LI NING COMPANY LIMITED
李寧有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2331)


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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.

Contents

Highlights of the Year 2015

APR

"Make great strides together" 2015 LI-NING China 10K Road Racing League

Starting from 2012, LI-NING China 10K Road Racing League, serving as the first league up to professional standard and an iconic road racing competition in China, has been named the "Best Running Tournament Award in China" by Runner's World, a professional and authoritative magazine for runners in China, for the last two years in a row. As of 2015, over 150,000 runners directly experienced "the best road racing competition in China".

Besides the offline road racing league, LI-NING worked with Xiaomi sports APP to roll out an online 10K Road Racing League. Breaking the boundaries of competition is gaining endorsement and popularity among runners.

Showcased in the 2015 Apparel Fabrics fair– Spring Edition, setting the trend for sustainable development

The China International Trade Fair for Apparel Fabrics and Accessories – Spring Edition was held in Shanghai (Intertextile Shanghai Apparel Fabrics). LI-NING was the only domestic sporting goods brand invited to the fair. LI-NING manifested its achievements in terms of environmental protection and sustainable eco-friendly development by displaying its organic cotton and Eco-circle sports suit series in the sustainable development attire exhibition zone. Riding on the development and use of new environmentally-friendly materials, LI-NING brand has set the trend for sustainable design development in the industry through practical environmental protection concepts, making life greener with technology.

MAY

Mr. Li Ning invited as "CEO online" guest of finance.ifeng.com

During the exclusive interview given by finance.ifeng.com, Mr. Li Ning expressed, "I am still working hard to be a sports brand of China. I hope of making contribution to cities and society by making use of my experience gained in sports." He concluded the interview with the motto "Anything is possible."

JUL

2015 Wade China Tour

Staging a debut in Houhai, Beijing, the journey of Wade China Tour began with the announcement of the winner of "The Global Wade-of-Way design competition" in the Li-Ning Centre. The laureate was named Chameleon, which is the first product incorporating the design concept submitted by a netizen and put into mass production and sales. This move was a solid step for realizing "Internet+"strategy. Deeper interaction between the Company and basketball devotees and customers with the theme of Chameleon and local features were unveiled in Shijiazhuang, Chengdu, Dongguan, Shenzhen and Guangzhou, further enhancing the consumer and product experiences.

"Smart Running is at your disposal"

2 smart running shoes unveiled by LI-NING and Huami

LI-NING partnered with Huami Inc. to proactively introduce a new and interesting smart running lifestyle, to inspire and enrich the mass sports participants with professional smart products and services The two smart products deeply researched and developed on top of LI-NING SMART and Xiaomi Sports Cloud Big Data Technology Platform. As a result, the smart platforms are the hybrid of "Professional Equipment +Smart hardware +mobile internet +data Analysis and sharing" which furnishes customers with the wide-ranging running experience and carves out a new era of "Internet + Sports Life Experience" for LI-NING brands.

AUG

The 25th Anniversary Ceremony

Li-NING is stepping into a new era after 25 years, and reactivating the motto "Anything is possible" to renew its brand with new life. "Anything is possible"is the DNA of LI-NING brand, which moves along with the trend and signifies the strategy of shifting from a sports equipment provider to an "Internet +Sports Life Experience" company.

During the 25th anniversary ceremony, Mr. Li Ning gave his remark, "Down through 25 years, we always keep our original course and embraced everyday challenges with bold innovation and breakthroughs. With the arrival of the 25th years, Li Ning Company stepped into a new era of business development. It is hoped that we can re-establish our mission and core values and realize the motto "anything is possible", that is, to have a passion for sports and pursue our dreams with boundless imaginative power. Not only is "anything is possible" our DNA, but it also manifests our brand spirit. "Internet+" is an overwhelming trend that requires us to be more adaptable to the internet environment and lifting ourselves from the bottleneck to the breakthrough with full imagination and bold innovation to reinvigorate the Company."

NOV

The Double 11 2015

The overall sales of LI-NING brand during "Double 11" hit over RMB200 million on TMall, staying as the top of domestic sportswear brand.

New session for CBA League

As the strategic partner of CBA League Tournaments,Mr. Li Ning delivered his blessings for the start of new season at the end of the awards ceremony, " It is hoped that the players can play an all-out opening match tonight. Anything is possible for the new season."

The thrill of CBA League Tournaments is not only limited to the adrenaline pumping matches but also lies in the annual spectacular jamboree that gathers fans together, in which sports equipment, basketball spinoff products and positive dynamics in the competition are enriching CBA League Tournaments' basketball culture . In this season, Li Ning Company will further promote the basketball culture by continuing the well-received indoor and outdoor activities and rendering "My Sports Suit", customized service, while further unleashing the glamor of basketball.

DEC

Tie-up of Titans: LI-NING and JD

LI-NING has entered into strategic cooperation with JD to further improve inventory management and lower overall operating expense. With such cooperation , the demand of the goods in LI-NING stores was satisfied in time, which helps to realize the connection of online to offline in terms of inventories, sales, services and users. This more efficient supply chain system should further enhance retail sales channel, which laid a solid foundation of supply chain for Li Ning Company's O2O strategy in place.

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

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

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Fax: +8610 8080 0000

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISORS

Hong Kong law
Troutman Sanders

PRC law
All Bright Law Offices

PRINCIPAL BANKERS

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

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

Five-Year Financial Highlights

Unit: RMB'000

	2015	2014	2013	2012	2011
Operation results:					
Turnover	7,089,495	6,047,195	5,217,957	6,213,586	8,445,624
Operating profit/(loss)	157,069	(643,062)	(311,245)	(1,739,385)	564,773
Profit/(Loss) before taxation	30,814	(777,888)	(424,084)	(1,881,024)	477,908
Profit/(Loss) attributable to equity holders	14,309	(781,481)	(391,540)	(1,979,114)	385,813
Earnings before interest, tax, depreciation and amortisation (EBITDA)	393,953	(456,221)	(99,496)	(1,473,441)	800,677
Assets and liabilities:					
Total non-current assets	1,413,942	2,077,087	2,055,201	2,114,048	2,549,598
Total current assets	5,483,516	3,962,719	3,961,650	3,905,524	4,769,138
Total current liabilities	2,471,786	2,679,141	2,017,723	3,264,127	3,052,985
Net current assets	3,011,730	1,283,578	1,943,927	641,397	1,716,153
Total assets	6,897,458	6,039,806	6,016,851	6,019,572	7,318,736
Total assets less current liabilities	4,425,672	3,360,665	3,999,128	2,755,445	4,265,751
Capital and reserves attributable to equity holders	3,179,903	1,951,858	2,684,230	1,613,597	3,471,843
Key financial indicators:					
Gross profit margin	45.0%	44.9%	45.2%	37.7%	46.5%
Margin of profit/(loss) attributable to equity holders	0.2%	(12.9%)	(7.5%)	(31.9%)	4.6%
EBITDA ratio	5.6%	(7.5%)	(1.9%)	(23.7%)	9.5%
Earnings/(losses) per share					
– basic (RMB cents)	0.66	(49.97)	(26.91)	(153.14)	29.90
– diluted (RMB cents)	0.66	(49.97)	(26.91)	(153.14)	29.80
Dividend per share (RMB cents)	–	–	–	–	11.07
Return on equity attributable to equity holders	0.6%	(33.7%)	(18.2%)	(77.8%)	11.3%
Net tangible assets per share (RMB cents)	162.59	94.24	157.86	97.40	241.46
Debt-to-Equity ratio	109.7%	198.3%	116.4%	260.7%	105.2%


LI-NING
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SPORTSMANSHIP

DOMINATE THIS SECOND

Chairman's Statement

Mr. LI Ning
Executive Chairman and Interim Chief Executive Officer

DEAR SHAREHOLDERS,

FOREWORD

Since its inception in 1990, LI-NING brand has gone through ups and downs over 25 years. As 2015 marked the 25th anniversary of the Company, we chose "Anything is possible" as our slogan which manifests our brand's DNA – tenacity derived from sports. The catchword also stands for our staff's power of imagination breaking through into new frontiers and prowess and perseverance which help us reach our goals and even go further. Meanwhile, 2015 marked a step up in the Company's growth phase. During the year, with the support and unremitting efforts given by our staff and the measures in place, our operating indicators were seen with remarkable improvement and in turn enabled the Group to return to profitability as targeted.

During the course of business development, we started to gain insight on the change of consumption pattern and lifestyle of the contemporary consumers as well as their implicitly changing value and recognition to the services offered by commercial organizations. As a result, creation of experience became our important strategy in 2015. During the year, our pioneer products, particular by our key products launched as smart product with the use of e-commerce on-line and offline, gained wide recognition in the market and tap new vista for its prospective growth.

