’ personalities and uniqueness. These are the powerful forces driving our new label, presenting a huge opportunity for it to gain a foothold in the market. For this label with new elements, we will usher in a fresh style that truly sets it apart from others and is satisfying to customers. Product planning and brand building for the young and energetic  label are currently underway.

Training

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

Training apparel products include professional tights with emphasis on its wrapping and recovering capability for a more comfortable wearing experience and improved athletic performance. Our water repellent jackets are water-proof, stain-proof and oil-proof. Another two functional products include icy sensation functional and AT Dry Fast technology products, with both adopting our self-developed technology. The former make use of AT Dry Freeze technology, with hygroscopic, perspiration and icy sensation functions, and together with 3D functional cutting, provide convenience for exercises while giving a better wearing experience during the summer. Our AT Dry Fast technology products adopt patented AT Dry Fast technology materials for quick moisture absorption and perspiration. With its material of cotton feel preferred by consumers, this type of products is softer to the skin.

Our training shoes focus on fitness for all, built on lightweight and comfort, and matched by a colourful or versatile style, they are suitable for various occasions and a number of light aerobic exercises. Our fitness shoes combine the functions of walking, jogging, light aerobic exercises into one, with lightweight, soft and resilient features targeted for the technology trend, and price and style friendly to all. Indoor fitness shoes are also launched during the period, with the design striking a balance between sports trendiness and protection. The cutting of the soles meets the diverse needs of aerobic exercises and strength training.

Our urban light exercise collection focuses on developing professional walking shoes and enhancing the technological functionalities as well as appearance and design for walking. With health and comfort as its main features, the shoes meet the needs for walking exercise of the middle-aged and the elderly. We used both online and offline marketing and promotion, and for this year’s Father’s Day, we used both our official website and official weibo for promotion of special editions, with the theme “bringing health and comfort to father”.

Our urban light exercise collection is mainly comprised of two collections: shoes for walking exercise and comfort shoes for sports. Our professional shoes for walking exercise are built on our self-developed soles, with its Air-Fluid adopting “light breathing” technology and featuring built-in ventilation duct and dual-layer dual-density design, every step enabling the feet to feel the air inside flowing, bringing a cool, comfortable and flexible feel. Our comfort shoes for sports have two types of daily walking shoes in the market: Dynamic and Soft-fit, with the former design featuring mixed use of classic lines and seamless weaving, combining both trendiness and functionality. The materials of seamless weaving wrap well, and with diffusive and gradual distribution, Dynamic is simple and smooth, and suitable for various age groups. As for Soft-fit, its soles are flexible and elastic, matching the natural contour of the walking feet.

Management Discussion And Analysis (Continued)

Sales Channel Expansion and Management

As at 30 June 2015, the number of LI-NING brand conventional stores, flagship stores, factory outlets and discount stores amounted to a total of 5,745, representing a net increase of 119 points of sales as compared to 31 December 2014. The number of distributors was 49, representing a net decrease of 2 from 31 December 2014. Points of sales breakdown as at 30 June 2015 is as follows:

Number of franchised and directly-operated retail points of sales

	30 June 2015	31 December 2014	Change
LI-NING Brand			
Franchised retail	4,453	4,424	0.7%
Directly-operated retail	1,292	1,202	7.5%
Total	5,745	5,626	2.1%

Number of retail points of sales by geographical location

	30 June 2015	31 December 2014	Change
LI-NING Brand			
Eastern Region (Note 1)	1,999	2,026	(1.3%)
Northern Region (Note 2)	2,375	2,278	4.3%
Southern Region (Note 3)	1,371	1,322	3.7%
Total	5,745	5,626	2.1%

Notes:

1. Eastern region includes Shanghai, Zhejiang, Jiangsu, Anhui, Shandong, Hunan and Hubei.
2. Northern region includes Beijing, Tianjin, Shanxi, Hebei, Inner Mongolia, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Gansu, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region and Qinghai.
3. Southern region includes Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Sichuan, Jiangxi, Chongqing and Tibet.

During the first half of 2015, we remained committed to enhancing our operational capacity in terms of product execution, sales channels and retail functions, strengthening management and reform in areas including management of new product launch, clearance of obsolete inventory, development of innovative sales channels and organization optimization, boosting overall operational efficiency and retail performance.

Management Discussion And Analysis (Continued)

For management of new product launch, we established a department for product integration and a support platform for business management of product assortment for shoes, apparel, accessories and business unit items. To continue enhancing our capacity in product assortment planning, we formulated guidelines for quarterly order mix planning, differentiated product assortment planning based on different points of sales clusters, set key product sales targets for stores and criteria of single store ordering for individual stores. Trade fair orders in terms of tag price, for LI-NING brand products from franchised distributors registered a year-on-year growth for seven consecutive quarters. The orders from the latest trade fair, which are for the first quarter of 2016, registered a mid-teens growth on a year-on-year basis. We also strengthened the execution of our new product launch by establishing a sales management system based on product contribution rates and sell-through rates, and performed weekly, monthly, quarterly and promotional period sales performance tracking analysis, so as to provide tailor-made sales strategy guidelines and achieve optimized management of sales profits for seasonal products. Meanwhile, the leveraging of business opportunities in various channels, together with the instruction platform for differentiated pricing and the synergy between the headquarters and regional offices, promoted our sales through rational movements of products of various ages and inventories, particularly for product management, optimization of cash flow and gross profits targeted at the factory stores channel. For the first half of the year, the retail efficiency of the Company was effectively improved. For the quarter ended 30 June 2015, in respect of LI-NING brand stores which have been in operation since the beginning of the same quarter last year, the same-store-sales growth of LI-NING brand products for the overall platform increased by low-teens on a year-on-year basis. In terms of channels, the retail (direct operation) and wholesale (franchisee) channels registered high-teens and high-single-digit growth respectively.

For clearance of inventory, through our factory stores, general discount stores, temporary bargains stores and channels outside our system, we vigorously implemented clearance of obsolete inventory, optimizing our inventory structure and laying a solid foundation for the growth in the second half of the year and into next year.

For development of innovative sales channels, we furthered our efforts in market segmentation and channel differentiation, with a focus on developing various forms of emerging channels, such as footwear stores, footwear counters, community stores, combination stores, campus stores and other non-traditional points of sales. In pursuit of more opportunities for business growth, we also expanded our business in the supermarket channels and actively developed various forms of collaboration. In the first half of the year, the senior management of the Company approached a total of nine leading groups engaging in the operation of shopping malls and supermarkets, namely, Parkson, Bailian, Grandbuy, RT-Mart, Rainbow and Maoye, with whom the Company has now built up stable and comprehensive strategic partnerships. In 2015, we have opportunities for opening over 100 new points of sales and renovating over 30 points of sales in the premises of these groups. We can also effectively control the risk of store closure. In addition, by matching sports resources and launching sports marketing, we strengthened the relationship with our existing business partners, while gaining access to more resources through cooperation with various channels.

For organization optimization, we continued to step up our efforts in organization reform in the first half of the year, and enhanced operational efficiency through streamlining of staff, flattening of organizational structure, and optimization and integration of functions. In terms of management at the regional level, with integrated sales functions of large regions and subsidiaries, organizational structure was delayed which optimized utilization of resources and production efficiency. In terms of management at the headquarters level, with the integration of management functions like product planning, sales and promotion, management and execution of product assortment planning, product operation and product pricing were strengthened. Moreover, a management team for nation-wide distribution was established to have a better command of the business of our distributors across the country, and to push forward the management and expansion of the distribution business of the subsidiaries of the Company. Merging the logistics and supplies planning departments into our sales system facilitated optimization and streamlining of our supplies and sales processes.

E-Commerce

In the first half of 2015, the e-commerce division of the Company continued its efforts in enhancing overall operations and continuously optimised its decision making process based on digital operation, while establishing an operational and products response mechanism effectively and efficiently. E-commerce business therefore achieved relatively outstanding financial results in the first half of 2015.

Meanwhile, the e-commerce business will continue to advance amid integration of businesses of overall store structure, channel structure development, product mix for online sales and O2O business. We will continue to invest in various emerging businesses including digital operation, customization and rapid supply chain for further breakthrough.

