



LI-NING

LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)



**Anything
is possible**

Interim Report 2016



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

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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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, GBS, JP
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, GBS, JP

Remuneration Committee

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

Nomination Committee

Mr. SU Jing Shyh, Samuel (*Committee Chairman*)
Mr. LI Ning
Dr. CHAN Chung Bun, Bunny, GBS, JP

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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Operational Headquarters

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Opto-Mechatronics Industrial Park
Zhongguancun Science & Technology Area
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Beijing, PRC
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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

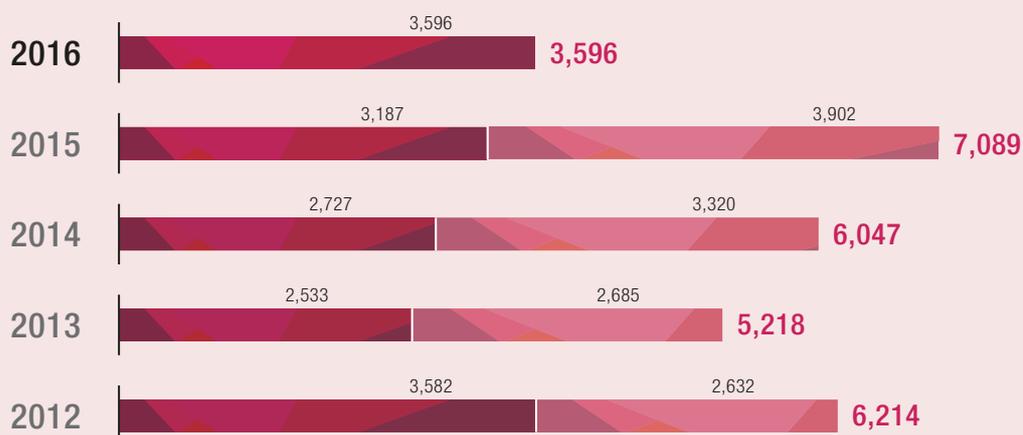




SPORTSMANSHIP

Five-year Financial Highlights

Turnover (Restated)



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 OTHERS	OLYMPIC CHAMPION TEAMS	TABLE TENNIS	SHOOTING
TOP-NOTCH ATHLETES/ SPORTS TEAMS/ SPORTS CLUBS	Dwyane Wade		China National Badminton Team	Marin Cilic	China National Table Tennis Team	Ma Long	Tsinghua University Shooting Team
	Evan Turner		Chen Long	The delegation of Shanghai for the National Game	China National Diving Team	Li Xiaoxia	
	Guo Ailun		Wang Yihan	Speed Skating Canada	China National Shooting Team	Wang Liqin	
	Zhao Yanhao		Li Xuerui			Ding Ning	
	Xirelijiang		Zhang Nan				
	He Tianju		Fu Haifeng				
	Sun Yue		Zhao Yunlei				
	Zhao Jiwei		Yu Yang				
	Zhao Tailong						
	Sichuan Jinjiang Basketball Club						
China National Junior Team							
TOURNAMENTS	China Basketball Association	Li-Ning 10K Running League	2013-2016 'MAJOR EVENTS' Partner of BWF			CTTA Members' League	
	China Junior & High School Basketball League	China National High Attitude Endurance Challenge	2016 Thomas & Uber Cup (Equipment Sponsor)				
	Chinese University Basketball Association	2016 Hong Kong Streetathon	2016 Thailand China Open (Equipment Sponsor)				
	CBA Junior League	2016 Jingmen International Marathon	2016 BWF Super Series China Masters (Equipment Sponsor)				
			2016 Singapore Open Badminton Championships (Equipment Sponsor)				
			2016 China (Ling Shu) International Challenge (Equipment sponsor)				
OTHER IMPORTANT SPONSORSHIP RESOURCES	Udonis Haslem	Provincial Athletics Team (Guangdong/ Yunnan/People's Republic Army)	Chinese Youth Badminton Team	Lining International Junior Tennis Championships			
	Dorell Wright	Li Tie	Singapore National Badminton Team				
	Glenn Robinson III		Australia National Badminton Team				
	Zeng Lingxu		Indonesia National Badminton Team				
	Fang Shuo		Provincial Team: Beijing, Liaoning, Shanghai, Sichuan, Guangdong, Zhejiang, Bayi, Shandong, Xiamen, Tianjin Club: Hunan Club, Qingdao Club				
	Tian Yuxiang		Pornpit (Thailand), Markis Kido (Indonesia), Ajay Jayaram (India), Parupalli Kashyap (India), Jwala Gutta (India), Pia Zebadiah (Indonesia), Rizki Amelia Pradipta (Indonesia)				
	Chen Linjian		Bao Chunlai, Wang Xin, Wang Lin, Tang Xianhu				
	Luo Kaiwen						
	Zhang Zuming						
	Fan Bin						
	Qu Shaobin						
	Yang Maogong						
	Wang Zrui						
	Yi Li						

The background is a vibrant, abstract composition of geometric shapes. It features a gradient from a pale yellow at the top to a light blue at the bottom. Scattered throughout are various triangles in shades of orange, red, yellow, and blue. Some triangles are solid, while others are semi-transparent or have a slight glow. A prominent diagonal line runs from the top left towards the bottom right, intersecting the text. The overall effect is dynamic and modern.

STANDING OUT



Management Discussion And Analysis (Continued)

Financial Overview

The key operating and financial performance indicators of the Group for the six months ended 30 June 2016 are set out below:

	Unaudited		Change (%)
	Six months ended 30 June		
	2016	2015	
Income statement items			
<i>(All amounts in RMB thousands unless otherwise stated)</i>			
Revenue	3,595,635	3,186,507	12.8
Gross profit	1,677,541	1,441,248	16.4
Operating profit	152,647	57,203	166.9
Earnings before interest, tax, depreciation and amortisation (EBITDA) (Note 1)	307,580	163,152	88.5
Profit/(Loss) attributable to equity holders (Note 2)	113,421	(29,407)	(485.7)
Basic earnings/(losses) per share (RMB cents) (Note 3)	5.16	(1.55)	(432.9)
Key financial ratios			
Profitability ratios			
Gross profit margin (%)	46.7	45.2	
Operating profit margin (%)	4.2	1.8	
Effective tax rate (%)	22.9	(3,260.5)	
Margin of profit/(loss) attributable to equity holders (%)	3.2	(0.9)	
Return on equity attributable to equity holders (%)	3.5	(1.2)	
Expenses to revenue ratios			
Staff costs (%)	9.8	10.1	
Advertising and marketing expenses (%)	12.1	14.8	
Research and product development expenses (%)	1.6	2.2	
Asset efficiency			
Average inventory turnover (days) (Note 4)	94	112	
Average trade receivables turnover (days) (Note 5)	72	71	
Average trade payables turnover (days) (Note 6)	91	93	



	Unaudited 30 June 2016	Audited 31 December 2015
Asset ratios		
Debt-to-equity ratio (%) (Note 7)	99.6	109.7
Interest-bearing debt-to-equity ratio (%) (Note 8)	28.9	40.5
Net asset value per share (RMB cents)	188.85	180.91

Notes:

1. The calculation of earnings before interest, tax, depreciation and amortisation (EBITDA) is based on the sum of profit/(loss) for the period from continuing operations, income tax expense, finance expenses – net, depreciation on property, plant and equipment, and amortisation of land use rights and intangible assets.
 2. Including profit attributable to equity holders for the period from 1 January to 31 March 2016: RMB41,495,000.
 3. The calculation of basic earnings/(losses) per share is based on the profit/(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 (excluding Double Happiness), 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 (excluding Double Happiness), 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 (excluding Double Happiness), 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 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 2016 amounted to RMB3,595,635,000, representing an increase of 12.8% as compared to the corresponding period of 2015.

Revenue breakdown by brand and product category

	2016		Six months ended 30 June 2015		Revenue Change (%)
	RMB'000	% of total revenue	RMB'000	% of total revenue	
LI-NING brand					
Footwear	1,827,921	50.8	1,585,214	49.7	15.3
Apparel	1,538,450	42.8	1,345,443	42.2	14.3
Equipment/accessories	186,285	5.2	196,619	6.2	(5.3)
Total	3,552,656	98.8	3,127,276	98.1	13.6
Other brands*					
Total	42,979	1.2	59,231	1.9	(27.4)
Total	3,595,635	100.0	3,186,507	100.0	12.8

* Including Lotto, Kason and Aigle.

The Group's core brand, LI-NING brand, recorded revenue of RMB3,552,656,000, which accounted for 98.8% of the Group's total revenue, representing a year-on-year increase of 13.6%. The business of the Group has entered a phase of steady growth due to the following factors: (a) the five key categories of the Company have received market recognition, particularly for running, basketball and fitness training products which show significant sales growth. With gradually improved distributors' confidence, the revenue from sales to franchised distributors recorded a year-on-year increase; (b) the Company made continuous efforts in developing mobile internet services, fostering rapid development of e-commerce channel with a more than doubled year-on-year sales growth; and (c) same-store sales of self-operated points of sales ("POS") also registered growth. All of the above factors have contributed to the Group's steady growth in revenue.



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

	Six months ended 30 June		Change (%)
	2016 % of revenue of LI-NING brand	2015 % of revenue of LI-NING brand	
LI-NING brand			
PRC market			
Sales to franchised distributors	49.4	51.3	(1.9)
Sales from direct operation	35.5	39.6	(4.1)
Sales from e-commerce channel	12.8	7.0	5.8
International markets	2.3	2.1	0.2
Total	100.0	100.0	

Revenue breakdown of LI-NING brand by geographical location

	Note	2016		Six months ended 30 June 2015		Revenue Change (%)
		RMB'000	% of revenue of LI-NING brand	RMB'000	% of revenue of LI-NING brand	
LI-NING brand						
PRC market						
Northern region	2	1,837,120	51.8	1,671,767	53.5	9.9
Southern region	3	1,632,130	45.9	1,389,634	44.4	17.5
International markets		83,406	2.3	65,875	2.1	26.6
Total		3,552,656	100.0	3,127,276	100.0	13.6

Notes:

- In 2016, the Group restructured and adjusted its sales system and related organizational structure to re-classify the original geographical locations into two sub-regions, namely the Northern region and Southern region of the PRC. The purpose of this was to further facilitate the transformation into a retail business model, which will enhance the product operation and production efficiency, as well as the quality and profitability of single-store operation. Comparative figures have also been restated for consistent presentation purpose.
- The Northern region includes Beijing, Tianjin, Shanxi, Shandong, Hebei, Inner Mongolia, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Gansu, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region and Qinghai.
- The Southern region includes Guangdong, Guangxi, Fujian, Hainan, Yunnan, Guizhou, Sichuan, Jiangxi, Chongqing, Tibet, Shanghai, Zhejiang, Jiangsu, Hunan, Hubei and Anhui.

Compared with the corresponding period last year, the Southern region and International markets recorded relatively significant growth while the growth in the Northern region slowed down.

Cost of Sales and Gross Profit

For the six months ended 30 June 2016, overall cost of sales of the Group amounted to RMB1,918,094,000 (2015: RMB1,745,259,000), and overall gross profit margin was 46.7% (2015: 45.2%). Gross profit margin for the period increased mainly due to the increase in the proportion of sales of new products with higher gross profit margin.