Returning to profitability

2015 marked a step up in the Company's growth phase. During the year, we remained steadfast on our "three pillars strategy" with the focus placed on our products, channels and retail capability concentrating on five core categories, namely basketball, running, badminton, training and sports lifes products, thereby driving our revenue up. At the same time, a better balance was witnessed in the business development, evidenced by the re-expansion of sales network and significant improvement in working capital. These achievements laid a solid foundation for the path of development for the Company:

– Returning to profitability as targeted. The group achieved profitability and positive operating cash flow for the first time since 2011. During the year, revenue grew by 17% while profit attributable to equity holders of the Company amounted to RMB14 million. Operating cash flow increased to RMB687 million. Meanwhile, working capital improved significantly with cash conversion cycle shortened. Gross inventory (before provision and excluding Double Happiness) declined by 20% notwithstanding net addition of 313 direct Point-of-Sales (POS);

– A more balanced business development. In 2015, the Company's retail, wholesale and e-commerce businesses all recorded double-digit revenue growth. Same Store Sales Growth (SSSG) for overall platform recorded low-single-digit and high-single-digit growth for Q4 and full year respectively and maintained positive SSSG for overall platform in all four quarters throughout the year. Confidence of distributors and our status restored. Up to Q3 in 2016, the tag price of trade fair orders from distributors registered a year-on-year growth for nine consecutive quarters. There was a substantial increase in the income weighting of the e-commerce channel, representing a year-on-year increase of approximately 100%;

– Expansion in POS resumed with a net increase of 507 to 6,133 POS by the end of 2015, among which, distributors' POS resumed expansion for the first time since 2011 and recorded a net increase of 194 POS.

– The introduction of "Internet+" concept presented a new breakthrough for the Company's business model. Leveraging the characteristic of communication and sharing, the Company focused on its online and offline models with the combination of the advantageous professional sports functionality, enhancing cohesion and experience for the sports group and in turn reinforcing the intrinsic value of the brand. During the year, the Company took advantage of e-commerce platforms to roll out "Furious Rider" (烈駿), "Rouge Rabbit" (赤兔), Wade, CBA championship basketball shoes and cross-sector products like Marvel products, gaining good recognition in the market and gave a testimony to the Company's pursuit of experience value.

A Year for growth and fostering new experience for users

In 2015, through upgrading of products, purchase and sports experiences, the Company fostered unique experience value in all dimensions for consumers and continued to build up the core competitiveness of its brand.

– On the purchase experience front, we adopted a clearer brand strategy and kept on exploring e-commerce business platforms. We utilized the influence of our sports resources on the market with reasonable approach to help enhance shopping experience. To more precisely accommodate the consumers, we categorized our existing sports life products in a more detailed manner and developed new well-matched channel image to foster interactive experience, flexibly and effectively executed the display guidelines, emphasized the theme and rendered a whole new shopping experience. The LI-NING brand products serves as our professional sports products which target at the traditional sports users who are familiar with the brand's sports and professional attributes; The newly launched blue label "" was positioned to be a lower-pricing fast fashion brand with sports and leisure features, and cater for the sports elements demanded by the general public; LNG's target group is the urban and fashionable white collar in the business world. It establishes itself as a new sporty and stylish brand that finds its place in the core business districts of metropolis and first-tier cities. The LNG brand is wholly designed and created by the Korean designer team. During the year, the Company pioneered the product sales online and offline with certain products put into trial through e-commerce platforms. For example, the two smart running shoes for which we collaborated with Huami Inc., which form part of the Xiaomi ecosystem, were launched in an innovative online and offline shopping mode; sales and marketing of the public edition of "Rouge Rabbit" (赤兔) and premium edition of "Furious Rider" (烈駿) mainly relied on the Internet and the sales volume of the two smart shoes amounted to approximately 300,000 in aggregate in 2015. During the year, the influence of our sports resources on the market remained to be our focus. As for professional sports products, we strived to step up consumers' expectation and shopping experience through lining up our sports resources with our stores and the release of activities for newly-launched products:

– Product experience remained to be a key part of our tasks, by which we hold firm of our philosophy of "making professional products more professional and matching our products well with lifestyle" and reinforce the product attributes. On professional sports product level, we kept our eyes on the functionalities and comfortability of our products which facilitate better sports performance for sports players; on the leisure level, we considered the spending power of consumers and the business circle where they are in and launched fashionable sportswear in different POS with differentiation. Meanwhile, we emphasized on the interactive on-store product experience and sharing of consumers through our active promotion of the setup of Running Corners in Flagship Stores, the LI-NING iRun Club and LI-NING running product specialty shops alongside targeted product planning and assortment in support of the sales department's multi-store tactic. The Flagship Store at Wangfujing presented its new look and opened in August, in which the three-storied iRun Experience Zone offered a galaxy of facilities for professional courses, physical training, foot shape analysis, meetups of running groups and a platform for finding running partners. The store has been visited by over 10,000 runners since its opening.

– Professionalism and tenacity derived from our sports attributes are our hardcore, providing our customers with unique sports experience and creating experience values. During the year, we continued to encourage participation of sports by sponsoring International Marathon competition in Shenzhen and LI-NING China 10K Running League and to foster and heighten the interest of spectator of competitions by sponsoring top-notch competitions abroad such as CBA, CUBA, Sudirman Cup and world championship, presenting rich sports culture to the audience when they are enjoying the competitions. Meanwhile, exploring how to use Internet platforms to render innovative sports experience was a pioneer task during the year. Xiaomi sports APP provides running with a set of exercise data including records of running route, calorie counter and foot strikes records, presenting an insight for runners on their exercise status for the betterment of their exercise scheme. Meanwhile, taking advantage of the large pool of active users of Xiaomi sports APP, the Company stepped forward for the LI-NING shoe brands in terms of social and interactive experience by providing social interactive activities such as professional training scheme, buddy-monitored exercise challenge, mile earning schemes, etc. All these display the linkages and cohesion produced among runners, friends and people by LI-NING smart shoes. During the year, the Company also continued to strengthen and expand LI-NING China 10K Running League and jointly hosted LI-NING 10K Online Running League; besides, the "Frequency of Stride Challenge (步頻挑戰)" activity hosted by us via Sina

Weibo in December, with the application of frequency of stride counting function embedded in our smart shoes, registered 10 million views and shares and attracted 50,000 participants.

We paid our efforts to users' experience and positive interaction and improvement as a new anchor for the development strategy for our business in the future. On top of our products, channels and retailing capacities complemented with special user experience, we build up a unique core competitiveness to stay above the fray at the endogenous yet vicious competition landscape.

Paving the path of LI-NING value

As we are living in an era with the use of mobile devices and the Internet, not only our minds and consumption patterns are undergoing profound changes, but people's perceived values towards the commercial organization rendering services are shifting. Meanwhile, the initiative to lead an eco-friendly life deeply implants the idea of pursuing a healthy life into the hearts of people. As a result, customers' participation and passion for sports are swelling while the trend towards sport is gaining momentum, representing a huge room for development of the industry in the future. Adopting the digital strategy and building up a digital platform, the Company's core strategy from 2016 to 2018 will be to integrate our brands with sports projects, create user experience in sports, build the value of LI-NING and fully apply the digital technologies into the whole business.

In 2016, we will focus on strengthening the following key business areas:

– The Company will continue to step up its retail capability and the weighting of new products in its existing POS in order to drive the growth of revenue and gross profit. One of its tasks focuses on the "Closed Loop" management of retail operation which will suit precisely the overall sales mode of products. With the achievement of "Closed Loop" effect from product planning to cash inflow, a virtuous circle will be created which can enhance the operating efficiency as a whole and prune operating costs;

– On the product and channel fronts, the Company will keep up its steady pace of expansion of sales network while improving its five core categories and continue the development of "" Label which serves as a product to explore the low-pricing leisure sportswear market to attract younger consumers in pursuit of fashion. In 2016, the Company targets at achieving an net increase of 300-500 POS and half of them will be for direct retailing; the Company will continue to foster cooperation with its channel partners, strategically penetrating into the areas with greater growth potential;

– The Company will strive to apply the digital strategy into the overall business to a greater extent. Leveraging a large pool of consumer data, we can conduct in-depth analysis on their consumption patterns and practices, by which we can have greater flexibility and orientation to move into the social and smart lifestyle. The goal of the Company is to achieve an increased weighting of over 20% of e-commerce business revenue in the next two to three years:

– As a part of O2O operation mode, logistic and supply chain stability and inventory placement will be our focuses of the year. The Company has entered into strategic cooperation with JingDong, pursuant to which JingDong agreed to provide the overall logistic solution whereby it will deliver the products to the POS in order to improve inventory utilization and operation efficiency for a better overall performance;

The improvement of all indicators in 2015 laid a solid foundation for the development of the Company in future while returning into profitability served as a transitional goal. For the three years ahead, we will take on the path of creating values for Li Ning Company. As the founder and operator of the Company, I always highly regard the interests of investors, and cherish their care and unremitting supports to the Company. I also wish to express my heartfelt thanks to our dedicated and industrious employees throughout the years. The management and I will spare no efforts to steer the Company forward towards further development in the future, forging a LI-NING brand full of vivacity and power of imagination in a new era. "Anything is Possible!"