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 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 “promotion by sports stars and sponsorship of sports events” as its marketing philosophy. In 2015, the brand continued to sign up outstanding table tennis players in China as endorsers for its table tennis equipment, including Wang Hao (王皓), Wang Liqin (王勵勤), Ma Long (馬龍), Ding Ning (丁寧), Li Xiaoxia (李曉霞), Fan Zhendong (樊振東), Yan An (閻安), Zhu Yuling (朱雨玲) and Chen Meng (陳夢). At the same time, the brand also actively sponsored various domestic and international professional tournaments. In 2015, it successfully sponsored and accomplished the marketing promotion for the World Table Tennis Championships in Suzhou, in which Ma Long and Ding Ning, as the endorsers for Double Happiness brand, won the championship titles. The brand continued to provide professional equipment for events such as the International Table Tennis Federation (ITTF) Professional Tour, Table Tennis World Cup and the China Table Tennis Super League.

Over 90% of China National Table Tennis team members opted for the brand’s rubber covering and the brand’s blades were among their most popular choices. Besides equipment for professional players, the brand continued to launch more than 100 new products in the market successfully in 2015, including products exclusively for the e-commerce market, professional blades, coverings, table tennis tables. These new products complemented the product line of the brand, demonstrating the strong product development and design capabilities of Double Happiness brand.

Table tennis balls made with a new material under Double Happiness brand have been in use in major top events and will continue to be used in other events to be held in 2015 to 2016. New models of blades and coverings to fit the new 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 in approximately 30 provinces and municipalities in China. The brand continued to refine and standardise the management of customer behaviours and sales policies in 2015 and continued the implementation of the “e-commerce expansion” project to develop e-commerce exclusive products, and implement special policies and promotional support for e-commerce business.

Both LI-NING brand and Double Happiness brand will continue to create synergistic effect in brand marketing, promotion, event sponsorship and distribution channel expansion, which will further strengthen the position of the Group in the Chinese table tennis market.

Management Discussion And Analysis (Continued)

Other Brands

AIGLE Brand

The retail sector in general encountered enormous challenges during the year. Sales of international luxury items was hit hard by China's crackdown on lavish spending, while major foreign leisure and outdoor brands' revenue generally declined amid unfavorable market conditions. Attributable to AIGLE brand's unique market positioning and competitive edges as well as consumer's rising recognition of the brand, existing retail shops were able to sustain their sales growth. Overall sales achieved double-digit growth as a result of well-planned expansion strategy, maintaining AIGLE brand's position as one of the leading outdoor and leisure brands in the market.

In the second half of 2015, AIGLE brand will continue to focus on implementing the following major operation strategies with an aim to boost brand recognition and loyalty as well as promote continuous growth of its operating results:

- Continue to open new retail shops under unified global brand image in first-tier cities such as provincial capitals;
- Enhance regional retail outlet mix (specialty shop, franchised counter and outlets channel) and development strategy while practising effective management of the terms of cooperation of different channels and shopping malls in a bid to boost long-term sales profit;
- Strengthen the development and collaboration of product lines in Asia, optimize long-term product lines and expand the potential consumer base;
- Sustain efforts to upgrade retail sales management and improve frontline customer service while implementing effective inventory management and handling measures.

Human Resources

The Group continued to strengthen the synergistic development of products, channels and retail capability in 2015. To establish a business-oriented model, expand the business scale and improve cash flow continuously, our human resources team joined hands with the operations departments to roll out various important measures to streamline the business flow, optimise the organisational structure and control labor costs, and the outcome has been encouraging. Other major tasks carried out during the period included:

- Continued to implement the annual Short Term Incentive (STI) plan by setting the 2015 goal for the Group and all employees. By means of quantitative indicators, as well as effective communications between supervisors and subordinates, the Group ensured that each staff member understood and strived to achieve the corporate and personal targets for 2015 by performing their daily duties diligently, with an aim of achieving satisfactory corporate performance;
- Stepped up efforts in talent identification and assessment in the process of organisational optimisation, and promoted a talent retention program in order to give full scope to outstanding employees and ensure internal staff stability;
- Enhanced the collective management of remuneration structure within the Group and improved the market competitiveness of our remuneration packages;
- Continuously expanded the scope of training to cope with precise business needs. The Group has provided product knowledge training sessions to all employees to improve the professional levels of internal staff. The Group also introduced external office software trainings for boosting general work efficiency of all the employees;
- Arranged each office staff member to participate in the front line sales work and provide system supports during the peak season, in a bid to support the front line employees and understand consumer needs directly;
- Strengthened interaction with potential talents in an early stage by establishing cooperative relationship with reputable institutes such as Stanford University, the University of Virginia, Peking University, thus enhancing our brand influence as an employer.

As at 30 June 2015, the Group had 3,036 employees in total (3,735 employees as at 31 December 2014), including 1,785 employees at the Group's headquarters and retail subsidiaries (2,158 employees as at 31 December 2014), and 1,251 employees at the Group's other subsidiaries (1,577 employees as at 31 December 2014).

Outlook

In the first half of 2015, the Company's losses significantly narrowed as operating income grew steadily while operational efficiency continued to improve, paving the way for a return to profit in the second half of the year.

Management Discussion And Analysis (Continued)

Looking forward, the Company will utilize its huge base of consumer data to probe deeply into consumers' behavior and spending habit, allowing the Company to make more flexible and targeted attempts to fit into their social lives and smart-living lifestyles. We will also encourage online-to-offline interactions to generate a larger proportion of revenue from O2O business model. In the first half of the year, the income from e-commerce business accounted for 7% and 6% of the Li Ning's branded products' and the Group's total revenue respectively; we target to increase the proportion of e-commerce business income to over 20% in the next three to five years. Recently, Li Ning, in collaboration with Xiaomi Mi Band, launched two models of smart running shoes targeting the functional and mass sports lifestyle markets respectively. Consumers can enjoy a multi-faceted running experience combining "professional equipment + smart gadget + mobile internet + data analysis and sharing." This collaboration signified a shift from the traditional sales model to a "try offline, buy online" O2O sales model as it harnessed Li Ning's competitive advantage in Internet+ strategy to optimize resource allocations and promote supply chain efficiency, in an effort to reduce the costs of marketing and channel sales.

In terms of product positioning, to better position the functional and mass market product lines while further tapping into the potential sports lifestyle market, the Company will gradually roll out the blue and white "**LiNing**" label series in the second half of the year, increase the number of stand-alone stores focusing on the mass sports lifestyle market and introduce products with high price-performance ratio catering the mass market, particularly the group of trendy young consumers. Meanwhile, the classic Li Ning brand will stay on and serve sports participants familiar with the brand tradition of Li Ning as well as consumers looking for functionality. The product categories of the classic Li Ning brand span from basketball, running and badminton to football, tennis and table tennis, for which consumers can mainly experience high-tech and functionality oriented innovations.

In addition to delivering a clearer brand strategy and expanding the sales network based on market opportunities, the Company will sustain our efforts to improve operational efficiency, enforce stricter measures to control operating costs and enhance cash flow management capability, striving to return to profit for the year's annual results.

25th Anniversary – New Start



Condensed Consolidated Interim Financial Information

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	858,754	861,173
Land use rights	8	367,310	372,113
Intangible assets	9	439,547	446,399
Deferred income tax assets		252,392	311,081
Available-for-sale financial assets		26,000	26,000
Investments accounted for using the equity method		24,173	20,848
Other receivables and prepayments	12	46,225	39,473
Total non-current assets		2,014,401	2,077,087
Current assets			
Inventories	10	1,123,584	1,289,332
Trade receivables	11	1,313,476	1,260,131
Other receivables and prepayments – current portion	12	390,796	379,277
Restricted bank deposits		714	2,593
Cash and cash equivalents		1,756,856	1,031,386
Total current assets		4,585,426	3,962,719
Total assets		6,599,827	6,039,806