Cost of sales of LI-NING brand amounted to RMB1,894,796,000 (2015: RMB1,710,947,000), with gross profit margin of 46.7% (2015: 45.3%). During the period, the tag-cost-ratio was improved as the Company exercised effective control on procurement costs. Meanwhile, the structure of the sales of new and old retail and wholesale products was improved. The significant growth in e-commerce services also had positive effect on the gross profit margin. However, certain positive impacts were offset as the inventory balance increased compared to what it was in the beginning of the year, leading to the additional inventory provision for the period: this is in comparison to the corresponding period last year when the provision was reversed with the clearance of obsolete inventory. Taking into account all the above factors, LI-NING brand's gross profit margin still represented a year-on-year increase of 1.4 percentage points in the first half of 2016.

Distribution Expenses

For the six months ended 30 June 2016, the Group's overall distribution expenses amounted to RMB1,355,081,000 (2015: RMB1,243,733,000), accounting for 37.7% (2015: 39.0%) of the Group's total revenue.

Distribution expenses of LI-NING brand amounted to RMB1,352,335,000 (2015: RMB1,239,504,000), accounting for 38.1% (2015: 39.6%) of LI-NING brand's revenue. During the period, as the Group invested its resources mainly in channel expansion, the number of self-operated POS significantly increased year-on-year, leading to a corresponding increase in staff costs, operation and maintenance costs and asset depreciation charges of POS. E-commerce channel developed rapidly, leading to a significant increase in the relevant commission fees. In addition, the sales growth resulted in the increase in logistics expenses. However, at the same time, the Group placed stringent control on the relevant advertising and marketing expenses. Taking into account all the above factors, although LI-NING brand's distribution expenses increased year-on-year, its percentage to revenue decreased by 1.5 percentage points.



Administrative Expenses

For the six months ended 30 June 2016, the Group's overall administrative expenses amounted to RMB202,996,000 (2015: RMB157,674,000), accounting for 5.6% (2015: 4.9%) of the Group's total revenue.

Administrative expenses of LI-NING brand amounted to RMB200,193,000 (2015: RMB151,811,000), accounting for 5.6% of LI-NING brand's revenue, or 0.7 percentage points higher than the 4.9% for the corresponding period in 2015. 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 increase in administrative expenses during the period was mainly due to the impact of provision for impairment of trade receivables. As the distributors' business was stable during the period, provisions for impairment of trade receivables remained stable compared with the beginning of the period. However, during the corresponding period last year, provisions for impairment were significantly reversed following the improvement of the distributors' business. Therefore, LI-NING brand's administrative expenses increased year-on-year.

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

For the six months ended 30 June 2016, the Group's EBITDA amounted to RMB307,580,000 (2015: RMB163,152,000), representing a year-on-year increase of 88.5%. This was mainly attributable to the improved performance of LI-NING brand.

EBITDA of LI-NING brand amounted to RMB287,565,000 (2015: RMB139,918,000). This was mainly attributable to the increase in revenue and gross profit of the Company and the decrease in expense ratio resulting from control of various expenses.

Finance Expenses

For the six months ended 30 June 2016, the Group's net finance expenses amounted to RMB67,482,000 (2015: RMB62,416,000), representing 1.9% (2015: 2.0%) of the Group's total revenue. The net finance expenses included the interest expense of convertible bonds amounting to RMB33,403,000 (2015: RMB31,806,000).

Income Tax Expense

For the six months ended 30 June 2016, income tax expense of the Group amounted to RMB20,279,000 (2015: RMB61,558,000) and the effective tax rate was 22.9% (2015: -3,260.5%, primarily deferred income tax expense arising from the reversal of deferred income tax assets).

Profit for the Period of Discontinued Operations

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

According to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, for the purpose of the Group, Double Happiness is qualified for classification as assets held for sale and discontinued operation. The net profit from Double Happiness, which is principally engaged in the operation of Double Happiness brand, was thus classified as profit for the period from discontinued operations. During the six months ended 30 June 2016, net profit from Double Happiness amounted to RMB80,018,000 (2015: RMB63,204,000), which was mainly attributable to the effective control of distribution and administrative expenses.

Overall Profitability Indicators

The overall profitability indicators of the Group improved during the six months ended 30 June 2016, which was attributable to the increase in both sales revenue and gross profit, and the decrease in expense ratios of the Group during the period. The Group's profit attributable to equity holders amounted to RMB113,421,000 (2015: loss attributable to equity holders of RMB29,407,000). The corresponding margin of profit attributable to equity holders for the period was 3.2% (2015: -0.9%), representing a year-on-year increase of 4.1 percentage points. Return on equity attributable to equity holders was 3.5% (2015: -1.2%), representing a year-on-year increase of 4.7 percentage points.

Provision for Inventories

The Group's policy in respect of provision for inventories for the first half of 2016 was the same as that in 2015. Inventories are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as provision for inventories. The Group considers this policy to be adequate in ensuring appropriate provision for inventories is made by the Group.

As at 30 June 2016, the accumulated provision for inventories was RMB176,839,000 (31 December 2015: RMB169,697,000). As at the end of the period, there was an increase in the gross value of inventories as compared with that as at 31 December 2015, with a slight increase in the balance of the overall provision for inventories.

Provision for Doubtful Debts

The Group's accounting policy in respect of provision for doubtful debts for the first half of 2016 was the same as that in 2015.

As at 30 June 2016, the accumulated provision for doubtful debts was RMB472,374,000 (31 December 2015: RMB475,757,000). As the business of our channel distributors was in steady condition during the period, the balance of provision for doubtful debts remained stable accordingly.



Liquidity and Financial Resource

The Group's net cash inflow from operating activities for the six months ended 30 June 2016 amounted to RMB345,869,000 (2015: RMB166,642,000). As at 30 June 2016, 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 RMB1,544,570,000, representing a net decrease of RMB268,002,000 as compared with the position as at 31 December 2015. The decrease was due to the following items:

	Unaudited Six months ended 30 June 2016 RMB'000
Item	
Operating activities:	
Net cash from operating activities	345,869
Investing activities:	
Net capital expenditure	(205,101)
Proceeds from the disposal of available-for-sale financial assets	13,478
Payment for investment in associates	(2,000)
Loan repayments from joint venture	5,238
Net cash from other investing activities	4,582
Financing activities:	
Net repayment of borrowings	(354,819)
Net cash used in other financing activities	(50,881)
	(243,634)
Add: Exchange gain on cash and cash equivalents	3,208
Less: Net increase in cash classified as held for sale	27,576
Net increase in cash and cash equivalents	(268,002)

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

On 17 December 2014, the Company published an announcement on the implementation of the Equity Fund Raising Plan. On 30 January 2015, the Company completed the fund raising and the net proceeds from the open offer amounted to HK\$1,515,030,000, equivalent to a net price of HK\$2.54 per offer security. As of 30 June 2016, the Company has applied 37% of the net proceeds for paying down the Group's debts, 44% for store network expansion and retail capabilities optimization and 16% for product research and development. The remaining balance has been applied for general working capital.

As at 30 June 2016, the Group's available banking facilities amounted to RMB700,000,000, amongst which outstanding borrowings amounted to RMB210,000,000. As at the end of the period, the ratio of outstanding borrowings and convertible bonds to equity attributable to equity holders (i.e. the gearing ratio) was 28.9% (31 December 2015: 40.5%).

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

Foreign Exchange Risk

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

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

Pledge of Assets

As at 30 June 2016, buildings and land use rights with net book value of RMB377,919,000 (31 December 2015: RMB386,548,000) and RMB78,733,000 (31 December 2015: RMB79,661,000) respectively were secured for acquiring the Group's borrowings.

Contingent Liabilities

As at 30 June 2016, the Group had no significant contingent liabilities.



Business Review

In 2016, the sporting goods industry in China continued to gain support from national policies, consumers' pursuit of healthy lifestyles and the increasing participation and passion for sports amongst the public. Meanwhile, challenges arising from various factors, such as the sluggishness of macro economy, still cannot be neglected. Based on the various initiatives implemented in 2015, Li Ning Company will continue to seize market opportunities and consolidate our results. During the first half of 2016, we mainly focused on nurturing brand loyalty. To achieve this, we leveraged our brand influence to improve user experience across various channels and platforms.

During the first half of 2016, our products remained one of our core development areas. In respect of sports and leisure products, we integrated popular elements into our products so as to cater to the ever-changing preferences and demands of consumers. In terms of professional sports products, we continued to follow the unique sports functionality of LI-NING brand, and continued to optimise and upgrade our products. For example, we integrated smart technology into the "LI-NING Cloud III Running Shoes" in the first quarter, receiving positive feedback from the market on the combination of tradition and innovation. Furthermore, we incorporated the popular "all-in-one weaving" technique with our classic lightweight features in the "Super Light 13th Running Shoes", also making it available with multi-color solutions so as to attract customers' interest. With regard to sales channels, we continued to implement brand refinement policies and maintain our annual growth targets. Meanwhile, the Company will continue to strengthen merchandising, sales operation and store retailing to constantly secure and strengthen our retail capacity.

Li-Ning Brand

Basketball

Functional basketball shoes specially designed for CBA players: "Phantom"

The "Phantom", which was launched in the first quarter of 2016, applied our upgraded "LI-NING Cloud III" midsole technology with significantly improved cushioning and rebounding features. The shoes were made available in various color themes, including a red-and-gold series for Chinese New Year, a black-and-white series featuring Chinese ink wash paintings, and a colorful Hawaiian series.

Signature shoes driving fans and retailers crazy: "Wade 4" All-Star limited edition

Featuring the "All-Star" theme, the "Wade 4" was limited to 100 pairs worldwide. Market pre-heat with online gossip among fans before its launch and limited sales in Toronto, Miami and various locations throughout China contributed to an unprecedented hot sales for this product. Attracting immediate publicity and the attention of various major media outlets online and in the press, the campaign has fostered significant media value for the shoes.

Leading Chinese-style design: CBA All-Star Apparel

In 2016, Chinese calligraphy elements were added to the uniform and apparel of CBA All-Star teams. The uniforms were printed with the Chinese characters of "South" and "North" in Seal Script, combined with a pixelated camouflage design. This product was well received by consumers.

Innovative sales model: Customised Wade T-shirt and “Green Phantom”(綠幽靈) sneakers

The basketball segment under LI-NING brand attempted various innovative sales models in 2016, including direct cooperation with Wade’s fans to customise Wade T-shirts and the partnership with Taobao for exclusive sales of “Green Phantom” (綠幽靈) sneakers on its Juhuasuan (聚划算) platform. Capitalizing on the high popularity of the All-Star Game, we designed customised Wade T-shirts in cooperation with Wade’s fans. Great success was achieved in the online pre-sale, averaging 800 sales orders a week until complete clearance of our inventory. Additionally, cooperation with our partner Taobao to sell the wildfire-inspired “Green Phantom” (綠幽靈) sneakers exclusively on Juhuasuan (聚划算) allowed us to achieve sales of 2,000 pairs on the first day of launch.