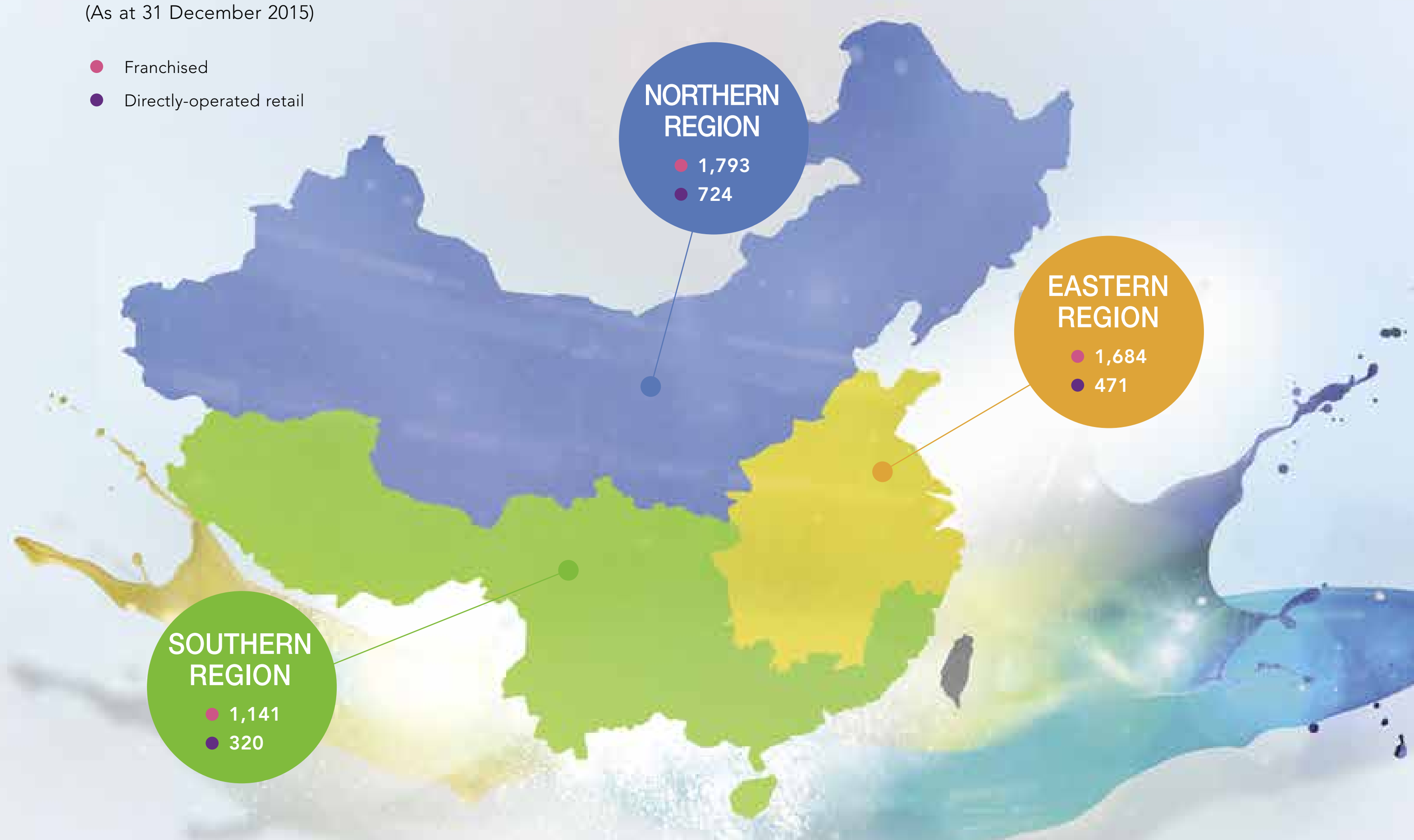
Li Ning
Executive Chairman and Interim Chief Executive Officer

Hong Kong, 16 March 2016

Management Discussion and Analysis

NATIONWIDE DISTRIBUTION OF FRANCHISED AND RETAIL POS

(As at 31 December 2015)



	Franchised	Directly-operated retail	Total
Eastern region (Note 1)	1,684	471	2,155
Northern region (Note 2)	1,793	724	2,517
Southern region (Note 3)	1,141	320	1,461
Total	**4,618**	**1,515**	**6,133**

Notes:

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

FINANCIAL OVERVIEW

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

	Year ended 31 December 2015	2014	Change (%)
Income statement items *(Note 1)*			
(All amounts in RMB thousands unless otherwise stated)			
Revenue *(Note 2)*	**7,089,495**	6,047,195	**17.2**
Gross profit	**3,192,659**	2,717,759	**17.5**
Operating profit/(loss)	**157,069**	(643,062)	**(124.4)**
Earnings before interests, tax, depreciation and amortisation (EBITDA) *(Note 3)*	**393,953**	(456,221)	**(186.4)**
Profit/(loss) attributable to equity holders *(Note 4)*	**14,309**	(781,481)	**(101.8)**
Basic earnings/(losses) per share *(RMB cents) (Note 5)*	**0.66**	(49.97)	**(101.3)**
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	**45.0**	44.9	
Operating profit/(loss) margin *(%)*	**2.2**	(10.6)	
Effective tax rate *(%)*	**239.4**	(6.7)	
Margin of profit/(loss) attributable to equity holders *(%)*	**0.2**	(12.9)	
Return on equity attributable to equity holders *(%)*	**0.6**	(33.7)	
Expenses to revenue ratios			
Staff costs expenses *(%)*	**9.9**	12.0	
Advertising and marketing expenses *(%)*	**14.3**	20.3	
Research and product development expenses *(%)*	**1.9**	2.7	

	31 December 2015	31 December 2014
Balance sheet items		
(All amounts in RMB thousands unless otherwise stated)		
Total assets *(Note 6)*	**6,897,458**	6,039,806
Capital and reserves attributable to equity holders *(Note 7)*	**3,179,903**	1,951,858
Key financial ratios		
Asset efficiency		
Average inventory turnover *(days) (Note 8)*	**100**	109
Average trade receivables turnover *(days) (Note 9)*	**69**	79
Average trade payables turnover *(days) (Note 10)*	**93**	86
Asset ratios		
Debt-to-equity ratio *(%) (Note 11)*	**109.7**	198.3
Interest-bearing debt-to-equity ratio *(%) (Note 12)*	**40.5**	86.4
Net asset value per share *(RMB cents)*	**180.91**	151.34

Notes:

1. On 23 October 2015, and 4 December 2015, the Group's management and shareholders have respectively approved the disposal of 10% equity interest in Shanghai Double Happiness Co., Ltd. (the "Double Happiness"; a 57.5% owned subsidiary of the Company). Accordingly, Double Happiness has been treated as discontinued operation in 2015. The related revenue, expenses, and other operating results are presented as a single amount in the income statement as "profit for the year from discontinued operations". Comparative figures are also reclassified for consistent presentation purpose. The 2015 assets and liabilities related to Double Happiness are presented as "held for sale" on balance sheet.
2. Including revenue for the period from 1 January to 30 September 2015: RMB4,902,524,000.
3. The calculation of earnings before interest, tax, depreciation and amortisation (EBITDA) is based on the sum of loss for the year, income tax expense, finance expenses – net, depreciation on property, plant and equipment, and amortisation of land use rights and intangible assets.
4. Including loss attributable to equity holders for the period from 1 January to 30 September 2015: RMB28,793,000.
5. The calculation of basic earnings/losses per share is based on the loss attributable to equity holders of the Company for the year, divided by the weighted average number of shares in issue less shares held for Restricted Share Award Scheme.
6. Total assets at 30 September 2015: RMB6,553,210,000.
7. Capital and reserves attributable to equity holders at 30 September 2015: RMB3,144,248,000.
8. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances for the year (excluding Double Happiness), divided by cost of sales and multiplied by 365 days.
9. The calculation of average trade receivables turnover (days) is based on the average of opening and closing balances of trade receivables for the year, (excluding Double Happiness) divided by revenue and multiplied by 365 days.
10. The calculation of average trade payables turnover (days) is based on the average of opening and closing balances of trade payables for the year, (excluding Double Happiness) divided by total purchases and multiplied by 365 days.
11. The calculation of debt-to-equity ratio is based on total liabilities divided by capital and reserves attributable to equity holders of the Company at the end of the year.
12. The calculation of interest-bearing debt-to-equity ratio is based on total interest-bearing borrowings and convertible bonds divided by capital and reserves attributable to equity holders of the Company at the end of the year.

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

Revenue

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

Revenue breakdown by brand and product category

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

* *Including Lotto, Kason and Aigle.*

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

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

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

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

Revenue breakdown of LI-NING brand by geographical location

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

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

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

Cost of Sales and Gross Profit

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

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

Distribution Expenses

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

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

Administrative Expenses

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

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

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

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

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

Finance Expenses

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

Income Tax Expense

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

Profit for the Year of Discontinued Operations

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

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

* Including Lotto, Kason and Aigle.

Overall Profitability Indicators

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

Provision for Inventories

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

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

Provision for Doubtful Debts

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

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

Liquidity and Financial Resource

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

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

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

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

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

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

Foreign Exchange Risk

The Group's operations are mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. The Group's subsidiaries in South Korea and 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 year. Any significant exchange rate fluctuations of foreign currencies against Renminbi could have had financial impact on the Group.