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	13	177,484	141,698
Share premium	13	2,170,828	1,298,537
Shares held for Restricted Share Award Scheme	13	(3,719)	(3,719)
Other reserves	14	1,302,519	984,398
Accumulated deficit	14	(516,192)	(469,056)
		3,130,920	1,951,858
Non-controlling interests in equity		245,088	217,583
Total equity		3,376,008	2,169,441
LIABILITIES			
Non-current liabilities			
License fees payable	17	53,183	77,434
Borrowings	18	297,986	298,241
Convertible bonds	19	693,227	676,421
Deferred income tax liabilities		72,369	76,410
Deferred income	20	64,369	62,718
Total non-current liabilities		1,181,134	1,191,224
Current liabilities			
Trade payables	15	874,808	953,429
Other payables and accruals	16	837,589	1,104,541
License fees payable – current portion	17	59,408	57,880
Current income tax liabilities		8,380	9
Borrowings	18	250,000	550,782
Convertible bonds – interest payable	19	12,500	12,500
Total current liabilities		2,042,685	2,679,141
Total liabilities		3,223,819	3,870,365
Total equity and liabilities		6,599,827	6,039,806
Net current assets		2,542,741	1,283,578
Total assets less current liabilities		4,557,142	3,360,665

The notes on pages 39 to 67 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	6	3,640,668	3,137,078
Cost of sales		(2,006,784)	(1,737,467)
Gross profit		1,633,884	1,399,611
Distribution expenses		(1,313,646)	(1,372,291)
Administrative expenses		(199,524)	(494,499)
Other income and other gains – net	22	20,862	19,009
Operating profit/(loss)	6	141,576	(448,170)
Finance income	23	13,607	5,352
Finance expenses	23	(76,445)	(67,727)
Finance expenses – net		(62,838)	(62,375)
Share of profit of investments accounted for using the equity method		3,325	2,442
Profit/(loss) before income tax		82,063	(508,103)
Income tax expense	24	(82,305)	(54,486)
Loss for the period		(242)	(562,589)
Attributable to:			
Equity holders of the Company		(29,407)	(585,774)
Non-controlling interests		29,165	23,185
		(242)	(562,589)
Losses per share for loss attributable to equity holders of the Company (RMB cents)			
– basic	25	(1.55)	(37.72)
– diluted	25	(1.55)	(37.72)

The notes on pages 39 to 67 are an integral part of this condensed consolidated interim financial information.

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Dividends	26	–	–

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Loss for the period	(242)	(562,589)
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	5	(257)
Total comprehensive loss for the period	(237)	(562,846)
Attributable to:		
Equity holders of the Company	(29,402)	(586,031)
Non-controlling interests	29,165	23,185
	(237)	(562,846)

The notes on pages 39 to 67 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Financial Information (Continued)

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 2015	141,698	1,298,537	(3,719)	984,398	(469,056)	1,951,858	217,583	2,169,441
Total comprehensive loss for the period	-	-	-	5	(29,407)	(29,402)	29,165	(237)
Transactions with owners:								
Issuance of offer securities (Note 13 and 14)	35,722	870,251	-	293,435	-	1,199,408	-	1,199,408
Net proceeds from share issuance pursuant to share option schemes	10	426	-	-	-	436	-	436
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	-	8,620	-	8,620	-	8,620
Transfer of fair value of share options exercised to share premium	-	100	-	(100)	-	-	-	-
Appropriations to statutory reserves	-	-	-	17,729	(17,729)	-	-	-
Shares converted from convertible securities	54	1,514	-	(1,568)	-	-	-	-
Dividends to non-controlling interests of a subsidiary	-	-	-	-	-	-	(1,660)	(1,660)
As at 30 June 2015	177,484	2,170,828	(3,719)	1,302,519	(516,192)	3,130,920	245,088	3,376,008
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

The notes on pages 39 to 67 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	164,763	(319,249)
Cash flows from investing activities:		
– investment in available-for-sale financial assets	–	(14,000)
– purchases of property, plant and equipment	(106,758)	(85,371)
– purchases of intangible assets	(35,867)	(31,726)
– proceeds on disposal of property, plant and equipment	933	2,521
– interest received	3,574	3,453
Net cash used in investing activities	(138,118)	(125,123)
Cash flows from financing activities:		
– dividends paid to non-controlling interests of a subsidiary	(1,600)	–
– proceeds from issuance of ordinary shares	436	2,478
– proceeds from issuance of offer securities	1,229,930	–
– shares purchased for Restricted Share Award Scheme	–	(2,146)
– transaction costs paid in relation to issuance of offer securities	(23,201)	–
– proceeds from bank borrowings	50,000	121,000
– repayment of borrowings	(499,157)	(30,000)
– interest paid	(57,208)	(20,562)
– decrease in restricted bank deposits	1,879	580
Net cash generated from financing activities	701,079	71,350
Net increase/(decrease) in cash and cash equivalents	727,724	(373,022)
Cash and cash equivalents at beginning of period	1,031,386	1,280,684
Exchange (losses)/gains on cash and cash equivalents	(2,254)	1,642
Cash and cash equivalents at end of period	1,756,856	909,304

The notes on pages 39 to 67 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 12 August 2015.

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 2015 has been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’ (“IAS 34”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3. Accounting policies

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2014.

Amendments to IFRSs effective for the financial year ending 31 December 2015 do not 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 the Group.

Condensed Consolidated Interim Financial Information (Continued)

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 2014.

5. Financial risk management

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 2014.

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

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

6. Segment information

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

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 RMB3,127,276,000, RMB454,216,000 and RMB59,176,000 for the six months ended 30 June 2015 and RMB2,673,616,000, RMB411,334,000 and RMB52,128,000 for the six months ended 30 June 2014 respectively.

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

Condensed Consolidated Interim Financial Information (Continued)

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 2015 and 2014 is as follows:

	Unaudited			Total RMB'000
	LI-NING brand RMB'000	Double Happiness brand RMB'000	All other brands RMB'000	
Six months ended 30 June 2015				
Total revenue	3,127,276	454,228	75,747	3,657,251
Inter-segment revenue	–	(12)	(16,571)	(16,583)
Revenue from external customers	3,127,276	454,216	59,176	3,640,668
Operating profit	42,376	84,422	14,778	141,576
Distribution and administrative expenses	1,391,315	111,763	10,092	1,513,170
Depreciation and amortisation	97,542	12,121	5,082	114,745
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 and administrative expenses	1,756,564	104,375	5,851	1,866,790
Depreciation and amortisation	82,308	9,423	3,427	95,158

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

6. Segment information (continued)

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Operating profit/(loss)	141,576	(448,170)
Finance income	13,607	5,352
Finance expenses	(76,445)	(67,727)
Share of profit of investments accounted for using the equity method	3,325	2,442
Profit/(loss) before income tax	82,063	(508,103)

Geographical information of revenue

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
The PRC (including the Hong Kong Special Administrative Region)	3,547,713	3,056,927
Other regions	92,955	80,151
Total	3,640,668	3,137,078

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

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

7. Property, plant and equipment

	Unaudited						Total RMB'000
	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Office equipment and motor vehicles	Construction- in-progress	
					RMB'000	RMB'000	
Six months ended 30 June 2015							
As at 1 January 2015	570,271	101,178	47,190	86,572	54,122	1,840	861,173
Additions	397	59,028	20,441	604	1,458	2,238	84,166
Transfer out from construction-in-progress	1,894	–	–	645	–	(2,539)	–
Disposals	–	(2,293)	–	(221)	(173)	–	(2,687)
Depreciation charge	(14,088)	(37,286)	(16,265)	(6,229)	(10,030)	–	(83,898)
As at 30 June 2015	558,474	120,627	51,366	81,371	45,377	1,539	858,754
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	–	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

All of the Group's buildings are located in the PRC. Buildings with net book value of RMB4,147,000 (31 December 2014: RMB4,661,000) are built on land which the Group is in the process of updating the legal title (Note 8).

Depreciation expenses of RMB21,555,000 (30 June 2014: RMB18,786,000) has been charged to cost of sales, RMB49,863,000 (30 June 2014: RMB38,928,000) to distribution expenses and RMB12,480,000 (30 June 2014: RMB10,082,000) to administrative expenses.

As at 30 June 2015, buildings with net book value of RMB395,160,000 (31 December 2014: RMB403,819,000) were pledged as securities for the Group's borrowings (Note 18).

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

8. Land use rights

	Unaudited RMB'000
Six months ended 30 June 2015	
As at 1 January 2015	372,113
Amortisation charge	(4,803)
As at 30 June 2015	367,310
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

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 RMB97,381,000 as at 30 June 2015 (31 December 2014: RMB98,791,000).

As at 30 June 2015, land use rights with net book value of RMB80,590,000 (31 December 2014: RMB81,518,000) were pledged as securities for the Group's borrowings.