Grassroots Basketball Marketing: Summer League “Shot to Fame”

The LI-NING basketball segment held the Summer League “Shot to Fame” in the second quarter of 2016. We searched for elite grassroots basketball players from over a hundred basketball courts in 14 cities. Players were selected to compete for the “Shot to Fame” championship by going through three stages (Search – Battle – Championship). As of the end of May, we had approached over 15,000 players on site and news of this championship had attracted more than two million viewers on Weibo. Wade’s visit to China in July was the highlight of this event and the champion was crowned.

Badminton

Distribution of LI-NING badminton products in China has long been carried out mainly through professional channels. During the first half of 2016, when we established our e-commerce platform for badminton products, we were still exploring modes of cooperation with our offline channel partners. This contributed to negative impacts on our sell-through volume and revenue.

The following solutions have eliminated such negative impacts during the second half of 2016:

- To improve the management of our e-commerce platform, we formed strategies relating to product distribution as well as the management and control of retail prices in our e-commerce channel. The goal was to achieve fair competition and to further develop our sales presence among different channels;
- We strategically allocated staff from sales, marketing, and channel management departments according to the level of importance attributed to each of the nation’s business districts. This initiative allowed us to provide professional support tailored to each business district relating to products, marketing approach, and service quality. Its further benefits include contributing to the prompt resolution of issues raised by customers on the retail frontline, as well as assisting offline stores in improving sales techniques and accelerating retail turnover. Meanwhile, we have directly contacted influential badminton amateurs from different professional clubs and consumer groups to improve sales and to conduct effective marketing promotion.

During the first half of 2016, LI-NING badminton business continued enhancing research and development of new products to bolster its brand influence. This strategy was conducted alongside our event promotion efforts and by taking advantage of our sponsorship resources. Major initiatives include:



- We continued to develop LI-NING badminton rackets and launch new products in the first half of 2016 on the basis of the "LI-NING badminton technology platform", maintaining the market awareness and sales momentum of high-end products. Meanwhile, N99, the tailor-made racket for world champion Chen Long, and N80 II, a newly sponsored product, were launched. Through certain promotional campaigns, both the N99 and N80 II were widely accepted by badminton fans;
- In May 2016, due to our product exposure during the Thomas & Uber Cup tournament, a top badminton event held in Kunshan, our innovatively designed apparel and footwear gained wide recognition in the market, achieving outstanding sales performance in the high-end apparel segment. This also boosted the market reputation and sales of our mid-range classic products, which have always performed steadily in the market;
- With WeChat and Weibo as the core communication platform, our digital marketing continued to enhance the professionalism of the LI-NING badminton brand. Our key products include the new racket N99 under the Air Stream technology platform, the uniform of the National Badminton Team for All England and Thomas & Uber Cup, the sponsored competition shoes for players and the sponsored racket bags for the National Badminton Team. As Thomas & Uber Cup received significant attention on social media, our official WeChat account attracted over 500 thousand viewers whereas our official Weibo attracted more than ten million views;
- In April 2016, LI-NING signed up with Bao Chunlai, the world champion and former national team player. This further diversified the resources of the badminton segment under LI-NING brand. Immediately upon signing, Bao Chunlai participated in a promotional campaign for the Thomas & Uber Cup tournament. Leveraging his personal influence, LI-NING's new products release for Thomas & Uber Cup has gained more than ten thousand views on social media.

Kason, a well-known badminton equipment brand with over 20 years of history, is an important and integral part of the Group's badminton segment. During the first half of 2016, the business of the Kason brand remained stable. Kason continued to maintain its reputation as a "classic" brand among consumers through optimizing its product mix, launching retro-style racket models, reducing production costs and enhancing the cost-effectiveness of its products. The retro-style racket models continued to sell well, while newly developed apparel and footwear products remained competitive in terms of product design and pricing;

The Group will continue to differentiate between the LI-NING brand and the Kason brand in the market, enhance product competitiveness, and effectively utilise the brands' superior sports marketing resources to increase its market share in badminton products.

Running

Star products for professional runners

- "LI-NING Cloud III"

The product was launched in the first quarter of 2016. It was the first product of our "LI-NING Cloud" that adopted smart technology. The midsole chipping can effectively record running data, assisting runners to enhance their performance in sports. This upgraded LI-NING Cloud model achieves better cushioning and rebounding, thus reducing the likelihood of sport injuries.

- "Super Light 13th"

This product was launched in the second quarter of 2016. Inspired by oriental tapestry, the product combines flexible yarn and breathable MONO yarn to create a masterpiece of remarkably light weight. In addition, the ultra-light midsole model, known as FoamEVALite, further enhances athletic agility. The product has achieved a sales volume of approximately 500,000 pairs within three months since its launch.

- Cool Style (酷風)

The product was launched in the second quarter of 2016. Featuring the Cool Shell technology and the integration of 360-degree breathable sole structure and ice yarn within the shoe, the product offers runners a cool summer experience.

Running Culture Star Products

- Heather

This product features a fashionable one-piece design using two-color mesh fabric. Multiple colors are available to cater to the needs of various consumers in different occasions.

- Easy City

These running shoes are designed to be trendy in style. The IP midsole and Bubble 108° cushion underneath the heel together create spring support to offer a cozy wearing experience. The design with breathable mesh also makes it suitable for summer wear.



Innovative Marketing Approach

We aim to re-build LI-NING's professional image by drawing on both our existing product matrix and smart ecosystem. This strategy will be supplemented by effectively applying an integrated marketing approach to our online and offline channels in pursuit of wider recognition of LI-NING running products.

- We have seen remarkable results in the implementation of an integrated marketing approach for core products. For the launch of the "Super Light 13th" running shoes, we combined innovative advertising techniques with promotion on WeChat "Moments" to reach out to approximately 14 million potential consumers, a base identified through big data analysis. The promotional video accumulated a total of approximately 45.14 million views. This exemplified effective application of an integrated marketing approach as it connected online and offline channels to maximize return on investment;
- The division continued to develop the LI-NING Smart Running Ecosystem by integrating smart products, professional physical experience channels, communications based on mobile internet as well as users' big data. As of now, there are already over 700,000 runners using the smart running shoes and interacting through various online and offline channels;
- The division also continued to strengthen and expand the LI-NING China 10K Running League and jointly hosted the LI-NING 10K Online Running League with multiple brands, thus enhancing our influence and involvement. Furthermore, the division effectively generated sales by drawing runners directly into online stores through online marketing activities.

Innovative experience

The division continued to promote Running Corners in Flagship Stores, the LI-NING iRun Club, and the LI-NING running product specialty shops, while supporting the multi-store tactic of Sales Department in implementing targeted product planning and assortment. Until now, two iRun Clubs have been opened in Beijing and Shanghai to offer professional courses, physical training, foot shape analysis, meet-ups of running groups and a platform for finding running partners to tens of thousands of runners. The first LI-NING running product specialty shop was opened in Shanghai. The store provides integrated services such as professional running facilities, running posture assessments, and social networking opportunities among fellow athletes. By bringing professional services to runners, the aim is to develop it into a major landmark for Shanghai runners.

Sports Life

"*inning*" label

The brand is positioned to be a fast fashion brand featuring sports and leisure attire. Its sales channels are predominantly central business districts and shopping malls in the second-tier and third-tier markets. By providing casual sportswear that are convenient and comfortable to put on, the brand aims to introduce the pleasurable experience through creating a wide variety of styles simply by matching pieces of apparel.

As of the end of June 2016, the brand has opened POS in more than 30 cities including Beijing, Shanghai, Shenzhen, Hefei, Nanning, Chongqing and Wuhan. During the first half of 2016, the number of POS recorded a net increase of 19.

As one of the new businesses being developed by the Group, "*inning*" label was still under the testing stage for its operation model. For the second half of 2016, we will continue to prudently maintain our channel expansion plan, where our priority focus will be on testing on the basis of newly opened POS, our products, channels, as well as coordination between LI-NING label POS.

LNG

Characterizing itself as a fashionable, dynamic and stylish brand, the LNG brand targets urban white-collar executives by providing trendily-designed sportswear. The brand is mainly anchored on the fashion floors of large shopping malls and mid-to-high end shopping arcades in metropolitan cities, including Beijing, Shanghai, Guangzhou and Shenzhen, and first-tier cities, including Chengdu and Zhengzhou.

LNG mainly offers fashionable leisure sports products inspired by the needs of outdoor and high-end sports such as golf. The Korean designer team allows LNG to offer the trendiest styles and cuts. The high-quality, fashionable and comfortable products keep sports elites young, energetic and creative, as well as manifest their individual tastes while maintaining intimacy and comfort.

As of the end of June 2016, LNG POS have been opened in more than 30 cities including Beijing, Tianjin, Shanghai, Chengdu, Nanjing, Shenyang, and the brand is widely popular among young adults in those cities. During the first half of 2016, the number of LNG POS recorded a net increase of 21. Looking forward, the Company will continue to refine the LNG brand, strengthen marketing and promotion, enhance operation capabilities and increase store efficiency.



Fitness Training

Apparel products

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

– Indoor Fitness Training

The indoor professional tights line was the highlighted launch of the first and second quarter of 2016 and was well received in the market. The Company launched products of diversified grades (such as Power Shell 1.0, 2.0) catering to different sports and intensity levels. At the same time, leggings, short-sleeved T-shirts, vests and bras are launched seasonally.

– Outdoor Fitness Training

The outdoor water-proof jacket line features a water-proof, stain-proof and oil-proof layer with good breathability. Combining state-of-the-art sewing techniques, drizzle proof function, and a decent upright silhouette and 3D fit, it has become a core model for fitness training and won high market recognition with positive sales performance.

Footwear products

Our fitness training shoes focus on fitness for all. The design is light weight and comfort oriented, with a colorful or versatile style. They are made of materials in accordance with seasonality, motifs and details, hence suitable for various occasions.

– Fitness shoes

This range combines the functions of walking, jogging, light aerobic exercises into one and is characterized by light weight and suppleness; the design also incorporates high-quality, fashionable one piece knitting with flowery prints. With its trendy, high-tech appearance, the range was released to be appealing to all in terms of price and style.

– Female fitness training shoes

Adorned with fine feminine details, this range caters to the desire of female customers to look fashionable for every occasion. The shoes provide both attractiveness and foot protection.

Walking shoes

Focused on developing the most professional domestic walking shoes, we enhanced technological functionalities as well as appearance and design. We aim to produce healthy and comfortable professional walking shoes and present products highlighting for end users our consistent commitment to the concept of professional walking.

– Professional walking shoes

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

Outdoor products

– Jacket

LI-NING Outdoor has launched a jacket with a waterproof index of 5000 or above 5000, which makes it indispensable for outdoor activities. The jacket is made with complete taping technology and renders effective protection against showers. In addition, the jacket is made of tear-resistant polyester and features a waterproof cap brim and a zip front with enhanced storage function.