Pledge of Assets

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

Contingent Liabilities

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

BUSINESS REVIEW

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

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

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

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

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

LI-NING BRAND

Basketball

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

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

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

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

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

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

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

– Chinese Basketball Association League (CBA)

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

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

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

- For the 2015-16 season, LI-NING partnered with Letv Sports to roll out the exclusive Guo Ailun birthday edition basketball shoes where the basketball player was acclaimed as "the best point guard in Asia". LI-NING also offered professional endorsement for its Speed 2, the featured basketball shoes in 15Q4;

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

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

Badminton

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

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

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

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

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

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

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

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

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

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

Running

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

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

- Additional planning effort was made for the product planning and investment in RMB299 to RMB399 entry level products, with a growth in both order and sales for products at RMB300 level;

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

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

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

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

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

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

Sports Life

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

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

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

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

Training

Training

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

Apparel

– ***Professional Tights***

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

– ***Functional Water Repellent Products***

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

– ***Icy Sensation Functional Products***

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

– ***AT Dry Fast Technology Materials Products***

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

– ***Honeycomb shell down coats***

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

Footwear

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

– ***Fitness shoes***

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

– ***Indoor fitness shoes***

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

LI-NING Brand Sponsorship Resources

	BASKETBALL	TRACK & FIELD/RUNNING	BADMINTON	TENNIS	OLYMPIC CHAMPION TEAMS	TABLE TENNIS	SHOOTING
TOP-NOTCH ATHLETES/ SPORTS TEAMS/ SPORTS CLUBS	Dwyane Wade	Ngoni Makusha	China National Badminton Team	Peng Shuai	China National Table Tennis Team	Ma Long	Tsinghua University Shooting Team
	Evan Turner		Chen Long	Marin Cilic	China National Diving Team	Li Xiaoxia	
	Guo Ailun		Cai Yun	Tianjin Tennis Team	China National Shooting Team	Wang Liqin	
	Xirelijiang		Wang Yihan	The delegation of Shanghai for the National Game		Ding Ning	
	Han Shuo		Li Xuerui	Speed Skating Canada			
	He Tianju		Xu Chen				
	Sun Yue		Zhang Nan				
	Zhao Jiwei		Fu Haifeng				
	Zhao Tailong		Zhao Yunlei				
	Sichuan Jinqiang Basketball Club		Yu Yang				
	China National Junior Team						
TOURNAMENTS	China Basketball Association	Li-Ning 10K Running League	2013-2016 'MAJOR EVENTS' Partner of BWF			China Table Tennis Club Super League	
	China Junior & High School Basketball League	China National High Attitude Endurance Challenge	2015 Sudirman Cup (Equipment Sponsor)			CTTA Members' League	
	Chinese University Basketball Association	2015 Shenzhen International Marathon	2015 TOTAL BWF World Championships (Equipment Sponsor)				
	KFC 3 on 3 Basketball league	2015 Nanning International Half Marathon	2015 Thaihot China Open 2015 (Equipment Sponsor)				
	CBA Junior League	2015 HONG KONG STREETATHON	2015 BWF Super Series China Masters (Equipment Sponsor)				
			2015 Singapore Open Badminton Championships (Equipment Sponsor)				
			2015 China national Tournaments (Title & Equipment sponsor)				
			2015 China (Ling Shui) International Challenge (Equipment sponsor)				
			2014-2015 China Badminton League (Partner)				
			2015-2016 China Badminton League (Partner)				
OTHER IMPORTANT SPONSORSHIP RESOURCES	Udonis Haslem	Provincial Athletics Team (Guangdong/Yunnan/People's Republic Amy)	Chinese Youth Badminton Team	Zheng Saisai			
	Dorell Wright	Li Tie	Singapore National Badminton Team	Karorina Pliskova/ Kristyna Pliskova			
	Glenn Robinson III		Australia National Badminton Team	Lining International Junior Tennis Championships			
	Pooh Jeter		Indonesia National Badminton Team	Chinese Team for Military World Games			
	Zeng Lingxu		Provincial Team, Beijing, Liaoning, Shanghai, Sichuan, Guangdong, Zhejiang, Bayi, Shandong, Xiamen, Tianjin Club, Hunan Club, Qingdao Club				
	Fang Shuo		K. Srikanth(India), Parntia (Thailand), PV Sindhu (India), Markis Kido (Indonesia) Ajay Jayaram (India), Parupalli Kashyap(India), Jwala Gutta(India), Pia Zebadiah (Indonesia), Rizki Amelia Pradipta (Indonesia)				
	Zhu Yanxi		Wang Xin, Wang Lin,Tang Xianhu				
	Tian Yuxiang						
	Chen Linjian						
	Luo Kaiwen						
	Xu Zhonghao						
	Zhang Zuming						
	Fan Bin						
	Qu Shaobin						
	Yang Maogong						
	Zhao Yanhao						
	Wang Zirui						
	Yi Li						

– ***Female training shoes***

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

Outdoor products

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

Product strategy

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

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

Urban light exercise products

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

Health collection

– ***Professional walking shoes Air-Fluid***

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

– ***Professional walking shoes Energy-Return***

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

Comfort collection

– ***Daily walking shoes Dynamic***

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

– ***Daily walking shoes Retro Walker***

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

Resources and promotion of walking shoes

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

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

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

Sales Channel Expansion and Management

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

Number of franchised and directly-operated POS

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

Number of POS by geographical location

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

Notes:

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

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

Channel Innovation and Development

– Further advanced the market segmentation and differentiated channel distribution:

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

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

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

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

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

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

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

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

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

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

Product planning and new product launch management

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

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

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

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

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

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

Retail Operation Management

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

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

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

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

Logistics management

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

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

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

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

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

e-Commerce

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

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

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

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

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

DOUBLE HAPPINESS BRAND

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

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

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

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

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

OTHER BRANDS

AIGLE Brand

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

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

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

– Open new stores on a reasonable basis;

– Explore opportunities for outlets and e-commerce markets;

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

– Gradually reinforce requirements on product quality.

HUMAN RESOURCES

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

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

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

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

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

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

OUTLOOK

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

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

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

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

– Strive to enhance efficiency and profitability of existing POS while continue to optimise sales channel network to achieve a net increase of 300-500 POS in 2016;

– Maintain the level of cost control and continue to enhance profitability of the Company.

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

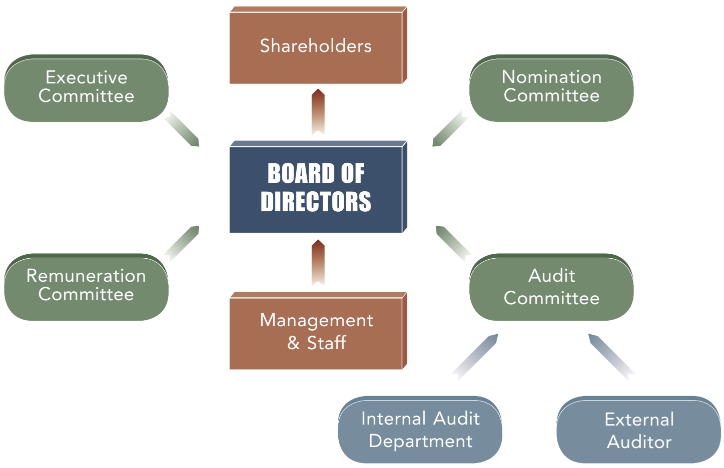
Corporate Governance Report

Adapting and adhering to recognized standards of corporate governance principles and practices has always been one of the top priorities of the Company, which enables the Company to keep abreast of the corporate governance level oriented to its business needs in an effective and efficient manner. The Board believes that good corporate governance safeguards the long-term interest of the Shareholders and enhances the Group's performance. The Board endeavours to uphold a high standard of corporate governance with focuses on internal control, fair disclosure and accountability to all Shareholders.

Throughout the year ended 31 December 2015, the Company has complied with the code provisions of the Corporate Governance Code ("Code Provisions") as set out in Appendix 14 to the Listing Rules, except for certain deviations specified with considered reason as explained below.

CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of the Company is as follows:



The corporate governance functions are performed by the Board. The Company adopted paragraph D.3.1 of the Code Provisions as the duties of the Board in performing its corporate governance functions.

During the year of 2015, the Board has performed the following duties in respect of its corporate governance functions:

a. reviewing the Company's policies and practices on corporate governance;

b. reviewing and monitoring the training and continuous professional development of the Directors and the senior management of the Company (the "Senior Management");

c. reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements;

d. reviewing and monitoring the code of conduct applicable to employees; and

e. reviewing the Company's compliance with the code of disclosure in the Corporate Governance Report.

THE BOARD OF DIRECTORS

Being accountable to the Shareholders, the Board has the responsibility for providing leadership and monitoring and controlling the Company and is collectively responsible for promoting the long-term sustainable and healthy development of the Group by directing and supervising the Company's affairs.

Composition of the Board

The Board currently comprises seven Directors, with a majority of whom being non-executive Directors (including independent non-executive Directors), of which one is an executive Director, two are non-executive Directors, and four are independent non-executive Directors. During the year of 2015 and up to the date of this report, the composition of the Board and its changes are as follows:

Name of Director

Executive Directors

Mr. Li Ning	*(Executive Chairman and Interim Chief Executive Officer) (appointed as Interim Chief Executive Officer on 18 March 2015)*
Mr. Jin-Goon Kim	*(Executive Vice Chairman) (resigned as Executive Director and Executive Vice Chairman on 4 July 2015)*

Non-executive Directors

Mr. Chen Yue, Scott	
Mr. Wu, Jesse Jen-Wei	*(appointed on 12 August 2015)*

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

The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

All Directors have disclosed to the Company the number and nature of offices held in other public companies or organisations and other significant commitments, with the identity of the public companies or organisations, and an indication of the time involved. They are also reminded to notify the Company and confirm to the Company any change of such information in a timely manner pursuant to the disclosure requirements of the Listing Rules. The Board is of the view that each Director has given sufficient time and attention to the affairs of the Company for the year under review.