Condensed Consolidated Interim Financial Information (Continued)

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 2015						
As at 1 January 2015	246,313	73,454	50,982	46,899	28,751	446,399
Additions	–	–	19,207	–	–	19,207
Disposal	–	–	(15)	–	–	(15)
Amortisation charge	–	(2,769)	(13,913)	(5,939)	(3,423)	(26,044)
As at 30 June 2015	246,313	70,685	56,261	40,960	25,328	439,547
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	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

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

10. Inventories

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Raw materials	42,867	39,611
Work in progress	28,714	32,930
Finished goods	1,291,162	1,481,024
	1,362,743	1,553,565
Less: provision for write-down of inventories to net realisable value	(239,159)	(264,233)
	1,123,584	1,289,332

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB1,916,530,000 for the six months ended 30 June 2015 (30 June 2014: RMB1,651,012,000).

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 2015 and 2014.

11. Trade receivables

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Accounts receivable	1,853,782	1,825,483
Notes receivable	5,350	31,414
	1,859,132	1,856,897
Less: allowance for impairment of trade receivables	(545,656)	(596,766)
	1,313,476	1,260,131

Condensed Consolidated Interim Financial Information (Continued)

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 2015 RMB'000	Audited 31 December 2014 RMB'000
0 – 30 days	415,508	367,794
31 – 60 days	179,964	218,264
61 – 90 days	317,381	237,383
91 – 180 days	451,635	560,231
Over 180 days	494,644	473,225
	1,859,132	1,856,897

Customers are normally granted credit terms within 90 days. As at 30 June 2015, trade receivables of RMB946,279,000 (31 December 2014: RMB1,033,456,000) 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 the trade receivable, and the latest communication with individual customers. Management have been closely monitoring the credit risk of each customer and actively pursue collection of those receivables until all efforts are exhausted. An allowance of RMB545,656,000 has been made as at 30 June 2015 (31 December 2014: RMB596,766,000).

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

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

	Unaudited Six months ended 30 June 2015 RMB'000	2014 RMB'000
As at 1 January	596,766	590,928
(Reversal of provision)/provision for impairment of trade receivables	(50,941)	92,148
Trade receivables written off during the period as uncollectible	(169)	(88)
As at 30 June	545,656	682,988

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

11. Trade receivables (continued)

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.

12. Other receivables and prepayments

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Prepaid rentals and other deposits	226,640	221,973
Advances to suppliers	42,281	46,587
Deductible value-added tax input balance	34,387	32,810
Loans to a joint venture	21,261	21,246
Prepayment for advertising expenses	44,033	18,069
Staff advances and other payments for employees	2,209	9,860
Others	66,210	68,205
	437,021	418,750
Less: non-current portion	(46,225)	(39,473)
Current portion	390,796	379,277

Other receivables and prepayment do not contain impaired assets. Non-current portion mainly comprised prepaid rentals and other deposits.

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

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 2015 and 31 December 2014	10,000,000	1,000,000

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

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

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 2015	1,433,488	141,698	1,298,537	(3,719)	1,436,516
Issuance of offer securities (Note a)	450,630	35,722	870,251	–	905,973
Net proceeds from shares issued pursuant to share option schemes (Note b)	124	10	426	–	436
Transfer of fair value of share options exercised to share premium	–	–	100	–	100
Shares converted from convertible securities (Note 14)	685	54	1,514	–	1,568
As at 30 June 2015	1,884,927	177,484	2,170,828	(3,719)	2,344,593
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	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 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

Note:

- (a) In January 2015, the Company completed the issuance of offer securities ("Offer Securities"), under which 450,630,034 ordinary shares and 146,881,496 convertible securities were issued, respectively. Refer to Note 14 for details.
- (b) During the six months ended 30 June 2015, the Company issued 124,000 ordinary shares (30 June 2014: 636,000) of HK\$0.10 each to certain directors and employees of the Group at weighted average issue price of HK\$4.47 pursuant to the Company's share option schemes (Note 27).

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

14. Reserves

	Unaudited							Retained earnings/ (accumulated deficit)	Total
	Capital reserves	Statutory reserve funds	Share-based compensation reserve	Convertible bonds reserve	Convertible securities reserve	Currency translation difference	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2015	78,814	267,683	99,234	113,395	420,859	4,413	984,398	(469,056)	515,342
Loss for the period	-	-	-	-	-	-	-	(29,407)	(29,407)
Issuance of Offer Securities (Note)	-	-	-	-	293,435	-	293,435	-	293,435
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	8,620	-	-	-	8,620	-	8,620
Share options lapsed	22,159	-	(22,159)	-	-	-	-	-	-
Transfer of fair value of share options exercised to share premium	-	-	(100)	-	-	-	(100)	-	(100)
Appropriations to statutory reserves	-	17,729	-	-	-	-	17,729	(17,729)	-
Shares converted from convertible securities (Note)	-	-	-	-	(1,568)	-	(1,568)	-	(1,568)
Translation difference of foreign currency financial statements	-	-	-	-	-	5	5	-	5
As at 30 June 2015	100,973	285,412	85,595	113,395	712,726	4,418	1,302,519	(516,192)	786,327
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 option 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)	-	-	-	-	(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

Notes to Condensed Consolidated Interim Financial Information (Continued)

14. Reserves (continued)

Note:

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

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

- (d) Net proceeds raised via the issuance of the Offer Securities in January 2015 are HK\$1,515,030,000 (net of total transaction costs of HK\$38,500,000), which is equivalent to approximately RMB1,199,408,000.

In relation to the issuance of the Offer Securities in January 2015, the Company paid underwriting commission expense of HK\$11,908,000, HK\$6,315,000, HK\$5,000,000 and HK\$2,277,000 to Viva China Holdings Limited ("Viva China"), TPG Stallion, L.P. ("TPG"), Mr. Lo Yu Sai and Milestone Capital Strategic Holdings Limited, respectively (equivalent to approximately RMB9,427,000, RMB4,999,000, RMB3,959,000 and RMB1,803,000 respectively) which had been included as part of the transaction costs.

- (e) As at 30 June 2015, CS with carrying value of HK\$1,285,347,000 (equivalent to approximately RMB1,022,193,000) had been converted into ordinary shares of the Company, amongst which carrying value of HK\$1,987,000 (equivalent to approximate RMB1,568,000) were converted into 685,000 ordinary shares of the Company during the six months ended 30 June 2015 (Note 13).

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

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 2015 RMB'000	Audited 31 December 2014 RMB'000
0 – 30 days	610,353	704,434
31 – 60 days	188,774	122,191
61 – 90 days	36,818	97,512
91 – 180 days	17,975	19,335
181 – 365 days	17,286	5,126
Over 365 days	3,602	4,831
	874,808	953,429

16. Other payables and accruals

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Accrued sales and marketing expenses	303,530	379,293
Wages and welfare payables	120,537	124,046
Advances from customers	71,410	130,442
Other tax payables	59,465	32,537
Payable for property, plant and equipment	25,317	11,650
Loan from a related party (Note a)	–	152,106
Others	257,330	274,467
	837,589	1,104,541

Note:

- (a) On 15 August 2014, a related party of the Company has lent HK\$187,500,000 to the Company. The loan was repayable on demand, and bore an effective interest rate of 7.2% per annum. Interest accrued for the six months ended 30 June 2015 was approximately RMB738,000. The principal together with the interest were fully repaid in January 2015.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

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 2015		
As at 1 January 2015		135,314
Payment of license fees		(29,473)
Amortisation of discount (Note 23)		6,893
Adjustment for exchange difference		(143)
As at 30 June 2015		112,591
Six months ended 30 June 2014		
As at 1 January 2014		176,933
Payment of license fees		(27,896)
Amortisation of discount (Note 23)		9,021
Adjustment for exchange difference		759
As at 30 June 2014		158,817
	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Analysis of license fees payable:		
Non-current		
– the second to fifth year	53,183	77,434
Current	59,408	57,880
	112,591	135,314

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

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

17. License fees payable (continued)

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

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Less than 1 year	64,647	62,073
Between 1 and 5 years	67,327	99,483
	131,974	161,556

18. Borrowings

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Borrowings		
– non-current	297,986	298,241
– current	250,000	550,782
	547,986	849,023
Borrowings		
– RMB	250,000	251,000
– HK\$	–	299,782
– US\$	297,986	298,241
	547,986	849,023
Borrowings		
– secured	497,986	498,241
– unsecured	50,000	350,782
	547,986	849,023

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

18. Borrowings (continued)

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 6.93% (30 June 2014: 6.97%) for bank borrowings denominated in RMB and 6.2% (30 June 2014: nil) for those borrowings denominated in other currencies for the six months ended 30 June 2015.