Sales Channel Expansion and Management

As at 30 June 2016, the number of LI-NING brand (including LNG and “”) conventional stores, flagship stores, factory outlets and discount stores amounted to a total of 6,169, representing a net increase of 36 POS as compared to 31 December 2015. The number of distributors was 50, representing a net decrease of 6 from 31 December 2015. POS breakdown as at 30 June 2016 is as follows:

Number of franchised and directly-operated POS

LI-NING Brand	30 June 2016	31 December 2015	Change
Franchised	4,671	4,618	1.1%
Directly-operated retail	1,498	1,515	(1.1%)
Total	6,169	6,133	0.6%

Number of POS by geographical location

LI-NING Brand	30 June 2016	31 December 2015	Change
Northern Region (Note 1)	3,082	2,999	2.8%
Southern Region (Note 2)	3,087	3,134	(1.5%)
Total	6,169	6,133	0.6%

Notes:

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



Visual Identity

We adopted a new approach to channel identification and single store product assortment to distinguish the visual identity of different stores, which is more aligned to the positioning of the business circles, consumer base features, and product characteristics. Meanwhile, by establishing flagship stores, experience stores, Wade Stores and running specialty stores, we segmented markets and consumers to focus on developing an interactive platform for consumer experience towards products, functional technology and shopping experience. The overall goal is to establish and maintain LI-NING brand's overall market image.

Visual Merchandising

We streamlined and integrated the marketing processes and established communication channels between the stores and the product categories through a product decision platform. The aim was to integrate marketing resources for all product categories to the largest extent and distribute them effectively amongst our outlets. At the same time, we flexibly and effectively formed guidelines specializing how product assortment, marketing approach, and window displays should vary in accordance with the image and class of the store. This is to highlight the themes, colors, series and matchup, which will optimize the sales of new products.

In terms of tag price, trade fair orders for LI-NING brand products from franchised distributors registered a year-on-year growth for eleven consecutive quarters. The orders from the latest trade fair, which are for the first quarter of 2017, registered a high-single digit growth on a year-on-year basis.

Promotions and Establishment of Membership Platform

We completed the integration of online and offline membership. By doing so, and by actively seeking cross-sector collaboration in various channels, we introduced more new marketing resources and fashionable elements. We further designed more flexible and interesting promotion plans that are aligned to the market, and offered a more interactive experience for consumers, aiming to promote communication between the retail POS and consumers, and boost sales and sell-out rates for new products.

Retail Training

We re-defined the responsibilities and significance of sales training. While strengthening product knowledge and basic service skills, we placed greater emphasis on offering courses and materials on training of services, sales and management skills. We also continued to enhance mentoring capabilities and retail management through replicating TTT courses so as to improve the operating standards of our stores.

Enhancing Store Operating Standard and Strengthening Execution Capability

- The Company formulates assessment criteria for its subsidiaries. It conducts assessment on monthly and quarterly basis and eliminates the least competent based on assessment results. Meanwhile, the Company enhanced the execution capability in, and placed greater significance on the assessments of the manufacturers. The building of a complete examination and assessment system will further enhance the operating standard of our stores;
- Through trainings, the Company shall regulate the management approach and standardize the management process adopted by the subsidiaries for regional heads, and by the regional heads for store managers. The goal is to constantly improve the operational capacity of our stores;
- The Company formulates operating standards for different types of stores according to different channel identification;
- In the first half of 2016 the sales efficiency at the company was effectively improved. In respect of LI-NING brand POS which have been operating since the beginning of the second quarter last year, the same-store-sales growth of LI-NING brand products for the overall platform (including e-commerce business) increased by high-single digit on a year-on-year basis for the quarter ended 30 June 2016. In terms of channels, the retail (direct operation) and wholesale (franchisee) channels both increased by mid-single digits on a year-on-year basis while the e-commerce virtual stores business registered a low-seventies growth on a year-on-year basis.

Trial Operation of Omni-channel Strategy

Through the development of the all-in-one and all-channel O2O inventory system, the Company can realize the business model of “purchase online and deliver through Regional Distribution Center (RDC), National Distribution Center (NDC) or physical stores” and “purchase offline through one store and deliver through another store or RDC, NDC”, which together removes the inventory barriers and changes the classification of goods from being location-based to sales-based. This business model has significant effect on the improvement of the Company’s inventory structure and stock-to-sales ratio, as well as the enhancement of product turnover rate and operating efficiency. Meanwhile, it can also realize standardised online and offline brand marketing campaigns in the future through the integration of merchandise management and marketing campaigns, which will enhance the overall influence of our brand.

Inventory Clearance

While the Company optimized overall inventory levels during the first half of 2016, there was significant improvement in sales of new products, contributing to the growth of gross profit margin. While enhancing efficiency in product lines and manpower, there was also improvement in product structure and cash flow.

E-Commerce

In 2016, the e-commerce business of Li Ning is not merely an online sales and marketing channel. It is also a tool for the exploration and practice of digital operations.

Our e-commerce team is gradually exploring and building a system based on the analysis of market trends. Through digital analysis of business operations, we are able to decide strategies for our product direction and business operations.

Meanwhile, the year of 2016 is a key breakthrough for Li Ning’s omni-channel business, which commenced operation in the first half of the year. It has remained stable throughout the trial operation period and it is expected that this will help enhance the Group’s overall operational efficiency in the future.



Owing to the exploration and practice of the e-commerce business in digital operation, the sales of Li Ning's e-commerce business sustained rapid growth despite the significant slowdown of the e-commerce industry generally during the first half of 2016. Its sales for the first half of the year achieved a more than doubled growth on a year-on-year basis.

Overall, the e-commerce business will sustain growth in 2016. It is estimated that the e-commerce business will maintain relatively steady growth, and will bring revolutionary changes to the business model of the Group.

Double Happiness Brand

Double Happiness Brand ("Double Happiness") 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 2016, 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), Fang Bo (方博), Yan An (閻安), Zhu Yuling (朱雨玲) and Chen Meng (陳夢). Meanwhile, the brand also actively sponsored various domestic and international professional tournaments. In 2016, it successfully sponsored and completed the marketing promotion for the World Table Tennis Championships in Malaysia, during which the Chinese National Table Tennis team, comprising Ma Long and Ding Ning as endorsers for Double Happiness, won the team championship title. The brand continued to provide professional equipment for events such as the International Table Tennis Federation (ITTF) World Tour and the Table Tennis World Cup. In the second half of the year, the brand will also provide equipment for the Rio 2016 Olympics.

Besides equipment for professional players, Double Happiness introduced and successfully launched over one hundred new products in 2016, expanding the product line and demonstrating the strong product R&D and design capabilities.

Double Happiness products are mainly distributed via wholesale and sporting goods stores. The brand has adopted a wholesale model for its domestic business, with a relatively stable clientele across nearly 30 provinces and municipalities in China. Double Happiness continued to refine and regulate the management of sales policies in line with customer habits in 2016 and continued the implementation of the "e-commerce expansion" project to develop exclusive e-commerce products, and implement special policies and promotional support for e-commerce business.

Other Brands

AIGLE Brand

In 2016, the retail environment remains challenging along with the downturn of the domestic and international macroeconomic environment. These unfavourable factors have made unprecedented challenges for AIGLE in terms of improving its results and cost management. However, with its precise market positioning, well-planned expansion strategy, high-quality products balancing design and function, and professional retail management, AIGLE continued to maintain its leading position as one of the outdoor and leisure brands in the market.

In the second half of 2016, AIGLE brand will continue to focus on implementing the following major operation strategies with the 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;
- Capture the growth opportunities for shopping malls, outlets and e-commerce markets;
- Closely monitor and follow up on the feedback from distributors to ensure a steadily growing distribution business;
- Enhance customer shopping experience, and focus on customized product functions and interact more with VIPs;
- Practise effective management of the terms of cooperation of different channels and shopping malls in a bid to boost long-term sales profit;
- Increase product procurement efficiency, and continue to upgrade inventory management and improve sell-out ratio;
- Sustain efforts to upgrade retail sales management and training and to improve frontline customer service.



HUMAN RESOURCES

The Company continued the reform into a retail business model in 2016 so as to upgrade product operation and input-output efficiency. Aiming to achieve the business model transformation, improve cash flow and retain core talent, our human resources team joined hands with the operations department to roll out strategic measures to optimize organisational structure, control labor costs, improve the talent structure and boost competitiveness in the market in terms of employees' salaries and wages. The outcome has been encouraging.

Regarding organizational optimization, the Company cut down inefficient roles and positions and exercised optimal labor cost management through internal talent assessment.

Regarding talent management, we built up a core product and retail talent identification, assessment and training system to support the Company's strategic approach in enhancing product and retail capabilities.

Regarding salaries and wages, the Company implemented the performance-linked restrictive share scheme for senior management and core technological professionals to increase the market competitiveness of our remuneration packages for our core talents.

Regarding performance management, the Company set up the performance appraisal, incentive and penalty system for product lines and retail end to enhance product and retail operation efficiency.

Regarding employer brand-building, an official LI-NING WeChat account was set up as a window to vividly showcase the Company's activities and achievements, such as the Company's anniversary celebration and Creativity Competition. In the first half of this year, the Company continued to be elected as one of the Top 100 Best Employers of 2016, cementing its status as a top employer within China's sports attire industry.

Looking ahead, we will stick to the objectives of creating professional and fashionable sports products, enhancing experience value in products and services, and constructively strengthening management and organisational performance. We wish to effectively manage our human resources while continuing to enhance the implementation capacity of the organisation and the performance of its staff, which will in turn improve operational efficiency. We will also enhance the management and operational capacities of each business unit with the full support of the Company's strategic development.

As at 30 June 2016, the Group had 2,890 employees in total (2,962 employees as at 31 December 2015), including 1,770 employees at the Group's headquarters and retail subsidiaries (1,762 employees as at 31 December 2015), and 1,120 employees at the Group's other subsidiaries (1,200 employees as at 31 December 2015).

OUTLOOK

In the future, we will continue to strengthen and consolidate the following aspects based on our various previous major tasks:

- Approach target consumers via a mobile network platform, research and develop specialty products with higher competitiveness, and optimise online and offline shopping experience to improve user experience in various channels and cross-platform;
- Continue to promote the multi-brand development strategy and optimise sales network and channels to follow our planned target for 2016 of net increase of 300 to 500 POS;
- Segment sales channels, product assortment and layout based on differentiated consumer preferences by geographical region. The Company aims to stay close to local consumer demands through professionalised channels with exclusive specialty products to enhance retail capacity;
- Maintain efforts in cost control levels and continue to enhance profitability.

The supportive national policies will continue to facilitate the development of the sporting goods industry. Building the value of LI-NING will remain the primary objective of the Company in the foreseeable future. Looking forward, the Company will enhance its operation capabilities, strive to go beyond the limits posed by the “value-for-money” proposition, and attract sports-loving consumers by providing products with “Performance” and “Functionalities”. With its commitment to sports as the genetic map, the Company will integrate technological, cultural, and other elements into its products to promote the vision that sports is a means toward an educated and happy lifestyle; on this journey the Company strives to facilitate the development of a “Sports +” concept.