Board Diversity Policy

The nomination committee of the Company (the "Nomination Committee") reviews and assesses the composition of the Board and makes recommendations to the Board on the appointment of new Directors and Senior Management based on its terms of reference.

The Nomination Committee made an annual review on the composition of the Board with reference to a number of factors, including but not limited to diversity. The Company has complied with paragraph A.5.6 of the Code Provisions, with respect to the board diversity during the year. Further details on the review of the composition of the Board are set out in the section headed "Nomination Committee" below.

Chairman and Chief Executive Officer

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 year of 2015, Mr. Li Ning, the Executive Chairman of the Company, assumed the role of chief executive officer with the assistance of the current senior management of the Company, and he was officially appointed as the Interim CEO of the Company from 18 March 2015. Therefore, there was no separation of the roles of the chairman and the chief executive as both roles are currently undertaken by Mr. Li Ning. Notwithstanding the above, the Board is of the view that the assumption of the roles of Executive Chairman and Interim CEO by Mr. Li Ning will provide the Group with consistent and steady leadership, and is particularly beneficial to the planning and implementation of the Group's business strategies. The Board also believes that the current arrangement is in the interest of the Company and its Shareholders as a whole.

In addition, the operations and management of the Company is constantly subject to the scrutiny and valuable contributions of the independent non-executive Directors. The Board will continue to review the management structure regularly to ensure that it continues to meet these objectives and is in line with industry practices.

Principal Responsibilities of the Board

While delegating the authority and responsibility for implementing business strategies and managing the day-to-day operations of the Group's business to the management, the Board is collectively responsible for formulating the strategic business direction of the Group and setting objectives for the management, overseeing its performance and assessing the effectiveness of management strategies. The Board reviews the operating performance against agreed targets and budgets on a regular basis and also exercises a number of reserved powers, including:

- formulating long-term objectives and strategies;
- approving strategic, operational and financial plans;
- monitoring and controlling the Group's operational and financial performance;
- approving financial statements and public announcements;
- setting the dividend policy;
- approving major acquisitions and disposals, formation of joint ventures and capital transactions; and
- developing and reviewing the Company's policies and practices on corporate governance, and performing other duties set out in paragraph D.3.1 of the Code Provisions.

Directors' Induction and Continuous Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives a comprehensive, formal and tailored induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under the applicable rules and requirements. Directors are updated on any developments or changes affecting their obligations from time to time. Professional training and update programmes are provided to the Directors on a regular basis in order to enhance the Board members' knowledge on the professional and regulatory perspectives. In June 2015, the Company, together with its legal adviser, organized a training session to provide the Directors with an update on "Listed Company – Principles of Responsible Ownership" under the Securities and Futures Ordinance.

According to the records maintained by the Company, the Directors received the following trainings and updates in 2015:

	Attending seminars and/or conferences and/or forums relating to rules and regulations or duties of the directors	Reading newspapers, journals and updates relating to the economy and business management and duties of directors
Executive Directors		
Mr. Li Ning *(Executive Chairman and Interim CEO)*	✓	✓
Mr. Jin-Goon Kim *(Executive Vice Chairman)* *(resigned as Executive Director and Executive Vice Chairman on 4 July 2015)*	✓	✓
Non-executive Directors		
Mr. Chen Yue, Scott	✓	✓
Mr. Wu, Jesse Jen-Wei *(appointed on 12 August 2015)*	–	✓
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	✓	✓

Non-executive Directors and Independent Non-executive Directors

Non-executive Directors and independent non-executive Directors play an important check-and-balance role to safeguard the interests of the Company and the Shareholders as a whole, and will take the lead when potential conflicts of interests arise. The incumbent non-executive and independent non-executive Directors have extensive professional experiences and have participated in the meetings of the Board in a conscientious and responsible manner. They serve actively on the Board and its committees to provide their independent and objective views, in particular, on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct and to promote critical review and control. They have been appointed for a specific term subject to re-election according to the applicable Listing Rules and the Articles of Association.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of his or her independence as required under the Listing Rules. Independence of each of the independent non-executive Directors has been assessed by the Board and the Board continues to consider each of them independent in accordance with the Listing Rules.

Directors' Appointment and Re-election

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a term of three years. All Directors are subject to retirement by rotation at least once every three years and are eligible for re-election in accordance with the Articles of Association. A new Director appointed by the Board is subject to re-election by the Shareholders at the first general meeting after his or her appointment in accordance with the Articles of Association.

Directors' and Officers' Liability Insurance

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers. The scope of coverage of the insurance is subject to review annually.

BOARD COMMITTEES

The Board is supported by a number of committees, including the executive committee (the "Executive Committee"), the Nomination Committee, the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") of the Company. Each of the Board Committees has its own defined and written terms of reference as approved by the Board covering its duties, powers and functions, which are in compliance with the Listing Rules and have taken into account the specific business needs of the Company. The Board Committees are provided with sufficient internal and external resources to discharge their duties. Each Board Committee reports the outcome of the Committee's meetings to the Board, addressing major issues and findings, and making recommendations to assist the Board in its decision making. Meetings of the Board Committees are convened and conducted in accordance with the Articles of Association.

Executive Committee

The Board has established the Executive Committee to enhance management efficiency since December 2004. The Executive Committee currently comprises three members, namely:

Mr. Li Ning *(Chairman of the Committee)*	Executive Chairman, Interim CEO & Executive Director
Mr. Chen Yue, Scott	Non-executive Director
Mr. Wu, Jesse Jen-Wei	Non-executive Director

The Board has delegated the following duties to the Executive Committee:

- advising on matters relating to, and overseeing the implementation of the Company's strategic objectives, risk management policies and compliances;
- providing the Board with recommendations on policies and specific operational issues, helping to develop and endorse major recommendations made to the Board by management, and supervising the management to implement policies and decisions laid down by the Board in relation to the business and operations of the Group;
- overseeing and guiding the business and operations of all of the business units of the Group; and
- endorsing proposals to change the Company's capital structure, including any reduction of capital, share buy-back or issue of new securities.

The Board reviews the terms of reference of the Executive Committee regularly to ensure that proper and appropriate delegation of authority is achieved, and the delegation remains appropriate to the Company's needs.

Nomination Committee

The Nomination Committee has been established since June 2005. The primary role of the Nomination Committee is to formulate and execute nomination policies of the Board members and the Senior Management, to evaluate the structure, size and composition of the Board, to make recommendations to the Board on the appointment and succession planning for the Directors, the Chairman, the CEO and the chief financial officer ("CFO") of the Company, to evaluate the structure and organisational strategy of the Group and to assess and identify the appropriate staffing for the Senior Management.

The Nomination Committee has adopted the terms of reference as outlined under the Code Provisions. The current terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently consists of the following three Directors:

Mr. Su Jing Shyh, Samuel *(Chairman of the Committee)*	Independent non-executive Director
Mr. Li Ning	Executive Chairman, Interim CEO & Executive Director
Dr. Chan Chung Bun, Bunny, GBS, JP	Independent non-executive Director

The Nomination Committee normally engages professional recruitment consultants in discharge of its duties and functions. Candidates who satisfy the criteria are short-listed and met by the Nomination Committee before the final candidate is nominated to the Board for consideration. The process ensures that the Board and the Senior Management have sound knowledge, experience and/or expertise in the business operations and development of the Group.

The following is a summary of the major tasks carried out by the Nomination Committee in 2015:

- nomination of Mr. Wu, Jesse Jen-Wei to act as a Director;
- assessment of the independence of each of the independent non-executive Directors;
- identifying candidates for the position of CEO for the Group; and
- annual review of the structure, size and composition of the Board; the time involvement, work framework, and duties and responsibilities of the Directors; and keeping records on the information updated by each Director pursuant to Rule 13.51B of the Listing Rules.

During the year, the Nomination Committee reviewed the composition of the Board, including its diversity, based on a range of perspectives with reference to the Company's business model and requirements, including but not limited to gender, age, ethnicity, education background and professional expertise, industry experience, skills and knowledge, and length of service.

The Nomination Committee considered that the current composition of the Board is balanced in terms of diversity and is able to meet the objectives of the Board. As the Group is still in amidst of reform, the Board's diversity provides the Company with experienced individuals and professionals with proven and extensive industry experience whose opinions and expertise are useful for the decision-making of the Board and the implementation of its business directives.

Remuneration Committee

The Remuneration Committee has been established since the Company was listed on the Stock Exchange in June 2004. The primary responsibility of the Remuneration Committee is to formulate remuneration policies and structure for the Directors and the Senior Management to enable the Company to attract, retain and motivate talents which are essential to the long-term success of the Company.