Bank borrowings amounting to RMB497,986,000 and RMB498,241,000 were secured by the Group's buildings and land use rights, as at 30 June 2015 and 31 December 2014, respectively (Notes 7 and 8).

Movement in borrowings is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2015	
As at 1 January 2015	849,023
Additions	50,000
Effect of change in exchange rate	201
Repayments	(351,238)
As at 30 June 2015	547,986
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

As at 30 June 2015, the Group has undrawn borrowing facilities within one year amounting to RMB180,000,000 (31 December 2014: RMB200,000,000). These facilities have been arranged to finance the Group's working capital.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

19. 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). It was subsequently reset to HK\$4.50 per ordinary share of the Company (as a result of the amendment agreement which modified the initial conversion price) and to HK\$ 4.092 per ordinary share of the Company (as a result of the issuance of the 2015 CS) on 23 January 2013 and 30 January 2015, respectively.

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.

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

	Unaudited RMB'000
Liability component as at 1 January 2015	688,921
Payment of interest	(15,000)
Interest expenses	31,806
<hr/>	
Liability component as at 30 June 2015	705,727
Less: interest payable due within one year	(12,500)
<hr/>	
Non-current portion	693,227

The face value of the CB as at 30 June 2015 is RMB750,000,000. No part of the CB was converted to ordinary shares of the Company during the period or subsequent to 30 June 2015 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 2015.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

20. Deferred income

Deferred income consists of government grants, and vouchers granted and points accumulated under the customer loyalty programme.

	Unaudited RMB'000
Six months ended 30 June 2015	
As at 1 January 2015	62,718
Addition	2,298
Credited to income statement	(647)
As at 30 June 2015	64,369
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

21. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cost of inventories recognised as expenses included in cost of sales	1,916,530	1,651,012
Depreciation on property, plant and equipment (Note a)	83,898	67,796
Amortisation of land use rights and intangible assets	30,847	27,362
Advertising and marketing expenses	521,067	607,344
Staff costs, including directors' emoluments	371,897	432,667
Operating lease rentals and related expenses in respect of land and buildings	382,348	357,930
Research and product development expenses (Note a)	79,502	69,517
Transportation and logistics expenses	151,846	134,800
(Reversal of provision)/provision for impairment of trade receivables	(50,941)	92,148
Impairment of available-for-sale financial assets	–	34,930
Auditor's remuneration	2,400	2,100
Management consulting expenses	26,711	50,950
Travelling and entertainment expenses	16,661	26,222

Note:

- (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.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

22. Other income and other gains – net

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Government grants	14,411	14,816
License fees income	6,451	4,193
	20,862	19,009

23. Finance income and expenses

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Finance income		
– Interest income on bank balances and deposits	3,574	3,453
– Net foreign currency exchange gain	10,033	1,899
	13,607	5,352
Finance expenses		
– Amortisation of discount – license fees payable (Note 17)	(6,893)	(9,021)
– Interest expense on bank and other borrowings	(20,564)	(16,347)
– Interest expense on convertible bonds	(31,806)	(30,347)
– Others	(17,182)	(12,012)
	(76,445)	(67,727)
Finance expenses – net	(62,838)	(62,375)

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

24. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax	3,703	(9)
– PRC corporate income tax	23,954	21,144
	27,657	21,135
Deferred income tax	54,648	33,351
Income tax expense	82,305	54,486

25. 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 had completed the issuance of 2013 CS. In January 2015, the Company has completed the issuance of Offer Securities. The below market subscription price of these two events had effectively resulted in 85,973,000 ordinary shares (30 June 2014: 183,890,000 ordinary shares) to be issued upon conversion for nil consideration (i.e. the bonus element), and such impact has been taken into account in calculating the weighted average number of ordinary shares for the purpose of basic losses per share calculation. The shares issued for nil consideration arising from the issuance of the 2015 CS have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2014.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

25. Losses per share (continued)

Basic (continued)

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
		(Restated)
Loss attributable to equity holders of the Company	(29,407)	(585,774)
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (in thousands)	1,809,578	1,369,009
Adjustment for bonus element arising from the issuance of the CS and the Offer Securities (in thousands)	85,973	183,890
Deemed weighted average number of ordinary shares for basic losses per share (in thousands)	1,895,551	1,552,899
Basic losses per share (RMB cents)	(1.55)	(37.72)

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 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.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

25. Losses per share (continued)

Diluted (continued)

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
		(Restated)
Loss attributable to equity holders of the Company, used to determine diluted losses per share	(29,407)	(585,774)
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (in thousands)	1,809,578	1,369,009
Adjustment for bonus element arising from the issuance of the CS and the Offer Securities (in thousands)	85,973	183,890
Deemed weighted average number of ordinary shares for diluted losses per share (in thousands)	1,895,551	1,552,899
Diluted losses per share (RMB cents)	(1.55)	(37.72)

Note:

For the six months ended 30 June 2015 and 2014, the effect of all potentially dilutive ordinary shares outstanding was anti-dilutive. As at 30 June 2015, there were 81 million share options, 1.8 million restricted shares, 225 million ordinary shares assuming conversion of convertible bonds and 244 million ordinary shares assuming conversion of the CS that could potentially have a dilutive impact in the future but were anti-dilutive during the six months ended 30 June 2015 (30 June 2014: 59 million, 2 million, 205 million and 176 million respectively).

26. Dividends

The Board did not propose interim dividend for the six months ended 30 June 2015 and 2014.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

27. Share-based compensation

(a) 2004 Share Option Scheme

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

	Unaudited Six months ended 30 June			
	2015 Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)	2014 Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	7.203	55,334	7.677	40,780
Adjustment in relation to issuance of the Offer Securities (Note a)	6.118	4,854	–	–
Granted	–	–	6.933	21,456
Exercised	4.470	(124)	4.926	(636)
Lapsed	8.025	(14,892)	9.321	(2,562)
As at 30 June	6.155	45,172	7.365	59,038
Exercisable as at 30 June	7.177	22,176	9.421	25,335

Note:

- (a) As a result of the issuance of the Offer Securities in January 2015, 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 2004 Share Option Scheme. The above adjustments have taken effect from 2 February 2015. Save for the above adjustments, all other terms and conditions of the share options granted under the 2004 Share Option Scheme remain unchanged.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

27. Share-based compensation (continued)

(a) 2004 Share Option Scheme (continued)

Share options outstanding under this scheme as at 30 June 2015 and 31 December 2014 have the following expiry date and exercise price:

Expiry date	Unaudited 30 June 2015		Audited 31 December 2014	
	Exercise price (per share)	Share options	Exercise price (per share)	Share options
	HK\$	(Thousands)	HK\$	(Thousands)
19 January 2015	–	–	10.450	6,948
22 October 2015	18.230	2,236	20.090	2,147
15 July 2017	8.250	2,493	9.090	2,569
4 July 2018	3.910	800	4.310	726
31 December 2018	4.470	14,055	4.920	15,135
31 December 2018	6.350	12,832	7.000	15,071
30 September 2019	6.350	2,148	7.000	1,950
31 December 2019	4.600	5,958	5.070	5,890
31 December 2019	6.160	542	6.790	984
31 December 2020	6.350	3,417	7.000	3,264
31 December 2020	4.630	691	5.100	650
		45,172		55,334

(b) 2014 Share Option Scheme

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

	Unaudited Six months ended 30 June			
	2015		2014	
	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	–	–	–	–
Granted	4.440	38,200	–	–
Lapsed	4.440	(2,200)	–	–
As at 30 June	4.440	36,000	–	–
Exercisable as at 30 June	–	–	–	–

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

27. Share-based compensation (continued)

(b) 2014 Share Option Scheme (continued)

Share options outstanding under this scheme as at 30 June 2015 and 31 December 2014 have the following expiry date and exercise price:

Expiry date	Unaudited 30 June 2015		Audited 31 December 2014	
	Exercise price (per share) HK\$	Share options (Thousands)	Exercise price (per share) HK\$	Share options (Thousands)
31 December 2020	4.440	36,000	–	–