Condensed Consolidated Interim Financial Information



Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	782,322	740,305
Land use rights	8	78,837	79,788
Intangible assets	9	260,636	265,570
Deferred income tax assets		228,687	230,868
Available-for-sale financial assets		14,000	26,000
Investments accounted for using the equity method		33,219	27,796
Other receivables and prepayments	12	65,341	43,615
Total non-current assets		1,463,042	1,413,942
Current assets			
Inventories	10	1,028,603	959,652
Trade receivables	11	1,406,384	1,439,513
Other receivables and prepayments – current portion	12	324,012	309,389
Restricted bank deposits		855	495
Cash and cash equivalents		1,544,570	1,812,572
		4,304,424	4,521,621
Assets of disposal group classified as held for sale	13	1,070,012	961,895
Total current assets		5,374,436	5,483,516
Total assets		6,837,478	6,897,458

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	14	177,492	177,492
Share premium	14	2,170,335	2,168,867
Shares held for Restricted Share Award Scheme	14	(7,449)	(2,084)
Other reserves	15	1,336,255	1,308,230
Accumulated deficit	15	(382,994)	(472,602)
		3,293,639	3,179,903
Non-controlling interests in equity		262,921	230,637
Total equity		3,556,560	3,410,540
LIABILITIES			
Non-current liabilities			
License fees payable	18	24,846	27,886
Borrowings	19	200,000	200,000
Convertible bonds	20	–	710,033
Deferred income tax liabilities		8,724	11,503
Deferred income	21	59,843	65,710
Total non-current liabilities		293,413	1,015,132



Interim Condensed Consolidated Balance Sheet (Continued)

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Current liabilities			
Trade payables	16	995,136	997,473
Other payables and accruals	17	825,857	696,168
License fees payable – current portion	18	45,183	63,357
Current income tax liabilities		6,671	3,777
Borrowings	19	10,000	366,499
Convertible bonds	20	740,936	12,500
		2,623,783	2,139,774
Liabilities of disposal group classified as held for sale		363,722	332,012
Total current liabilities		2,987,505	2,471,786
Total liabilities		3,280,918	3,486,918
Total equity and liabilities		6,837,478	6,897,458

The notes on pages 41 to 75 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	
		2016	2015
		RMB'000	RMB'000
Continuing operations			
Revenue	6	3,595,635	3,186,507
Cost of sales		(1,918,094)	(1,745,259)
Gross profit		1,677,541	1,441,248
Distribution expenses		(1,355,081)	(1,243,733)
Administrative expenses		(202,996)	(157,674)
Other income and other gains – net	23	33,183	17,362
Operating profit	6	152,647	57,203
Finance income	24	4,343	13,943
Finance expenses	24	(71,825)	(76,359)
Finance expenses – net		(67,482)	(62,416)
Share of profit of investments accounted for using the equity method		3,423	3,325
Profit/(Loss) before income tax		88,588	(1,888)
Income tax expense	25	(20,279)	(61,558)
Profit/(Loss) for the period from continuing operations		68,309	(63,446)
Discontinued operations			
Profit for the period from discontinued operations	13	80,018	63,204
Profit/(Loss) for the period		148,327	(242)
Attributable to:			
Equity holders of the Company		113,421	(29,407)
Non-controlling interests		34,906	29,165
		148,327	(242)


Interim Condensed Consolidated Income Statement (Continued)

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
Profit/(Loss) attributable to equity holders of the Company arises from:			
Continuing operations		68,309	(63,446)
Discontinued operations	13	45,112	34,039
		113,421	(29,407)
Earnings/(Losses) per share from continuing and discontinued operations attributable to equity holders of the Company for the period (expressed in RMB cents per share)			
Basic earnings/(losses) per share	26		
From continuing operations		3.11	(3.35)
From discontinued operations		2.05	1.80
From profit/(loss) for the period		5.16	(1.55)
Diluted earnings/(losses) per share	26		
From continuing operations		3.11	(3.35)
From discontinued operations		2.05	1.80
From profit/(loss) for the period		5.16	(1.55)

The notes on pages 41 to 75 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Financial Information (Continued)

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
Profit/(Loss) for the period		148,327	(242)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		292	5
Total comprehensive income/(loss) for the period		148,619	(237)
Attributable to:			
Equity holders of the Company		113,713	(29,402)
Non-controlling interests		34,906	29,165
Total comprehensive income/(loss) for the period		148,619	(237)
Total comprehensive income/(loss) attributable to equity holders of the Company arises from:			
Continuing operations		68,601	(63,441)
Discontinued operations	13	45,112	34,039
		113,713	(29,402)

The notes on pages 41 to 75 are an integral part of this condensed consolidated interim financial information.


Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Ordinary shares RMB'000 (Note 14)	Share premium RMB'000 (Note 14)	Shares held for Restricted Share Award Scheme RMB'000 (Note 14)	Other reserves RMB'000 (Note 15)	Accumulated deficit RMB'000 (Note 15)	Subtotal RMB'000	Non- controlling interests in equity RMB'000	Total equity RMB'000
As at 1 January 2016	177,492	2,168,867	(2,084)	1,308,230	(472,602)	3,179,903	230,637	3,410,540
Total comprehensive income for the period	-	-	-	292	113,421	113,713	34,906	148,619
<i>Transactions with owners:</i>								
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	-	10,381	-	10,381	-	10,381
Transfer of fair value of Restricted Share Award Scheme vested to share premium	-	1,459	-	(1,459)	-	-	-	-
Appropriations to statutory reserves	-	-	-	23,813	(23,813)	-	-	-
Shares converted from convertible securities	-	9	-	(9)	-	-	-	-
Dividends to non-controlling interests of a subsidiary	-	-	-	-	-	-	(2,622)	(2,622)
Shares vested under Restricted Share Award Scheme	-	-	4,993	(4,993)	-	-	-	-
Shares purchased for Restricted Share Award Scheme	-	-	(10,358)	-	-	(10,358)	-	(10,358)
As at 30 June 2016	177,492	2,170,335	(7,449)	1,336,255	(382,994)	3,293,639	262,921	3,556,560
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)
<i>Transactions with owners:</i>								
Issuance of offer securities (Note 14 and 15)	35,722	870,251	-	293,435	-	1,199,408	-	1,199,408
Net proceeds from shares issued 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

The notes on pages 41 to 75 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	
	2016	2015
	RMB'000	RMB'000
Net cash generated from operating activities	345,869	166,642
Cash flows from investing activities:		
– payment for investment in associates	(2,000)	–
– purchases of property, plant and equipment	(168,576)	(106,758)
– purchases of intangible assets	(41,910)	(35,867)
– proceeds on disposal of property, plant and equipment	5,385	933
– interest received	4,582	3,574
– loan repayments from joint venture	5,238	–
– proceeds from the disposal of available-for-sale financial assets	13,478	–
Net cash used in investing activities	(183,803)	(138,118)
Cash flows from financing activities:		
– dividends paid to non-controlling interests of a subsidiary	(2,622)	(1,600)
– proceeds from issuance of ordinary shares	–	436
– proceeds from issuance of offer securities	–	1,229,930
– shares purchased for Restricted Share Award Scheme	(10,358)	–
– transaction costs paid in relation to issuance of offer securities	–	(23,201)
– proceeds from bank borrowings	10,000	50,000
– repayment of borrowings	(364,819)	(499,157)
– interest paid	(37,901)	(57,208)
Net cash (used in)/generated from financing activities	(405,700)	699,200
Net (decrease)/increase in cash and cash equivalents	(243,634)	727,724
Cash and cash equivalents at beginning of period (inclusive of cash and cash equivalents classified as held for sale)	1,989,265	1,031,386
Exchange gains/(losses) on cash and cash equivalents	3,208	(2,254)
Cash of disposal group classified as held for sale	(204,269)	–
Cash and cash equivalents at end of period	1,544,570	1,756,856

The notes on pages 41 to 75 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 10 August 2016.

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 2016 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 2015, 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 2015, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

- (a) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Notes to Condensed Consolidated Interim Financial Information (Continued)

3. Accounting policies (continued)

(b) Impact of standards issued but not yet applied by the entity

(i) IFRS 9 Financial instruments

IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing whether it should adopt IFRS 9 before its mandatory date.

The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements. At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.



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 2015.

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 2015.

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

Management considers the business from a brand perspective. During the six months ended 30 June 2015, the Group had three reportable segments as follows: LI-NING brand, Double Happiness brand and all other brand segments. During the year ended 31 December 2015, the Group decided to dispose of 10% equity interest in Shanghai Double Happiness Co., Ltd. ("Double Happiness") and announced its disposal plan on 23 October 2015. Upon the completion of the disposal transaction the Group will no longer consolidate Double Happiness and account for it as an associate company, and thereby it will not be a reportable segment of the Group in the future. Double Happiness was classified as held-for-sale and discontinued operations as at and for the six months ended 30 June 2016 (refer to Note 13 for further details).

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

Revenue consists of sales from LI-NING brand, all other brands from continuing operations and Double Happiness brand from discontinued operations, which are RMB3,552,656,000, RMB42,979,000 and RMB409,455,000 for the six months ended 30 June 2016 and RMB3,127,276,000, RMB59,231,000 and RMB454,161,000 for the six months ended 30 June 2015, respectively.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

6. Segment information (continued)

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.

The segment information provided to Management for the reportable segments for the six months ended 30 June 2016 and 2015 is as follows:

	Unaudited				
	LI-NING brand RMB'000	Continuing All other brands RMB'000	Subtotal RMB'000	Discontinued Double Happiness brand* RMB'000	Total RMB'000
Six months ended 30 June 2016					
Total revenue	3,552,656	58,358	3,611,014	409,455	4,020,469
Inter-segment revenue	–	(15,379)	(15,379)	–	(15,379)
Revenue from external customers	3,552,656	42,979	3,595,635	409,455	4,005,090
Operating profit	138,515	14,132	152,647	103,291	255,938
Distribution expenses and administrative expenses	1,552,528	5,549	1,558,077	81,562	1,639,639
Depreciation and amortisation	149,097	2,413	151,510	–	151,510
Six months ended 30 June 2015					
Total revenue	3,127,276	75,802	3,203,078	454,173	3,657,251
Inter-segment revenue	–	(16,571)	(16,571)	(12)	(16,583)
Revenue from external customers	3,127,276	59,231	3,186,507	454,161	3,640,668
Operating profit	42,376	14,827	57,203	84,373	141,576
Distribution expenses and administrative expenses	1,391,315	10,092	1,401,407	111,763	1,513,170
Depreciation and amortisation	97,542	5,082	102,624	12,121	114,745

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



Notes to Condensed Consolidated Interim Financial Information (Continued)

6. Segment information (continued)

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Operating profit from continuing operations	152,647	57,203
Finance income	4,343	13,943
Finance expenses	(71,825)	(76,359)
Share of profit of investments accounted for using the equity method	3,423	3,325
Profit/(loss) before income tax from continuing operations	88,588	(1,888)
Operating profit from discontinued operations	103,291	84,373
Finance income	1,043	447
Finance expenses	(79)	(869)
Profit before income tax from discontinued operations	104,255	83,951

Geographical information of revenue

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Continuing operations		
The PRC (including the Hong Kong Special Administrative Region)	3,512,229	3,120,632
Other regions	83,406	65,875
Revenue from continuing operations	3,595,635	3,186,507
Discontinued operations		
The PRC (including the Hong Kong Special Administrative Region)	387,416	427,081
Other regions	22,039	27,080
Revenue from discontinued operations	409,455	454,161
Total	4,005,090	3,640,668

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

6. Segment information (continued)

Geographical information of revenue (continued)

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 2016 and 2015, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

7. Property, plant and equipment

	Unaudited						
	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Office equipment and motor vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
Six months ended 30 June 2016							
As at 1 January 2016	401,165	188,497	52,357	57,750	40,536	–	740,305
Additions	30	160,259	8,549	25	6,867	–	175,730
Disposals	(6)	(3,491)	–	(14)	(1,349)	–	(4,860)
Depreciation charge	(9,263)	(93,613)	(15,378)	(4,489)	(6,110)	–	(128,853)
As at 30 June 2016	391,926	251,652	45,528	53,272	39,944	–	782,322
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

Depreciation expenses (after excluding the portion attributable to discontinued operations) of RMB15,879,000 (30 June 2015: RMB18,870,000) has been charged to cost of sales, RMB102,547,000 (30 June 2015: RMB50,447,000) to distribution expenses and RMB10,427,000 (30 June 2015: RMB8,431,000) to administrative expenses.