The Remuneration Committee has adopted the terms of reference as outlined under the Code Provisions. The current terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee currently consists of the following three Directors:

Ms. Wang Ya Fei *(Chairperson of the Committee)*	Independent non-executive Director
Mr. Chen Yue, Scott	Non-executive Director
Dr. Chan Chung Bun, Bunny, GBS, JP	Independent non-executive Director

The primary goal of the Remuneration Committee is to recommend the Board on the policy and structure of the remuneration package for all the Directors and Senior Management and to establish a formal and transparent procedure with reference to corporate objectives, operating results and comparable market conditions. The principal elements of the remuneration package of the Directors include basic salary, discretionary bonus, participation in the Company's share option schemes and other benefits and allowances, taking into account the duties and responsibilities of the respective Directors.

No Directors participated in decision making for his or her own remuneration. The emoluments of each Director for the year ended 31 December 2015 are set out in note 38 to the consolidated financial statements.

The following is a summary of the major tasks carried out by the Remuneration Committee in 2015:

- recommendation to the Board on the remuneration packages of all the Directors and Senior Management for the year 2015;
- reviewing and approving the bonus plan for the year 2015;
- reviewing, monitoring and approving the implementation of ESOP (employee share option program) for 2015;
- reviewing and approving the recommendation of short-term incentive and long-term incentive for the year 2015;
- reviewing and approving the standardization of the Group's benefits and the flexible benefits scheme;
- assessing the performance of executive Directors;
- approving the budget of human resources expenses for the year 2016; and
- approving the terms of executive Directors' service contracts.

To discharge its obligations, the Remuneration Committee consults and seeks advice from the Executive Chairman and the human resources division of the Company during the review of the remuneration policy and incentive plans. External professional consultants are engaged to provide advice on issues when the Remuneration Committee considers necessary.

Audit Committee

The Audit Committee was established since the Company was listed on the Stock Exchange in June 2004. The primary role of the Audit Committee is to assist the Board in discharging its responsibilities for monitoring the integrity of the Group's financial statements, overseeing the Group's financial reporting systems, risk management and internal control procedures and the Company's relationship with the external auditor.

The Audit Committee has adopted the terms of reference, which follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and are in compliance with the Code Provisions. The current terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee currently consists of the following three Directors:

Mr. Koo Fook Sun, Louis *(Chairman of the Committee)*	Independent non-executive Director
Ms. Wang Ya Fei	Independent non-executive Director
Dr. Chan Chung Bun, Bunny, GBS, JP	Independent non-executive Director

The external auditor, the CFO and the heads of the internal audit department (the "Internal Audit Department") and the accounting management department of the Company attended the meetings and provided necessary information to the questions raised by the Audit Committee.

During the year of 2015, the Audit Committee held three meetings with the external auditor of the Company to discuss issues they considered necessary.

The following is a summary of the work performed by the Audit Committee in 2015:

- review of the external auditor's statutory audit plan and the nature and scope of audit before commencement of audit;
- review of and recommendation for the Board's approval of the annual results announcement and annual financial statements for the year ended 31 December 2014 and the interim results announcement and interim financial statements for the six months ended 30 June 2015 with focus particularly on changes in accounting policies and practices, compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;
- discussion with the external auditor and the management on possible accounting risks and major findings in the course of audit/review;
- review of independence of the external auditor and recommendation to the Board on the re-appointment of the external auditor;
- approval of the audit fees and terms of engagement of the external auditor;
- review of internal audit findings in 2015 and recommendations and approval of 2016 internal audit plan; and
- review of the effectiveness of the Company's risk management functions and internal control system, including the financial reporting and compliance functions.

Whistleblowing Policy

Whistleblowing policy and system have been established for employees and those who deal with the Company (including suppliers and distributors). They may raise concerns, in confidence, to the Audit Committee about the possible improprieties in any matters related to the Company. A member of the Audit Committee has been appointed as the contact person for channeling any possible irregularities considered by the staff, suppliers and distributors.

Board and Committee Meetings

The Board holds at least four regular Board meetings each year at approximately quarterly intervals and additional Board meetings are held as and when necessary. Regular Board meetings are scheduled a year ahead to facilitate maximum attendance by the Directors. The meeting agenda is set after consulting with members of the Board so that all Directors have the opportunity to include matters in the agenda. The agenda and accompanying papers are sent to the Directors in a timely manner before the date of the meeting in compliance with the Code Provisions.

Directors can at any time access relevant information as requested. The management provides comprehensive reports on the Group's business progress, financial objectives, strategic and development plans to the Directors to enable them to make informed decisions on matters submitted for their approval at the Board meetings. The Board arranges, where appropriate, relevant members of the Senior Management to attend their meetings and report the latest situation about operations and respond to queries from the Directors.

As from 4 July 2015, the Board has only one Executive Director. For the year ended 31 December 2015, the Executive Chairman of the Company had meetings with the non-executive Directors, including the independent non-executive Directors, without the presence of the Executive Directors.

Directors are required to declare their direct or indirect interests, if any, in any matter to be considered at the Board or Committee meetings. Interested Directors are required to abstain from voting and will not be counted in the quorum present in the Board or Committee meetings in accordance with the Articles of Association.

The attendances of the Directors at the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee during the year are as follows:

Name of Director	Number of meetings attended/ number of meetings held during the respective tenure in the financial year ended 31 December 2015: Board	Nomination Committee	Remuneration Committee	Audit Committee
Executive Directors				
Mr. Li Ning *(Executive Chairman and Interim CEO)*	6/6	1/1	N/A	N/A
Mr. Jin-Goon Kim *(Executive Vice Chairman) (resigned as Executive Director and Executive Vice Chairman on 4 July 2015)*	3/3	0/1	N/A	N/A
Non-executive Directors				
Mr. Chen Yue, Scott	6/6	N/A	2/2	N/A
Mr. Wu, Jesse Jen-Wei *(appointed on 12 August 2015)*	3/3	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Koo Fook Sun, Louis	5/6	N/A	N/A	3/3
Ms. Wang Ya Fei	6/6	N/A	2/2	3/3
Dr. Chan Chung Bun, Bunny, GBS, JP	6/6	1/1	2/2	3/3
Mr. Su Jing Shyh, Samuel	6/6	1/1	N/A	N/A

Note:
Minutes of the foregoing meetings were recorded in sufficient detail of the matters discussed and the decisions made at the meetings, which include the issues raised or dissenting views expressed by Directors. Draft and final version of the minutes are circulated to all Directors for their comments and records within a reasonable time after the relevant meetings.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors, with support from the finance team, acknowledge their responsibilities for preparing the financial statements of the Group and ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards on a going concern basis. The Board also ensures timely publication of the financial statements of the Group.

Prior to commencement of the audit of the Company's accounts for year 2015, the Audit Committee had received a confirmation from the external auditor on their independence and objectivity. External audit partners are subject to periodic rotation.

The statement of the external auditor of the Company, PricewaterhouseCoopers, about their reporting responsibilities on the consolidated financial statements is set out in the section headed "Independent Auditor's Report" of this annual report.

During the year of 2015, the management had provided all members of the Board with monthly financial updates in order to give a balanced and reasonable assessment of the Company's performance, position and prospects.

Risk Management and Internal Control

The Board has the responsibility to review annually the effectiveness of the Group's risk management and internal control systems and ensure that the controls are sound and effective to safeguard the Shareholders' investments and the Group's assets. In 2015, the Board, with the support of the Audit Committee, reviewed the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and the appropriateness of their training programmes and budgets.

External Auditor's Remuneration

PricewaterhouseCoopers has been appointed as the external auditor of the Company since the Company was listed on the Stock Exchange in 2004. The re-appointment of PricewaterhouseCoopers as the external auditor of the Company has been recommended by the Audit Committee, endorsed by the Board and is subject to approval by Shareholders at the forthcoming annual general meeting.

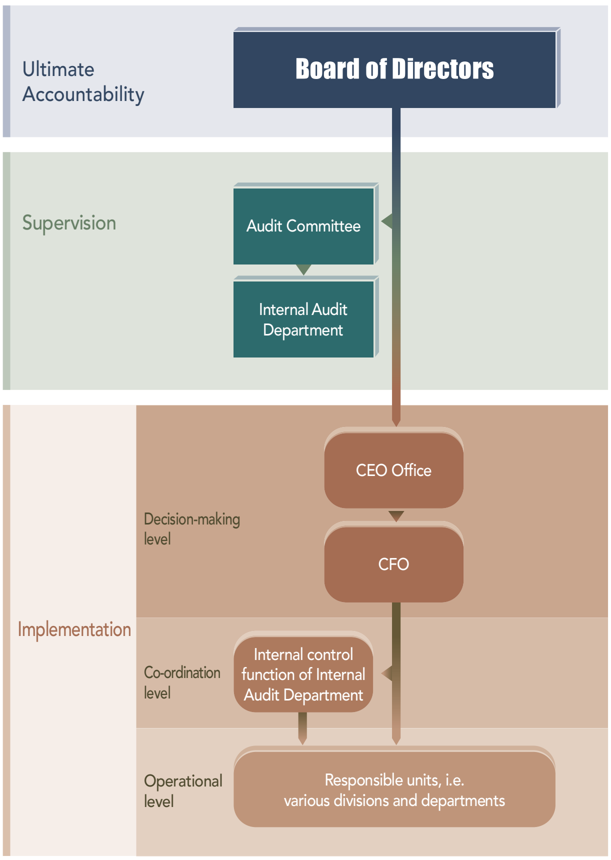
For the year ended 31 December 2015, the fees for the audit services and non-audit services provided by the external auditor are as follows:

Type of Service	2015 (RMB)	2014 (RMB)
Audit fee for the Group	**4,710,000**	4,350,000
Tax compliance and other advisory services	**419,000**	1,350,000
Total	**5,129,000**	5,700,000

Internal Control System

Based on the experience in operation control over the years, the Company has put in place an integrated system of internal control. The system adopts the globally recognised framework outlined by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"), with the Group's business, operational and financial risks, corporate culture and management philosophy being taken into account. The system is designed to (i) achieve effectiveness and efficiency of operations; (ii) enhance the reliability of internal and external financial reporting; and (iii) ensure compliance with the applicable laws and regulations. The system serves to provide reasonable, but not absolute, assurance against material misstatement, fraud or loss. During the year, the Group continued to improve its internal control system aiming at providing effective control and forceful support, reflected mainly in the following aspects:

(1) The normal operation of the organizational structure of internal control set up on the basis of the COSO internal control framework is promoted continuously, and such framework is depicted as follows:



The Company has established a top-down organizational and management structure with clear-cut responsibilities and authorities for internal control purposes, embracing three levels which are responsible for ultimate accountability, supervision and implementation, respectively: (i) the Board bears the ultimate accountability and has the ultimate authority in internal control management. It is externally accountable to the Shareholders for corporate governance responsibility, whereas internally it acts as the highest authority to foster internal control; (ii) the Audit Committee is responsible for supervising the establishment and operation of the internal control system by the management, monitoring the Group's risk management and internal control procedures and advising the Board on the effectiveness thereof. Preliminary assessment on the effectiveness of risk management and internal control are conducted by the Internal Audit Department which reports directly to the Audit Committee; (iii) the implementation level comprises a decision-making group, a coordination body (namely, the internal control function of Internal Audit Department, which is responsible for supporting the planning and establishment of the Group's internal control system, coordinating the promotion and implementation of the internal control structures in different systems, and organising examination on the effectiveness of the internal control and assessment of risks) and operational and functional divisions.

During the year, in light of the changes in the Company's organisational structure, staff and business flow, the staff arrangement under the internal control function of Internal Audit Department structure was promptly updated and necessary training was carried out by the Company. The Internal Control Team reported at every meeting of the Audit Committee in relation to the Group's risk management, internal control plans and progress for the supervision and guidance of the Audit Committee and the Board.

(2) Possession of effective and forward-looking information on strategic management and operation management and financial and accounting management systems supports the supervision of implementation and performance of business strategies and plans. Timely and regular operational reports and monthly financial updates are submitted to and reviewed by the Senior Management, the Board or its designated Committees. This allows them to monitor and control situations against the established annual operating and financial targets and to consider necessary actions as well as to ensure such actions are being carried out promptly so as to remedy any significant failures or weaknesses.

(3) The Internal Control Manual of Li Ning Company Limited (the "Internal Control Manual"), which represents the codification of the Group's existing internal control policies and operational procedures to enhance its internal control system, is implemented on an ongoing basis. The Internal Control Manual currently covers areas comprising the management procedures in respect of sales and trade receivables, procurement and trade payables, inventories, capital, financial reporting, taxation, management functions of the Group, administration and human resources, intellectual property rights, export and fixed assets. Systematic changes to the Internal Control Manual have to be carried out at least once a year, depending on the needs for business changes and procedural refinement, so as to further improve and monitor the effectiveness of the internal control system on a continuing basis. With centralized arrangement and coordination of the internal control function of Internal Audit Department, key items of internal control and the specific control procedures set out in the Internal Control Manual were updated by the relevant departments during 2015. Such updated procedures have been implemented during the year.

(4) An effective annual self-assessment and evaluation mechanism under the internal control framework has been established with satisfactory results and attained the following goals:

(i) fostering middle and senior management to review and comment whether control targets on corporate level can be achieved, and to identify inadequacy and make improvement in a timely manner;

(ii) prompting the persons in charge of business processes to actively conduct process review on procedural control, test the design and execution effectiveness, identify problems in a timely manner and formulate improvement measures; and

(iii) assisting the Audit Committee and the Board in assessing the effectiveness of the Company's internal control system as a whole.

(5) Independent reviews of risks management and internal control in relation to key operations, financial and compliance functions are performed by the Internal Audit Department. Significant issues, if any, together with recommendations for improvement, are reported to the Audit Committee or the Board.

(6) In order to support the rapid and healthy development of business diversification of the Group, the Company conducts annual risk review at corporate level and assesses risks and risk management controls on the key business aspects based on the Risk Management Manual of Li Ning Company Limited.

ANNUAL REVIEW

The Board is fully aware of its accountability in respect of the Group's risk management and internal control systems and its responsibility for reviewing the effectiveness of the systems. The Group's internal control system is subject to continuous review and improvement to enable timely responses to any changing risks faced by the Group.

A comprehensive review on the effectiveness of the Group's internal control system is conducted by the Board annually, covering all material controls including financial, operational and compliance controls and risk management functions. The review is performed internally on a self-assessment approach (CSA) with a complete set of reporting forms. Colleagues-in-charge of each division and department are requested to fill in the self-assessment review questionnaire against key items of internal control. In 2015, the Company continued to improve methods for self-assessment, which included extending the scope of the self-assessment. The procedural control of self-assessment covered various divisions or departments in light of the Company's organisational restructuring and business expansion. In addition, members of the Senior Management were required to assess the effectiveness of the corporate internal control system according to the outlines of the COSO internal control system, including control environment and risk assessment, information and communication. The review process has enabled the colleagues-in-charge to verify whether the internal control system is operated as intended, to identify failures or weaknesses and to take relevant remedial actions. The Internal Audit Department also carried out independent examination and analysis on the reviewing process and the results, and submitted a declaration to the Audit Committee and the Board certifying the adequacy and effectiveness of the Group's internal control system.

The results of the review for the year ended 31 December 2015 have been reported to the Audit Committee and the Board. According to the results, the Audit Committee and the Board confirm that the systems and procedures of the Group's internal control are in good order and are able to identify, control and report on significant risks involved in achieving the Group's strategic objectives. The areas of the systems and procedures pending further improvement have been identified and remedial actions have either been taken or designated to be taken. No material weaknesses have been identified by the Group so far and there are no significant areas of concern which may affect the Shareholders.

The Audit Committee and the Board have also received the annual review results with regard to the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff and the sufficiency of their training programmes and budget. In accordance with such results, the Audit Committee and the Board are of the view that the Group has adequate workforce to fulfil accounting and financial reporting duties. These personnel possess necessary professional qualifications and practicing experience to effectively perform their respective functions, and there have been appropriate training programmes and related budget for the staff.

The Board considers that the Group's internal control system is adequate and effective and the Company has complied with the Code Provisions of the Corporate Governance Code for the year ended 31 December 2015.

INTERNAL AUDIT

The Internal Audit Department was established soon after the Company's listing on the Stock Exchange in 2004. The main functions of the Internal Audit Department are reviewing the operational and financial conditions of the Group, so as to disclose potential risks, and following up with related remedial measures, with a view to continuously enhancing the operation effectiveness and efficiency of the Group. The Internal Audit Department plays an important role in the Group's internal control and risk management framework with an aim of providing the Audit Committee and the Board with objective assurance that the internal control system and risk management system are effectively maintained and operated and that the risks associated with the achievement of business objectives are being managed properly and circumvented. The Internal Audit Department reports directly to the CFO and refers matters to the Audit Committee directly if necessary. The head of the Internal Audit Department attended every meeting of the Audit Committee and maintained constructive dialogue with the Company's external auditor during 2015. The Internal Audit Department also collaborates with the external auditor where appropriate.

The Internal Audit Department formulates the internal audit plan every year in accordance with the Group's strategic goals and risk assessment results, and engages in related tasks with the approval and support of the Audit Committee. The tasks of the Internal Audit Department include (i) regular audits and evaluation of the operational effectiveness and efficiency of various business and functional systems; and (ii) special audits in areas designated by the management and the Audit Committee based on the assessment of risks. In the year 2015, the Internal Audit Department conducted audits on the sales system, marketing system, retail subsidiaries, supply chain system and non-core business systems of LI-NING brand, as well as internal control and risk management systems, and submitted the relevant audit reports to the Audit Committee and the management.

For significant audit findings and risk factors, the Internal Audit Department will notify the Audit Committee and the management of such risks in a timely manner, and will regularly follow up with the improvement progress. As at 31 December 2015, various audit findings and risk factors had been properly handled by the management, and there were no material irreparable audit findings and risk factors.