(c) 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			
	2015		2014	
	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	10.74	1,810	19.61	825
Granted	–	–	6.71	2,740
Vested	–	–	6.74	(1,375)
Lapsed	–	–	8.96	(37)
As at 30 June	10.74	1,810	11.59	2,153

28. 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 2015 RMB'000	Audited 31 December 2014 RMB'000
Not later than 1 year	239,013	243,368
Later than 1 year and not later than 5 years	267,662	303,773
Later than 5 years	8,798	11,744
	515,473	558,885

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

29. 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	
	2015 RMB'000	2014 RMB'000
Related companies of Shanghai Double Happiness (Group) Co., Ltd., all being controlled by key management personnel of a non-wholly owned subsidiary	3,407	4,557

(b) Purchases of goods from:

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	11,804	9,375
Subsidiary of Li-Ning Aigle Ventures Company Limited ("Li Ning Aigle Ventures"), being controlled by a joint venture of the Group	4,097	3,207
Tianjin Yue Hao Tuo Outdoor Sports Company Limited ("Tianjin Yue Hao Tuo"), being an associate of the Group	10,826	–
	26,727	12,582

(c) Sales of services to:

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Subsidiary of Li-Ning Aigle Ventures	160	250
Subsidiaries of Viva China Holdings Limited ("Viva China"), being controlled by a substantial shareholder of the Company	614	214
Tianjin Kuan Mao Mi Children's Products Company Limited ("Tianjin Kuan Mao Mi"), being an associate of the Group	4,374	1,350
Tianjin Yue Hao Tuo	1,428	1,484
	6,576	3,298

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

29. Related-party transactions (continued)

(d) Purchases of services from:

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Subsidiaries of Viva China	32,621	34,540

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

(e) Key management compensation

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

	Unaudited Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Salaries and other benefits	10,715	9,428
Contribution to retirement benefit scheme	323	205
Employee share schemes for value of services provided	2,133	32,539
	13,171	42,172

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

29. Related-party transactions (continued)

(f) Period-end/year-end balances

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Receivables from related parties:		
Tianjin Yue Hao Tuo	–	1,428
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	125	444
	125	1,872
Payables to related parties:		
Subsidiaries of Viva China	20,645	59,200
Loan from Viva China	–	152,106
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	6,097	4,635
	26,742	215,941

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 2015 (2014: Nil).

Long-Term Incentive Schemes

Share Option Scheme

The options granted under the 2004 Share Option Scheme which remained outstanding immediately prior to its termination on 30 May 2014 shall continue to be valid and exercisable in accordance with their terms of grant and the rules of the 2004 Share Option Scheme. The outstanding options granted under the 2004 Share Option Scheme as at 30 June 2015 entitled the holders to subscribe for 45,171,882 Shares. Details of movements of the options granted under the 2004 Share Option Scheme for the six months ended 30 June 2015 are as follows:

Grantees	Date of grant	Exercise price per Share HK\$	Adjusted exercise price per Share upon the 2015 Open Offer HK\$ (Note 4)	Number of Shares					Adjusted on 02/02/2015 upon the 2015 Open Offer (Note 4)	As at 30/06/2015	Vesting Period	Exercise Period
				As at 01/01/2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Executive Directors												
Li Ning	17/01/2014	7.00	6.35	1,370,073	-	-	-	-	1,509,470	1,509,470	17/01/2014 – 31/12/2014	17/01/2014 – 31/12/2018
Jin-Goon Kim	20/12/2012	4.92 (Note 3)	4.47	312,906	-	-	-	-	344,743	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
	17/01/2014	7.00	6.35	6,850,369	-	-	-	-	7,547,354	7,547,354	17/01/2014 – 31/12/2014	17/01/2014 – 31/12/2018
	17/01/2014	7.00	6.35	6,850,369	-	-	3,773,677	-	7,547,355	3,773,678	(Note 1)	(Note 1)
Non-executive Director												
Chen Yue, Scott	20/12/2012	4.92 (Note 3)	4.47	312,906	-	-	-	-	344,743	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018

Other Information (Continued)

Grantees	Date of grant	Exercise price per Share HK\$	Adjusted exercise price per Share upon the 2015 Open Offer HK\$ (Note 4)	Number of Shares								As at 30/06/2015	Vesting Period	Exercise Period
				As at 01/01/2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Adjusted on 02/02/2015 upon the 2015 Open Offer (Note 4)					
Independent non-executive Directors														
Koo Fook Sun, Louis	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)	8.25	227,705	-	-	-	-	250,873	250,873	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017		
	20/12/2012	4.92 (Note 3)	4.47	312,906	-	-	-	-	344,743	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018		
Wang Ya Fei	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)	8.25	227,705	-	-	-	-	250,873	250,873	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017		
	20/12/2012	4.92 (Note 3)	4.47	312,906	-	-	-	-	344,743	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018		
Chan Chung Bun, Bunny	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)	8.25	227,705	-	-	-	-	250,873	250,873	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017		
	20/12/2012	4.92 (Note 3)	4.47	312,906	-	-	-	-	344,743	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018		
Su Jing Shyh, Samuel	20/12/2012	4.92 (Note 3)	4.47	312,906	-	-	-	-	344,743	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018		
Employees of the Group														
In aggregate	19/01/2009	10.45 (Note 3)	-	1,168,764	-	-	1,168,764	-	-	-	-	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015	
In aggregate	22/10/2009	20.09 (Note 3)	18.23	1,821,008	-	-	125,839	-	1,962,059	1,876,388	01/07/2010 – 01/07/2012	01/07/2010 – 22/10/2015		
In aggregate	15/07/2011	9.09 (Note 3)	8.25	975,087	-	-	337,150	-	1,074,296	737,146	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017		
In aggregate	20/12/2012	4.92 (Note 3)	4.47	13,257,767	-	123,500 (Note 2)	2,470,997	-	14,333,240	11,986,959	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018		
In aggregate	13/08/2013	5.07	4.60	5,765,542	-	-	508,788	-	6,119,974	5,821,918	31/03/2014 – 14/08/2018	31/03/2014 – 31/12/2019		
In aggregate	18/12/2013	6.79	6.16	983,692	-	-	531,440	-	969,608	541,794	19/12/2014 – 19/12/2018	19/12/2014 – 31/12/2019		
In aggregate	17/01/2014	7.00	6.35	3,226,483	-	-	170,404	-	3,468,703	3,376,401	18/01/2015 – 31/03/2019	18/01/2015 – 31/12/2020		
In aggregate	04/04/2014	5.10	4.63	649,515	-	-	25,024	-	715,602	690,578	05/04/2015 – 05/04/2019	05/04/2015 – 31/12/2020		

Other Information (Continued)

Grantees	Date of grant	Exercise price per Share HK\$	Adjusted exercise price per Share upon the 2015 Open Offer HK\$ (Note 4)	Number of Shares							As at 30/06/2015	Vesting Period	Exercise Period
				As at 01/01/2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Adjusted on 02/02/2015 upon the 2015 Open Offer (Note 4)				
Other participants													
In aggregate	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
In aggregate	22/10/2009	20.09 (Note 3)	18.23	326,567	-	-	-	-	359,793	359,793	01/07/2010 – 01/07/2012	01/07/2010 – 22/10/2015	
In aggregate	15/07/2011	9.09 (Note 3)	8.25	910,785	-	-	-	-	1,003,452	1,003,452	01/07/2012 – 04/07/2014	01/07/2012 – 31/12/2015	
In aggregate	04/07/2012	4.31 (Note 3)	3.91	726,058	-	-	-	-	799,930	799,930	04/07/2013 – 04/07/2015	04/07/2013 – 31/12/2015	
In aggregate	13/08/2013	5.07	4.60	123,960	-	-	-	-	136,571	136,571	31/03/2014 – 14/08/2018	31/03/2014 – 31/12/2019	
In aggregate	17/01/2014	7.00	6.35	1,950,000	-	-	-	-	2,148,402	2,148,402	17/01/2014 – 01/09/2016	17/01/2014 – 30/09/2019	
In aggregate	17/01/2014	7.00	6.35	37,188	-	-	-	-	40,971	40,971	18/01/2015 – 31/03/2019	18/01/2015 – 31/12/2020	
				55,333,585	-	123,500	14,891,890	-	52,557,857	45,171,882			

Notes:

- 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.
- The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$4.67.
- As a result of the 2013 Open Offer, the exercise prices were adjusted in accordance with the 2004 Share Option Scheme on 22 April 2013. Please refer to the announcement of the Company dated 25 April 2013 for details.
- As a result of the 2015 Open Offer, the exercise prices and the number of the Shares to be allotted and issued upon full exercise of the outstanding share options granted under the 2004 Share Options Scheme were adjusted in accordance with the 2004 Share Option Scheme as from 2 February 2015. Please refer to the announcement of the Company dated 30 January 2015 for details.