As at 30 June 2016, buildings with net book value of RMB377,919,000 (31 December 2015: RMB386,548,000) were pledged as securities for the Group's borrowings (Note 19).



Notes to Condensed Consolidated Interim Financial Information (Continued)

8. Land use rights

	Unaudited RMB'000
Six months ended 30 June 2016	
As at 1 January 2016	79,788
Amortisation charge	(951)
As at 30 June 2016	78,837
Six months ended 30 June 2015	
As at 1 January 2015	372,113
Amortisation charge	(4,803)
As at 30 June 2015	367,310

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.

As at 30 June 2016, land use rights with net book value of RMB78,733,000 (31 December 2015: RMB79,661,000) were pledged as securities for the Group's borrowings.

Amortisation (after excluding the portion attributable to discontinued operations) of RMB951,000 (30 June 2015: RMB951,000) has been charged to administrative expenses.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

9. Intangible assets

	Unaudited					Total RMB'000
	Goodwill RMB'000	Trademarks RMB'000	Computer software RMB'000	License rights RMB'000	Customer relationships & Non-compete agreements RMB'000	
Six months ended 30 June 2016						
As at 1 January 2016	139,474	14,949	54,223	35,021	21,903	265,570
Additions	-	-	9,772	7,000	-	16,772
Amortisation charge	-	(650)	(11,360)	(6,272)	(3,424)	(21,706)
As at 30 June 2016	139,474	14,299	52,635	35,749	18,479	260,636
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
Disposals	-	-	(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

Note:

Amortisation (after excluding of the portion attributable to discontinued operations) of RMB6,272,000 (30 June 2015: RMB5,939,000) has been charged to distribution expenses and RMB15,434,000 (30 June 2015: RMB17,986,000) to administrative expenses.



Notes to Condensed Consolidated Interim Financial Information (Continued)

10. Inventories

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Raw materials	1,645	1,319
Work in progress	2,990	3,172
Finished goods	1,200,807	1,124,858
	1,205,442	1,129,349
Less: provision for write-down of inventories to net realisable value	(176,839)	(169,697)
	1,028,603	959,652

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB1,871,053,000 for the six months ended 30 June 2016 (30 June 2015: RMB1,685,055,000).

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 2016 and 2015.

11. Trade receivables

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Accounts receivable	1,872,220	1,889,870
Notes receivable	6,538	25,400
	1,878,758	1,915,270
Less: allowance for impairment of trade receivables	(472,374)	(475,757)
	1,406,384	1,439,513

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 2016 RMB'000	Audited 31 December 2015 RMB'000
0 – 30 days	418,445	539,433
31 – 60 days	237,163	242,387
61 – 90 days	319,405	251,607
91 – 180 days	431,371	509,786
Over 180 days	472,374	372,057
	1,878,758	1,915,270

Customers are normally granted credit terms within 90 days. As at 30 June 2016, trade receivables of RMB903,745,000 (31 December 2015: RMB881,843,000) 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 significant judgment. In making such judgment, the Company evaluates, among certain economic factors specific to each customer and other factors, the historical payment pattern and credit-worthiness of each customer, the default rates of prior years, ageing of the trade 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 for impairment of RMB472,374,000 has been made as at 30 June 2016 (31 December 2015: RMB475,757,000).

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.



Notes to Condensed Consolidated Interim Financial Information (Continued)

11. Trade receivables (Continued)

As of 30 June 2016, trade receivables of RMB431,371,000 (31 December 2015: RMB406,086,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
91 – 180 days	431,371	406,086

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

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
As at 1 January	475,757	596,766
Reversal of provision for impairment of trade receivables	(3,241)	(50,941)
Trade receivables written off during the period as uncollectible	(142)	(169)
As at 30 June	472,374	545,656

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.

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

12. Other receivables and prepayments

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Prepaid rentals and other deposits	256,443	222,567
Advances to suppliers	18,290	23,122
Loans to a joint venture (Note a)	17,711	22,613
Prepayment for advertising expenses	5,399	1,507
Staff advances and other payments for employees	1,634	1,198
Others	89,876	81,997
	389,353	353,004
Less: non-current portion	(65,341)	(43,615)
	324,012	309,389

Other receivables and prepayments 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.

- (a) As at 30 June 2016, loan of HK\$20,000,000 to Li-Ning Aigle Ventures was unsecured, interest free, and with no fixed maturity date.


Notes to Condensed Consolidated Interim Financial Information (Continued)

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

The assets and liabilities related to Double Happiness, a 57.5% owned subsidiary of the Company, have been presented as held for sale following the approval of the Group's Management and shareholders to dispose 10% equity interest in Double Happiness to Viva China Holdings Limited ("Viva China") at a consideration of RMB124,992,000 on 23 October 2015, and 4 December 2015, respectively. Given Double Happiness is classified as discontinued operation, a single amount is presented in the interim condensed consolidated income statement, and comparative figures are also reclassified for consistent presentation purpose. The disposal transaction is expected to be completed during the second half of 2016.

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

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Property, plant and equipment/Land use rights	482,994	470,884
Intangible assets	159,808	159,808
Deferred income tax assets	17,908	16,173
Inventories	107,878	123,842
Trade receivables	95,092	10,894
Other receivables and prepayments	2,063	3,601
Cash and cash equivalents	204,269	176,693
Total	1,070,012	961,895

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

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Deferred income tax liabilities	60,009	60,009
Trade payables	124,061	76,792
Other payables and accruals	168,670	184,694
Current income tax liabilities	10,982	10,517
Total	363,722	332,012

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

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

(c) Analysis of the result of discontinued operations is as follows:

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue	409,455	454,161
Expenses	(305,200)	(370,210)
Profit before income tax	104,255	83,951
Income tax expense	(24,237)	(20,747)
Profit for the period from discontinued operations	80,018	63,204
Attributable to:		
– Equity holders of the Company	45,112	34,039
– Non-controlling interests	34,906	29,165
Profit for the period from discontinued operations	80,018	63,204

(d) Cash flows

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Cash flows from operating activities	41,925	81,595
Cash flows from investing activities	(12,529)	(2,790)
Cash flows from financing activities	(2,623)	(2,603)
Net increase in cash and cash equivalents	26,773	76,202


Notes to Condensed Consolidated Interim Financial Information (Continued)

14. 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 2016 and 31 December 2015	10,000,000	1,000,000

Issued and fully paid

	Unaudited				
	Number of share of HK\$0.10 each (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Shares held for Restricted Share Scheme RMB'000	Total RMB'000
As at 1 January 2016	1,885,248	177,492	2,168,867	(2,084)	2,344,275
Transfer of fair value of Restricted Share Award Scheme vested to share premium	–	–	1,459	–	1,459
Shares converted from convertible securities (Note 15)	4	–	9	–	9
Shares vested under Restricted Share Award Scheme	–	–	–	4,993	4,993
Shares purchased for Restricted Share Award Scheme	(1,980)	–	–	(10,358)	(10,358)
As at 30 June 2016	1,883,272	177,492	2,170,335	(7,449)	2,340,378
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 15)	685	54	1,514	–	1,568
As at 30 June 2015	1,884,927	177,484	2,170,828	(3,719)	2,344,593

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 15 for details.
- (b) During the six months ended 30 June 2015, the Company issued 124,000 ordinary shares 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)

15. Reserves

	Unaudited								
	Capital	Statutory	Share-based	Convertible	Convertible	Currency	Accumulated		Total
	reserves	reserve	compensation	bonds	securities	translation	Subtotal	deficit	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	118,030	285,538	75,353	113,395	712,491	3,423	1,308,230	(472,602)	835,628
Profit for the period	-	-	-	-	-	-	-	113,421	113,421
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	10,381	-	-	-	10,381	-	10,381
Share options lapsed	3,232	-	(3,232)	-	-	-	-	-	-
Transfer of fair value of Restricted Share Award Scheme vested to share premium	-	-	(1,459)	-	-	-	(1,459)	-	(1,459)
Appropriations to statutory reserves	-	23,813	-	-	-	-	23,813	(23,813)	-
Shares converted from convertible securities (Note)	-	-	-	-	(9)	-	(9)	-	(9)
Shares vested under Restricted Share Award Scheme	-	-	(4,993)	-	-	-	(4,993)	-	(4,993)
Translation difference of foreign currency financial statements	-	-	-	-	-	292	292	-	292
As at 30 June 2016	121,262	309,351	76,050	113,395	712,482	3,715	1,336,255	(382,994)	953,261
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



Notes to Condensed Consolidated Interim Financial Information (Continued)

15. 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") 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 (i.e. the CS holder has no right to receive and the Company has no obligation to deliver cash, therefore 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 2016, on a cumulatively basis, CS with carrying value of HK\$1,285,641,000 (equivalent to approximately RMB1,022,437,000) had been converted into ordinary shares of the Company, amongst which carrying value of HK\$11,000 (equivalent to approximate RMB9,000) were converted into 4,000 ordinary shares of the Company during the six months ended 30 June 2016 (Note 14).

Notes to Condensed Consolidated Interim Financial Information (Continued)

16. 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 2016 RMB'000	Audited 31 December 2015 RMB'000
0 – 30 days	547,698	665,265
31 – 60 days	349,338	240,779
61 – 90 days	83,058	82,316
91 – 180 days	9,109	4,708
181 – 365 days	2,369	1,935
Over 365 days	3,564	2,470
	995,136	997,473

17. Other payables and accruals

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Accrued sales and marketing expenses	374,900	255,743
Wages and welfare payables	87,406	125,941
Advances from customers	84,891	60,808
Other tax payables	37,549	28,968
Payable for property, plant and equipment	6,669	5,271
Others	234,442	219,437
	825,857	696,168


Notes to Condensed Consolidated Interim Financial Information (Continued)

18. 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 2016		
As at 1 January 2016		91,243
Additions		7,000
Payment of license fees		(32,997)
Amortisation of discount (Note 24)		3,894
Adjustment for exchange difference		889
As at 30 June 2016		70,029
Six months ended 30 June 2015		
As at 1 January 2015		135,314
Payment of license fees		(29,473)
Amortisation of discount (Note 24)		6,893
Adjustment for exchange difference		(143)
As at 30 June 2015		112,591
	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Analysis of license fees payable:		
Non-current		
– the second to fifth year	24,846	27,886
Current	45,183	63,357
	70,029	91,243

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

18. 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 2016 RMB'000	Audited 31 December 2015 RMB'000
Less than 1 year	48,231	67,758
Between 1 and 5 years	30,394	35,974
	78,625	103,732

19. Borrowings

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Borrowings		
– non-current	200,000	200,000
– current	10,000	366,499
	210,000	566,499
Borrowings		
– RMB	210,000	250,000
– US\$	–	316,499
	210,000	566,499
Borrowings		
– secured	200,000	516,499
– unsecured	10,000	50,000
	210,000	566,499



Notes to Condensed Consolidated Interim Financial Information (Continued)

19. 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 4.59% (30 June 2015: 6.93%) for bank borrowings denominated in RMB and 4.40% (30 June 2015: 6.20%) for those borrowings denominated in other currencies for the six months ended 30 June 2016.

Bank borrowings amounting to RMB200,000,000 and RMB516,499,000 were secured by the Group's buildings and land use rights, as at 30 June 2016 and 31 December 2015, respectively (Notes 7 and 8).

Movement in borrowings is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2016	
As at 1 January 2016	566,499
Additions	10,000
Effect of change in exchange rate	(1,680)
Repayments	(364,819)
As at 30 June 2016	210,000
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

As at 30 June 2016, the Group has undrawn borrowing facilities within one year amounting to RMB490,000,000 (31 December 2015: RMB150,000,000). These facilities have been arranged to finance the Group's working capital.

Notes to Condensed Consolidated Interim Financial Information (Continued)

20. Convertible bonds

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

Details of the convertible bonds recognised in the interim condensed consolidated balance sheet were as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
As at 1 January	722,533	688,921
Payment of interest	(15,000)	(15,000)
Interest expenses	33,403	31,806
As at 30 June	740,936	705,727

Balance as at 30 June 2016 included interest payable of RMB12,500,000 (30 June 2015: RMB12,500,000).

The face value of the CB as at 30 June 2016 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 2016 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 2016.


Notes to Condensed Consolidated Interim Financial Information (Continued)

21. Deferred income

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

	Government grants RMB'000	Unaudited Customer loyalty programme RMB'000	Total RMB'000
Six months ended 30 June 2016			
As at 1 January 2016	61,984	3,726	65,710
Addition	–	3,744	3,744
Credited to income statement	(6,216)	(3,395)	(9,611)
As at 30 June 2016	55,768	4,075	59,843
Six months ended 30 June 2015			
As at 1 January 2015	62,718	–	62,718
Addition	–	2,298	2,298
Credited to income statement	(647)	–	(647)
As at 30 June 2015	62,071	2,298	64,369

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

22. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cost of inventories recognised as expenses included in cost of sales	1,871,053	1,685,055
Depreciation on property, plant and equipment (Note a)	128,853	77,748
Amortisation of land use rights and intangible assets	22,657	24,876
Advertising and marketing expenses	433,918	471,797
Commission and trade fair related expenses	50,664	23,478
Staff costs, including directors' emoluments (Note a)	351,745	321,440
Operating lease rentals and related expenses in respect of land and buildings	370,181	381,749
Research and product development expenses (Note a)	58,819	71,687
Transportation and logistics expenses	135,445	119,817
Reversal of provision for impairment of trade receivables	(3,241)	(50,941)
Auditor's remuneration	2,840	2,610
– Audit services	2,500	2,400
– Non-audit services	340	210
Management consulting expenses	22,018	23,475
Travelling and entertainment expenses	16,879	15,082

Note:

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

23. Other income and other gains – net

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Government grants	22,725	10,911
License fees income	8,980	6,451
Profit on disposal of Available-for-sale financial assets	1,478	–
	33,183	17,362


Notes to Condensed Consolidated Interim Financial Information (Continued)

24. Finance income and expenses

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Finance income		
Interest income on bank balances and deposits	4,343	3,127
Net foreign currency exchange gain	–	10,816
	4,343	13,943
Finance expenses		
Amortisation of discount – license fees payable (Note 18)	(3,894)	(6,893)
Interest expense on bank and other borrowings	(10,173)	(20,561)
Interest expense on convertible bonds	(33,403)	(31,806)
Net foreign currency exchange loss	(4,081)	–
Others	(20,274)	(17,099)
	(71,825)	(76,359)
Finance expenses – net	(67,482)	(62,416)

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

25. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax	2,677	2,016
– PRC corporate income tax	15,209	777
– Withholding income tax on interest income from subsidiaries in PRC	2,991	1,687
	20,877	4,480
Deferred income tax	(598)	57,078
Income tax expense	20,279	61,558



Notes to Condensed Consolidated Interim Financial Information (Continued)

26. Earnings/(losses) per share

Basic

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

In April 2013, the Company completed the issuance of convertible securities. In January 2015, the Company completed the issuance of Offer Securities. The below market subscription price of these two events had effectively resulted in 71,733,000 ordinary shares (30 June 2015: 85,973,000 ordinary shares) to be issued upon conversion for nil consideration (i.e. the bonus element), and such impact has been taken into account in calculating the weighted average number of shares for the purpose of basic earnings/(losses) per share.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit/(loss) from continuing operations attributable to equity holders of the Company	68,309	(63,446)
Profit from discontinued operations attributable to equity holders of the Company	45,112	34,039
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings/(losses) per share (in thousands)	2,196,704	1,895,551
Basic earnings/(losses) per share – from continuing operations	3.11	(3.35)
Basic earnings per share – from discontinued operations	2.05	1.80
Basic earnings/(losses) per share (RMB cents)	5.16	(1.55)

Notes to Condensed Consolidated Interim Financial Information (Continued)

26. Earnings/(losses) per share (Continued)

Diluted

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all dilutive potential shares. The Company's dilutive potential shares comprise shares to be issued under convertible bonds, share option schemes and Restricted Share Award Scheme. In relation to 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.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit/(loss) from continuing operations attributable to equity holders of the Company, used to determine diluted earnings/(losses) per share	68,309	(63,446)
Profit from discontinued operations attributable to equity holders of the Company	45,112	34,039
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings/(losses) per share (in thousands)	2,196,704	1,895,551
Adjustment for the restricted shares (in thousands)	1,234	–
Deemed weighted average number of ordinary shares for diluted earnings/(losses) per shares (in thousands)	2,197,938	1,895,551
Diluted earnings/(losses) per share – from continuing operations	3.11	(3.35)
Diluted earnings per share – from discontinued operations	2.05	1.80
Diluted earnings/(losses) per share (RMB cents)	5.16	(1.55)


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			
	2016		2015	
	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	5.535	30,457	7.203	55,334
Adjustment in relation to issuance of the Offer Securities (Note a)	–	–	6.118	4,854
Exercised	–	–	4.470	(124)
Lapsed	4.810	(5,562)	8.025	(14,892)
As at 30 June	5.697	24,895	6.155	45,172
Exercisable as at 30 June	5.900	19,166	7.177	22,176

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.

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 2016 and 31 December 2015 have the following expiry date and exercise price:

Expiry date	Unaudited 30 June 2016		Audited 31 December 2015	
	Exercise price	Share options	Exercise price	Share options
	(per share) HK\$	(Thousands)	(per share) HK\$	(Thousands)
15 July 2017	8.250	1,490	8.250	1,490
31 December 2018	4.470	6,060	4.470	8,515
31 December 2018	6.350	9,056	6.350	9,056
30 September 2019	6.350	2,148	6.350	2,148
31 December 2019	4.600	3,751	4.600	5,931
31 December 2019	6.160	397	6.160	496
31 December 2020	6.350	1,374	6.350	2,133
31 December 2020	4.630	619	4.630	688
		24,895		30,457

(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			
	2016		2015	
	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	4.440	33,200	–	–
Granted	3.300	3,000	4.440	38,200
Lapsed	4.440	(4,067)	4.440	(2,200)
As at 30 June	4.334	32,133	4.440	36,000
Exercisable as at 30 June	4.440	10,267	–	–


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 2016 and 31 December 2015 have the following expiry date and exercise price:

Expiry date	Unaudited 30 June 2016		Audited 31 December 2015	
	Exercise price (per share) HK\$	Share options (Thousands)	Exercise price (per share) HK\$	Share options (Thousands)
31 December 2020	4.440	29,133	4.440	33,200
07 June 2026	3.300	3,000	–	–
		32,133		33,200

(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			
	2016		2015	
	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	9.005	1,590	10.743	1,810
Granted	3.200	15,866	–	–
Exercised	6.710	(1,370)	–	–
As at 30 June	3.475	16,086	10.743	1,810

Notes to Condensed Consolidated Interim Financial Information (Continued)

28. Commitments

(a) Capital commitments

Capital expenditure contracted for but not paid at the balance sheet date are as follows:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Contracted for but not paid Property, plant and equipment of Double Happiness	117,720	127,720

There is no capital expenditure authorised but not contracted for as at 30 June 2016.

(b) Operating lease commitments – where any group companies are the lessee

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 2016 RMB'000	Audited 31 December 2015 RMB'000
Not later than 1 year	279,671	242,694
Later than 1 year and not later than 5 years	425,005	275,556
Later than 5 years	21,246	11,734
	725,922	529,984


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	
	2016 RMB'000	2015 RMB'000
Related companies of Shanghai Double Happiness (Group) Co., Ltd., all being controlled by key management personnel of a non-wholly owned subsidiary	1,460	3,407

(b) Purchases of goods from:

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	9,494	11,804
Subsidiary of Li-Ning Aigle Ventures Company Limited ("Li Ning Aigle Ventures"), being controlled by a joint venture of the Group	4,956	4,097
Tianjin Yue Hao Tuo Outdoor Sports Company Limited ("Tianjin Yue Hao Tuo"), being an associate of the Group	441	10,826
	14,891	26,727

Condensed Consolidated Interim Financial Information (Continued)

Notes to Condensed Consolidated Interim Financial Information (Continued)

29. Related-party transactions (Continued)

(c) Sales of services to:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Tianjin Kuan Mao Mi Children's Products Company Limited ("Tianjin Kuan Mao Mi"), being an associate of the Group	7,224	4,374
Subsidiaries of Viva China Holdings Limited ("Viva China"), being controlled by a substantial shareholder of the Company	651	614
Subsidiary of Li-Ning Aigle Ventures	281	160
Tianjin Yue Hao Tuo	–	1,428
	8,156	6,576

(d) Purchases of services from:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Subsidiaries of Viva China	32,414	32,621

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


Notes to Condensed Consolidated Interim Financial Information (Continued)

29. Related-party transactions (Continued)

(e) Key management compensation

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Salaries and other benefits	9,762	10,715
Employee share schemes for value of services provided	5,991	2,133
Contribution to retirement benefit scheme	362	323
	16,115	13,171

(f) Period-end/year-end balances

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Receivables from related parties:		
Tianjin Kuan Mao Mi	3,024	–
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	867	15
Subsidiary of Viva China	108	108
	3,999	123
Payables to related parties:		
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	5,641	5,088
Subsidiaries of Viva China	881	8,011
	6,522	13,099
Prepayment to related parties:		
Subsidiaries of Viva China	8,100	–

Other Information

INTERIM DIVIDEND

The Board does not recommend to declare an interim dividend in respect of the six months ended 30 June 2016 (2015: 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 2016 entitled the holders to subscribe for 24,895,108 Shares. Details of movements of the options granted under the 2004 Share Option Scheme for the six months ended 30 June 2016 are as follows.