Other Information (Continued)

Details of movements of the options granted under the 2014 Share Option Scheme for the six months ended 30 June 2015 are as follows:

Grantees	Date of grant	Exercise price per Share HK\$	As at 01/01/2015	Number of Shares				As at 30/06/2015	Vesting Period	Exercise Period
				Granted during the period	Exercised during the period	Lapsed during the year	Cancelled during the period			
Employees of the Group										
In aggregate	01/04/2015	4.44	-	37,400,000 (Note 1)	-	2,200,000	-	35,200,000	01/04/2016 – 01/04/2018	01/04/2016 – 31/12/2020
Other participants										
In aggregate	01/04/2015	4.44	-	800,000 (Note 1)	-	-	-	800,000	01/04/2016 – 01/04/2018	01/04/2016 – 31/12/2020
			-	38,200,000	-	2,200,000	-	36,000,000		

Note:

- The closing price of the Shares as stated in the Stock Exchange's daily quotations sheets immediately before 1 April 2015 is HK\$4.40 per Share.

Details of valuation of the share options granted during the six months ended 30 June 2015 under the 2004 Share Option Scheme and 2014 Share Option Scheme are set out in note 27 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 2015, no restricted shares were granted to eligible participants pursuant to the Restricted Share Award Scheme. During the period, no restricted shares were vested and lapsed. Details of movements of the restricted shares under the Restricted Share Award Scheme for the six months ended 30 June 2015 are as follows:

Date of grant	Fair value per restricted share (Note 1) HK\$	as at 01/01/2015	Number of Restricted Shares				as at 30/06/2015	Vesting period
			granted during the period	vested during the period	lapsed during the period			
03/09/2010	23.30	440,000	-	-	-	440,000	01/07/2011 – 01/07/2016	
17/01/2014	6.71	1,370,073	-	-	-	1,370,073	(Note 2)	
		1,810,073	-	-	-	1,810,073		

Other Information (Continued)

Notes:

1. The fair values of the restricted shares were based on the closing price per Share at 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 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares (Long Position)	Total	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	303,876,053 (Note 1)	252,707,086 (Note 1)	556,583,139	29.52%
Jin-Goon Kim	Personal interest	–	11,665,775 (Note 2 & 3)	11,665,775	0.62%
Chen Yue, Scott	Personal interest	–	344,743 (Note 2)	344,743	0.02%
Koo Fook Sun, Louis	Personal interest	489,387	595,616 (Note 2)	1,085,003	0.06%
Wang Ya Fei	Personal interest	491,645	595,616 (Note 2)	1,087,261	0.06%
Chan Chung Bun, Bunny	Personal interest	268,387	595,616 (Note 2)	864,003	0.05%
Su Jing Shyh, Samuel	Personal interest	–	344,743 (Note 2)	344,743	0.02%

* The percentage has been calculated based on 1,885,390,051 Shares in issue as at 30 June 2015.

Notes:

1. Mr. Li Ning ("Mr. Li") is interested in 303,876,053 Shares, among which 1,940,933 Shares are held as personal interest, and he is deemed to be interested in an aggregate of 301,935,120 Shares held by Viva China Holdings Ltd ("Viva China BVI") and Alpha Talent. Moreover, Mr. Li is deemed to be interested in 252,707,086 underlying Shares, among which (i) 1,509,470 Shares are share options granted by the Company, (ii) 1,370,073 Shares are unvested restricted shares granted by the Company, and (iii) total amount of HK\$722,478,136 of convertible securities held by Viva China BVI which is entitled to the conversion of 249,827,543 Shares. Details are as follows:
 - (a) Viva China BVI, a wholly-owned subsidiary of Viva China Holdings Limited ("Viva China Holdings"), is interested in 299,374,000 Shares, and 249,827,543 underlying Shares, which comprise (i) the convertible securities in the total amount of HK\$398,156,304 entitling to the conversion of 125,088,377 Shares at the conversion price of HK\$3.183 each, and (ii) the convertible securities in the total amount of HK\$324,321,831.60 entitling to the conversion of 124,739,166 Shares at the conversion price of HK\$2.60 each. Viva China Holdings is owned as to approximately 14.67% by Victory Mind Assets Limited ("Victory Mind"), approximately 24.43% by Lead Ahead Limited ("Lead Ahead") and approximately 27.50% by Dragon City Management (PTC) Limited ("Dragon City") respectively. Each of Lead Ahead and Dragon City is owned as to 60% and 60% by Mr. Li 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 is a settlor). As a result, Mr. Li is deemed to be interested in the 299,374,000 Shares and the 249,827,543 underlying Shares held by Viva China Holdings. Mr. Li is also the chairman and chief executive officer of Viva China Holdings.
 - (b) 2,561,120 Shares are held by Alpha Talent, which is solely owned by Mr. Li. Mr. Li is therefore deemed to be interested in the 2,561,120 Shares held by Alpha Talent. Mr. Li is a director of Alpha Talent.
 - (c) Mr. Li is interested in 1,509,470 share options granted under the 2004 Share Option Scheme at an exercise price of HK\$6.35 each and 1,370,073 unvested restricted shares under the Restricted Share Award Scheme.
2. The underlying Shares are the share options granted by the Company to the respective Directors under the 2004 Share Option Scheme.
3. Mr. Jin-Goon Kim resigned as an executive Director and the Executive Vice Chairman of the Company with effect from 4 July 2015.

Save as disclosed above, so far as was known to any Director, as at 30 June 2015, 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 or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be 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 Stock Exchange.

Other Information (Continued)

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

As at 30 June 2015, 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:

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares	Total	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	303,876,053	252,707,086	556,583,139 (L) (Note 1)	29.52%
Li Chun	Interest of controlled corporations	299,374,000	249,827,543	549,201,543 (L) (Note 2)	29.13%
Viva China Holdings Limited	Interest of controlled corporation	299,374,000	249,827,543	549,201,543 (L) (Note 1(a))	29.13%
David Bonderman	Interest of controlled corporations	53,000,000	229,634,281	282,634,281 (L) (Note 3)	14.99%
James G. Coulter	Interest of controlled corporations	53,000,000	229,634,281	282,634,281 (L) (Note 3)	14.99%
Minister for Finance	Interest of controlled corporations	92,940,823	59,580,856	152,521,679 (L) (Note 4)	8.09%
BlackRock, Inc.	Investment manager	139,991,132	–	139,991,132 (L)	7.43%
	Investment manager	26,707,817	–	26,707,817 (S)	1.42%
Lou Yunli	Interest of controlled corporations	134,583,330	–	134,583,330 (L) (Note 5)	7.14%
James Christopher Kralik	Interest of controlled corporations	134,583,330	–	134,583,330 (L) (Note 5)	7.14%
FIL Limited	Investment manager	131,012,006	–	131,012,006 (L)	6.95%
Genesis Asset Managers, LLP	Investment manager	128,903,842	–	128,903,842 (L)	6.84%
Marathon Asset Management LLP	Investment manager	115,765,127	–	115,765,127 (L)	6.14%

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

* The percentage has been calculated based on 1,885,390,051 Shares in issue as at 30 June 2015.