Grantees	Date of grant	Exercise price per Share HK\$	Adjusted exercise price per Share upon the 2015 Open Offer HK\$ (Note 2)	As at 01/01/2016	Number of Shares				As at 30/06/2016	Vesting Period	Exercise Period
					Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Executive Director											
Li Ning	17/01/2014	7.00	6.35	1,509,470	-	-	-	-	1,509,470	17/01/2014 – 31/12/2014	17/01/2014 – 31/12/2018
Non-executive Director											
Chen Yue, Scott	20/12/2012	4.92 (Note 1)	4.47	344,743	-	-	-	-	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Independent non-executive Directors											
Koo Fook Sun, Louis	15/07/2011	9.09 (Note 1)	8.25	250,873	-	-	-	-	250,873	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	4.92 (Note 1)	4.47	344,743	-	-	-	-	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Wang Ya Fei	15/07/2011	9.09 (Note 1)	8.25	250,873	-	-	-	-	250,873	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	4.92 (Note 1)	4.47	344,743	-	-	-	-	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Chan Chung Bun, Bunny, GBS, JP	15/07/2011	9.09 (Note 1)	8.25	250,873	-	-	-	-	250,873	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	4.92 (Note 1)	4.47	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 1)	4.47	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 2)	Number of Shares							As at 30/06/2016	Vesting Period	Exercise Period
				As at 01/01/2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					
Employees of the Group													
In aggregate	15/07/2011	9.09 (Note 1)	8.25	737,146	-	-	-	-	737,146	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017		
In aggregate	20/12/2012	4.92 (Note 1)	4.47	6,652,889	-	-	2,454,262	-	4,198,627	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018		
In aggregate	13/08/2013	5.07	4.60	5,794,604	-	-	2,166,964	-	3,627,640	31/03/2014 – 14/08/2018	31/03/2014 – 31/12/2019		
In aggregate	18/12/2013	6.79	6.16	495,670	-	-	99,133	-	396,537	19/12/2014 – 19/12/2018	19/12/2014 – 31/12/2019		
In aggregate	17/01/2014	7.00	6.35	2,091,857	-	-	754,965	-	1,336,892	18/01/2015 – 31/03/2019	18/01/2015 – 31/12/2020		
In aggregate	04/04/2014	5.10	4.63	687,799	-	-	68,779	-	619,020	05/04/2015 – 05/04/2019	05/04/2015 – 31/12/2020		
Other participants													
In aggregate	20/12/2012	4.92 (Note 1)	4.47	137,897	-	-	-	-	137,897	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018		
In aggregate	13/08/2013	5.07	4.60	136,571	-	-	13,657	-	122,914	31/03/2014 – 14/08/2018	31/03/2014 – 31/12/2019		
In aggregate	17/01/2014	7.00	6.35	7,547,354	-	-	-	-	7,547,354	17/01/2014 – 31/12/2014	17/01/2014 – 31/12/2018		
In aggregate	17/01/2014	7.00	6.35	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	40,971	-	-	4,096	-	36,875	18/01/2015 – 31/03/2019	18/01/2015 – 31/12/2020		
				30,456,964	-	-	5,561,856	-	24,895,108				

Notes:

- 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 were adjusted in accordance with the 2004 Share Option Scheme on 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 2016 are as follows:

Grantees	Date of grant	Exercise price per Share HK\$	As at 01/01/2016	Number of Shares				As at 30/06/2016	Vesting Period	Exercise Period
				Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Employees of the Group										
In aggregate	01/04/2015	4.44	32,400,000	-	-	4,066,670	-	28,333,330	01/04/2016 – 01/04/2018	01/04/2016 – 31/12/2020
In aggregate	08/06/2016	3.30	-	3,000,000 (Note 1)	-	-	-	3,000,000	08/06/2017 – 08/06/2019	08/06/2017 – 07/06/2026
Other participants										
In aggregate	01/04/2015	4.44	800,000	-	-	-	-	800,000	01/04/2016 – 01/04/2018	01/04/2016 – 31/12/2020
			<u>33,200,000</u>	<u>3,000,000</u>	<u>-</u>	<u>4,066,670</u>	<u>-</u>	<u>32,133,330</u>		

Note:

- The closing price of the Shares as stated in the Stock Exchange's daily quotations sheets immediately before 8 June 2016 is HK\$3.27 per Share.

Details of the valuation of the share options granted during the six months ended 30 June 2016 under the 2004 Share Option Scheme and 2014 Share Option Scheme are set out in note 27 to the condensed consolidated interim financial statements. 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 2016, 15,865,800 restricted shares were granted to eligible participants pursuant to the Restricted Share Award Scheme. During the period, 1,370,073 restricted shares were vested and no restricted shares were lapsed. Details of movements of the restricted shares under the Restricted Share Award Scheme for the six months ended 30 June 2016 are as follows:

Date of grant	Fair value per restricted share HK\$ (Note 1)	Number of restricted shares					As at 30/06/2016	Vesting period
		As at 01/01/2016	Granted during the period	Vested during the period	Lapsed during the period			
03/09/2010	23.30	220,000	–	–	–	220,000	01/07/2011 – 01/07/2016	
17/01/2014	6.71	1,370,073	–	1,370,073	–	–	(Note 2)	
17/06/2016	3.20	–	15,865,800	–	–	15,865,800	01/04/2017 – 01/04/2019	
		<u>1,590,073</u>	<u>15,865,800</u>	<u>1,370,073</u>	<u>–</u>	<u>16,085,800</u>		

Notes:

- The fair values of the restricted shares were based on the closing price per Share at the date of grant.
- 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 2016, 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	305,246,126 (Note 1)	256,090,913 (Note 1)	561,337,039	29.77%
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, GBS, JP	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 1,885,494,074 Shares in issue as at 30 June 2016.



Notes:

1. Mr. Li Ning ("Mr. Li") is interested in 305,246,126 Shares, among which 3,311,006 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 256,090,913 underlying Shares, among which (i) 1,509,470 Shares are share options granted by the Company, (ii) 4,753,900 Shares are unvested restricted shares granted by the Company, and (iii) a total amount of HK\$722,478,136 of convertible securities which is convertible into 249,827,543 shares, is held by Viva China BVI. Details are as follows:
 - (a) Viva China BVI, a wholly-owned subsidiary of Viva China Holdings Limited ("Viva China"), is interested in 299,374,000 Shares and 249,827,543 underlying Shares, which comprise of (i) convertible securities in the total amount of HK\$398,156,304 which is convertible into 125,088,377 Shares at the conversion price of HK\$3.183 each, and (ii) convertible securities in the total amount of HK\$324,321,831.60 which is convertible into 124,739,166 Shares at the conversion price of HK\$2.60 each. Viva China is owned as to approximately 14.61% by Victory Mind Assets Limited ("Victory Mind"), approximately 24.33% by Lead Ahead Limited ("Lead Ahead") and approximately 27.39% by Dragon City Management (PTC) Limited ("Dragon City") respectively. Each of Lead Ahead and Dragon City is owned as to 60% by Mr. Li. 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. Mr. Li is also the chairman and chief executive officer of Viva China.
 - (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 4,753,900 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.

Save as disclosed above, so far as was known to any Director, as at 30 June 2016, 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 2016, 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	305,246,126	256,090,913	561,337,039 (L) (Note 1)	29.77%
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%
Lou Yunli	Interest of controlled corporations	134,583,330	–	134,583,330 (L) (Note 4)	7.14%
James Christopher Kralik	Interest of controlled corporations	134,583,330	–	134,583,330 (L) (Note 4)	7.14%
BlackRock, Inc.	Investment manager	111,348,028	–	111,348,028 (L)	5.91%
	Investment manager	21,614,234	–	21,614,234 (S)	1.15%
FIL Limited	Investment manager	111,069,923	–	111,069,923 (L)	5.89%

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

* The percentage has been calculated based on 1,885,494,074 Shares in issue as at 30 June 2016.



Notes:

1. Mr. Li Ning is interested in 305,246,126 Shares, among which 3,311,006 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 256,090,913 underlying Shares, among which (i) 1,509,470 Shares are share options granted by the Company, (ii) 4,753,900 Shares are unvested restricted shares granted by the Company, and (iii) a total amount of HK\$722,478,136 of convertible securities which is convertible into 249,827,543 shares, is held by Viva China BVI. Details are as follows:
 - (a) Viva China BVI, a wholly-owned subsidiary of Viva China, is interested in 299,374,000 Shares, and 249,827,543 underlying Shares, which comprise of (i) convertible securities in the total amount of HK\$398,156,304 which is convertible into 125,088,377 Shares at the conversion price of HK\$3.183 each, and (ii) convertible securities in the total amount of HK\$324,321,831.60 which is convertible into 124,739,166 Shares at the conversion price of HK\$2.60 each. Viva China is owned as to approximately 14.61% by Victory Mind, approximately 24.33% by Lead Ahead and approximately 27.39% 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 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. Mr. Li is also the chairman and chief executive officer of Viva China.
 - (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 4,753,900 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. 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 of (i) convertible bonds with the principal amount of RMB561,000,000 due 2017 which is convertible into an aggregate of 168,629,032 Shares, (ii) convertible securities in the total amount of HK\$123,888,471 which is convertible into an aggregate of 38,921,919 Shares at the conversion price of HK\$3.183 each, and (iii) convertible securities in the total amount of HK\$57,416,658 which is convertible into an 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. 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 2016, the Company had not been notified by any person (other than a Director or chief executive of the Company or their respective associate(s)) of any interest and short position in the Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

CONVERTIBLE BONDS

The Company had issued convertible bonds (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 HK\$1,847,838,000 which is convertible into a total of 527,953,814 Shares. Please refer to the announcement of the Company dated 18 April 2013 for details.

On 16 December 2014, the Company announced the 2015 Open Offer of offer securities (i.e. new 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 which is convertible into a total of 146,881,496 Shares, on 2 February 2015. Please refer to the announcement of the Company dated 30 January 2015 for 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 were adjusted from 151,214,775 Shares to 166,274,493 Shares. Please refer to the announcement of the Company dated 30 January 2015 for details.

During the six months ended 30 June 2016, the 2013 Convertible Securities in an aggregate principal amount of approximately HK\$12,248.18 had been converted into 3,848 Shares. As at 30 June 2016, the outstanding 2013 Convertible Securities amounted to approximately HK\$527,170,218.30 and the outstanding 2015 Convertible Securities amounted to HK\$381,738,689.80, which are convertible into a total of 165,620,552 Shares and 146,822,573 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 2016. 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.

CORPORATE GOVERNANCE

For the period from 1 January 2016 to 30 June 2016, 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 2016, Mr. Li Ning, the Executive Chairman and Interim CEO of the Company, assumed the role of chief executive officer. 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 2016.

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, risk management, internal control and financial reporting matters, including review of the interim results for the six months ended 30 June 2016.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2016 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, 10 August 2016

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 2016: 1,885,494,074 Shares
Market capitalization as at 30 June 2016: approximately HK\$7,164,877,481

INTERIM DIVIDEND FOR 2016

Nil

FINANCIAL CALENDAR

Announcement of 2016 interim results: 10 August 2016
Announcement of 2016 annual results: March 2017

CORPORATE WEBSITES

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

CONTACT FOR INVESTOR RELATIONS

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Glossary



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

"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.