Notes:

1. Mr. Li Ning is interested in 303,876,053 Shares, among which 1,940,933 Shares are held as personal interest, and he is deemed to be interested in an aggregate of 301,935,120 Shares held by Viva China BVI and Alpha Talent. Moreover, Mr. Li is deemed to be interested in 252,707,086 underlying Shares, among which (i) 1,509,470 Shares are share options granted by the Company, (ii) 1,370,073 Shares are unvested restricted shares granted by the Company, and (iii) total amount of HK\$722,478,136 of convertible securities held by Viva China BVI which is entitled to the conversion of 249,827,543 Shares. Details are as follows:
 - (a) Viva China BVI, a wholly-owned subsidiary of Viva China Holdings, is interested in 299,374,000 Shares, and 249,827,543 underlying Shares, which comprise (i) the convertible securities in the total amount of HK\$398,156,304 entitling to the conversion of 125,088,377 Shares at the conversion price of HK\$3.183 each, and (ii) the convertible securities in the total amount of HK\$324,321,831.60 entitling to the conversion of 124,739,166 Shares at the conversion price of HK\$2.60 each. Viva China Holdings is owned as to approximately 14.67% by Victory Mind, approximately 24.43% by Lead Ahead and approximately 27.50% by Dragon City respectively. Each of Lead Ahead and Dragon City is owned as to 60% by Mr. Li 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 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 settler). As a result, Mr. Li is deemed to be interested in the 299,374,000 Shares and the 249,827,543 underlying Shares held by Viva China Holdings. Mr. Li is also the chairman and chief executive officer of Viva China Holdings.
 - (b) 2,561,120 Shares are held by Alpha Talent, which is solely owned by Mr. Li. Mr. Li is therefore deemed to be interested in the 2,561,120 Shares held by Alpha Talent. Mr. Li is a director of Alpha Talent.
 - (c) Mr. Li is interested in 1,509,470 share options granted under the 2004 Share Option Scheme at an exercise price of HK\$6.35 each and 1,370,073 unvested restricted shares under the Restricted Share Award Scheme.
2. As disclosed in Note 1(a) above, Mr. Li Chun is deemed to be interested in 299,374,000 Shares and the 249,827,543 underlying Shares held by Viva China Holdings. He is the brother of Mr. Li Ning.
3. TPG Stallion, L.P. ("TPG") is interested in 53,000,000 Shares and 229,634,281 underlying Shares, which comprise (i) the convertible bonds with the principal amount of RMB561,000,000 due 2017 entitling to the conversion in aggregate of 168,629,032 Shares, (ii) the convertible securities in the total amount of HK\$123,888,471 entitling to the conversion in aggregate of 38,921,919 Shares at the conversion price of HK\$3.183 each, and (iii) the convertible securities in the total amount of HK\$57,416,658 entitling to the conversion in aggregate of 22,083,330 Shares at the conversion price of HK\$2.60 each. TPG 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. Tetrad Ventures Pte. Ltd. ("Tetrad") is interested in 80,438,625 Shares and the convertible bonds with the principal amount of RMB189,000,000 due 2017 entitling to the conversion in aggregate of 56,810,850 Shares and 2,770,006 other derivatives. Tetrad is wholly owned by GIC (Ventures) Pte Ltd (formerly known as Government of Singapore Investment Corporation (Ventures) Pte Ltd). GIC Special Investments Pte Ltd manages the investment of Tetrad, and is wholly owned by GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd) ("GIC"). GIC also directly holds 12,502,198 Shares and is wholly owned by Minister for Finance.
5. Linden Street Capital Limited ("Linden"), a company owned as to 50% by Lou Yunli and 50% by James Christopher Kralik, is deemed to be interested in 134,583,330 Shares, among which 70,833,330 Shares are held by Milestone Capital Strategic Holdings Limited and 63,750,000 Shares are held by Milestone Sports Limited.

Save as disclosed above, as at 30 June 2015, 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.

Other Information (Continued)

Convertible Bonds

The Company had issued convertible bonds (the "Convertible Bonds") in the principal amount of RMB561,000,000 to TPG Stallion Holdings, L.P. (which is an affiliate of TPG) and Convertible Bonds in the principal amount of RMB189,000,000 to Tetrad Ventures Pte. Ltd. ("GIC Investor") on 8 February 2012 respectively.

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\$4.50 per Share. Please refer to the announcement of the Company dated 25 January 2013 for details.

As a result of the 2015 Open Offer and pursuant to the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds was adjusted from HK\$4.50 per Share to HK\$4.092 per Share on 2 February 2015. Based on the outstanding Convertible Bonds in the aggregate principal amount of RMB750,000,000 on 2 February 2015, the conversion right attaching to the outstanding Convertible Bonds was adjusted from 205,000,000 Shares to 225,439,882 Shares. Please refer to the announcement of the Company dated 30 January 2015 for details.

Convertible Securities

On 22 April 2013, the Company issued convertible securities (the "2013 Convertible Securities") with an aggregate principal amount of approximately HK\$1,847,838,000 entitling the conversion for a total of 527,953,814 Shares.

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

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

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

As at 30 June 2015, the 2013 Convertible Securities in an aggregate principal amount of approximately HK\$2,038,522.12 and the 2015 Convertible Securities in an aggregate principal amount of HK\$136,916.00 had been converted into 632,809 Shares and 52,660 Shares respectively; and the outstanding 2013 Convertible Securities amounted to HK\$527,481,388.377 and the outstanding 2015 Convertible Securities amounted to HK\$381,754,973.60, entitling to the conversion into a total of 165,718,312 Shares and 146,828,836 Shares respectively.

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 2015. Except for the purchase of Shares by the trustee of the Restricted Share Award Scheme pursuant to the trust deed and the Restricted Share Award Scheme rules, neither the Company nor any of its subsidiaries purchased or sold any Shares during the period.

Change in Director's Information

1. Mr. Li Ning, an executive Director and the Executive Chairman, was appointed as an interim CEO of the Company with effect from 18 March 2015.
2. Mr. Jin-Goon Kim resigned as an executive Director and the Executive Vice Chairman of the Company with effect from 4 July 2015.
3. Mr. Wu, Jesse Jen-Wei was appointed as a non-executive Director and a member of the executive committee of the Company with effect from 12 August 2015.

Apart from the above, there has been no other change in information on Directors since the date of the annual report of the Company for the year ended 31 December 2014, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance

For the period from 1 January 2015 to 30 June 2015, the Company has complied with all the code provisions of the Corporate Governance Code ("Code Provisions") contained in Appendix 14 of the Listing Rules with the exception of paragraph A.2.1 of the Code Provisions.

According to paragraph A.2.1 of the Code Provisions, the roles of the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. As the Company has not yet identified a suitable candidate to be the chief executive officer ("CEO") during the six months ended 30 June 2015, Mr. Li Ning, the Executive Chairman of the Company, assumed the role of chief executive officer with the assistance of the current senior management of the Company, and he was officially appointed as the Interim CEO of the Company from 18 March 2015. Therefore, there was no separation of the roles of the chairman and the chief executive as both roles are currently undertaken by Mr. Li Ning. Notwithstanding the above, the Board is of the view that the assumption of the roles of Executive Chairman and Interim CEO by Mr. Li Ning will provide the Group with consistent and steady leadership, and is particularly beneficial to the planning and implementation of the Group's business strategies. The Board also believes that the current arrangement is in the interest of the Company and its Shareholders as a whole.

The Company has adopted the Model Code regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

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 2015.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2015 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 and Interim CEO

Hong Kong, 12 August 2015

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 2015: 1,885,390,051 Shares
Market capitalization as at 30 June 2015: approximately HK\$6,674,280,780

Interim Dividend for 2015

Nil

Financial Calendar

Announcement of 2015 interim results: 12 August 2015
Announcement of 2015 annual results: March 2016

Corporate Websites

Li Ning Official Website – Chinese only: <http://www.lining.com>
Li Ning IR Website: <http://ir.lining.com>

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Glossary

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

"2004 Share Option Scheme"	the share option scheme adopted by the Company on 5 June 2004, amended on 15 May 2009 and 11 October 2012 and terminated on 30 May 2014
"2013 Open Offer"	the open offer of convertible securities issued by the Company as set out in the listing document of the Company dated 27 March 2013
"2014 Share Option Scheme"	the share option scheme adopted by the Company on 30 May 2014
"2015 Open Offer"	the open offer of offer securities issued by the Company as set out in the listing document of the Company dated 9 January 2015
"Alpha Talent"	Alpha Talent Management Limited, a limited liability company incorporated in the British Virgin Islands and wholly owned by Mr. Li Ning
"Articles of Association"	the articles of association of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company" or "Li Ning Company"	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"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
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"PRC" or "China"	the People's Republic of China

Glossary (Continued)

“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
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.