The Internal Audit Department also plays an important role in internal control and risk management system and is responsible for reviewing and assessing the adequacy and compliance level of the Group's internal control system and risk management system and providing an independent and objective opinion on the effectiveness of the systems. In 2015, the Internal Audit Department participated in reviewing the implementation of the risk management system, internal control system, risk management of sales channels and branding, and the financial systems.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is fully aware of its obligations under Chapter 13 of the Listing Rules and the overriding principle that inside information of the Company should be announced immediately. The Company reviews from time to time its internal guidelines on inside information or potentially price sensitive information by reference to its own and industry circumstances and the Guide on Disclosure of Inside Information issued by the Securities and Futures Commission. The Company's policy contains a strict prohibition on unauthorised use of confidential or inside information and has established and implemented procedures for responding to external enquiries about the Group's affairs.

During the year, the Company followed the rules and procedures on regulating the disciplines and actions of all employees in external media communications and that the Executive Chairman and CFO are the key spokespersons of the Company in all external media communications. The human resources division of the Company is responsible for monitoring and reviewing the due compliance by all staff of the Group. The purpose of streamlining the communications of the Group with the media is to regulate all media communication activities, protect the interests of the Company and preserve the strict confidence of inside information prior to its disclosure.

COMPLIANCE WITH THE MODEL CODE ON SHARE DEALINGS

The Company has adopted the Model Code regarding securities transactions by the Directors. Directors are reminded regularly of their obligations under the Model Code. 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 year ended 31 December 2015.

Employees who are likely to be in possession of unpublished inside information of the Group are also subject to the compliance with guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company in the year 2015.

COMPANY SECRETARY

During the year, Ms. Tai Kar Lei is the company secretary of the Company (the "Company Secretary"). Ms. Tai is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. During the year, Ms. Tai reported to the Executive Chairman and/or the CFO. In addition, she has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company endeavors a number of formal communication channels to provide the Shareholders with accurate, clear, comprehensive and timely information of the Group. These include interim and annual reports, announcements, circulars and other corporate communication on the websites of the Company and/or the Stock Exchange.

Procedures for Shareholders to Convene a General Meeting/Put Forward Proposals

Pursuant to the Articles of Association, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such requisition can be deposited at the Company's principal place of business in Hong Kong at Suites 1, 7-15, L45, Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong for the attention of the Company Secretary, and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

As regards to the procedures for proposing a person for election as a Director, please refer to "Procedures for Shareholders to Propose a Person for Election as a Director" under the section of "Corporate Governance" of the Company's website at http://ir.lining.com.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may send their written enquiries which require the Board's attention to the Company Secretary at the Company's principal place of business in Hong Kong at Suites 1, 7-15, L45, Office Tower, Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong.

For the year 2015, there was no change in the Articles of Association.

SHAREHOLDERS' MEETINGS

Shareholders' meetings provide a principal channel of direct communication between the Company and the Shareholders. They provide an opportunity for Shareholders to better understand the Group's operation, financial performance, business strategies and outlook.

Since the Company was listed on the Stock Exchange in 2004, all resolutions put forward at the Shareholders' meeting were voted by way of poll, of which each fully paid share of the Company is entitled to one vote. The procedures for demanding and conducting a poll with reference to the Articles of Association are explained at the beginning of the Shareholders' meeting. The results of the poll are published on the websites of the Company and the Stock Exchange.

To encourage Shareholders to attend the meetings, more than 20 clear business days' annual general meeting notice and 10 clear business days' extraordinary general meeting notice, and the circulars containing necessary information are given to the Shareholders so as to enable them to make informed decisions on the resolutions proposed to be considered at the meetings.

Board members (including the chairmen of each of the Nomination Committee, the Remuneration Committee and the Audit Committee) and the Company's external auditor were present at the annual general meeting of Company held on 5 June 2015 (the "2015 AGM") and the extraordinary general meeting of Company held on 4 December 2015 (the "2015 EGM"). A question-and-answer session was held for the Shareholders to raise questions. The next annual general meeting of the Company will be held on 3 June 2016 (the "2016 AGM"). Details of the 2016 AGM and necessary information on issues to be considered are set out in the circular despatched to the Shareholders together with this annual report.

The attendance records of the Directors at the shareholders' meetings held in the year 2015 are set out below:

	2015 AGM	2015 EGM
Executive Directors		
Mr. Li Ning *(Executive Chairman and Interim CEO)*	✓	✓
Mr. Jin-Goon Kim *(Executive Vice Chairman)* *(resigned as Executive Director and Executive Vice Chairman on 4 July 2015)*	✓	N/A
Non-executive Directors		
Mr. Chen Yue, Scott	✓	✓
Mr. Wu, Jesse Jen-Wei *(appointed on 12 August 2015)*	N/A	–
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	✓	✓

WAY FORWARD

The Board will continue to review and improve its corporate governance with an aim to maintain a high degree of transparency, accountability and responsibility.

By order of the Board

Li Ning
Executive Chairman and Interim CEO

Hong Kong, 16 March 2016

Directors and Senior Management

Biographies of Directors and Senior Management as at the date of this report are as follows:

EXECUTIVE DIRECTOR

Mr. Li Ning, aged 53, is the founder of the LI-NING brand and the Group's Executive Chairman, interim chief executive officer and an executive Director. Mr. Li also serves as the Chairman of the Executive Committee and a member of the Nomination Committee of the Company. Mr. Li has been appointed as interim chief executive officer of the Company with effect from 18 March 2015 and the duties of Chief Executive Officer has been performed by Mr. Li and supported by the incumbent senior management of the Company. He is primarily responsible for formulating the Group's overall corporate strategies and planning. Mr. Li is one of the most outstanding athletes in the 20th century. In the 6th World Cup Gymnastics Competition in 1982, Mr. Li unprecedentedly won six gold medals in men's artistic gymnastics events and was named the "Prince of Gymnastics" (體操王子) in the PRC. In the 23rd Los Angeles Olympic Games in 1984, Mr. Li won three gold, two silver and one bronze medals, making him the athlete winning the most medals of that Olympic Games. In 1987, Mr. Li became the Asian member of the Athlete's Commission of the International Olympic Committee. From 1993 to 2000, Mr. Li served as a member of the Men's Artistic Gymnastics Technical Committee of the Federation Internationale De Gymnastique. He is currently an honorary member of the Federation Internationale De Gymnastique. In 1999, Mr. Li was voted one of the "World's Most Excellent Athletes in the 20th Century" by the World Sports Correspondent Association. After retiring from his athlete career in 1989, Mr. Li initiated the idea of LI-NING brand with the goal of creating the first national sports goods brand in the PRC. He has dedicated the past over 20 years to the development of the Group's business, making great contribution to the development of the sporting goods industry in China. Mr. Li also serves as chairman, chief executive officer and executive director of Viva China Holdings Limited. Mr. Li holds a bachelor's degree in law from School of Law of Peking University (北京大學), an executive M.B.A. degree from Guanghua School of Management of Peking University (北京大學光華管理學院), a technical honorary doctorate from Loughborough University in the United Kingdom and a degree of Doctor of Humanities honoris causa of The Hong Kong Polytechnic University. In June 2010, Mr. Li was also conferred honorary fellowship from The Hong Kong University of Science and Technology. Mr. Li has also been actively involved in charities via his "Li Ning Foundation" (李寧基金) and his genuine support to the active and retired Chinese athletes and coaches in establishing "The Chinese Athletes Educational Foundation" (中國運動員教育基金), which aims at providing subsidies for further education and trainings for athletes and to support educational development in impoverished and remote areas in China. In October 2009, Mr. Li was appointed by The United Nations World Food Programme (WFP) as "WFP Goodwill Ambassador against Hunger".

NON-EXECUTIVE DIRECTORS

Mr. Chen Yue, Scott, aged 39, is a non-executive Director, a member of the executive committee and the remuneration committee of the Company. Mr. Chen joined the Group in April 2012. TPG, which has interests in the convertible bonds, the convertible securities and ordinary Shares of the Company, is an affiliate of TPG Group, a leading global investment firm. Mr. Chen is a partner and managing director of TPG. Mr. Chen is head of TPG's Beijing office and co-leads investment opportunities for TPG in Greater China. Mr. Chen's investment focus spans across all industries but specialize in the consumer and retail, healthcare as well as technology, media, and telecom industries. Since joining TPG in 2001, Mr. Chen has been based in TPG's Singapore, Hong Kong and Beijing offices and has evaluated and executed private equity transactions across multiple industries spanning across most Asia Pacific countries. He is serving or has served on the Boards of Directors of United Family Healthcare, HCP Global Ltd., UTAC Holdings Ltd. and Taishin International Bank Co., Ltd. Prior to joining TPG, from 1999 to 2001, Mr. Chen worked as an analyst in the Technology Mergers & Acquisitions Group of Lehman Brothers Holdings Inc. in New York. Mr. Chen graduated from University of Colorado with a Bachelor Degree in Business Administration in 1999.

Mr. Wu, Jesse Jen-Wei, aged 59, is a non-executive Director and a member of the executive committee of the Company. Mr. Wu joined the Group in August 2015. He is the chairman of Johnson & Johnson China and a member of the Johnson & Johnson Management Committee. He joined Johnson & Johnson's consumer business in 1989. He later was appointed Managing Director, Johnson & Johnson China in 1995 and became President for Greater China in 2000. He was named International Vice President, Asia/Pacific in 2003 and Company Group Chairman, Global Markets in 2008. Prior to his current position, he was Worldwide Chairman of the Johnson & Johnson Consumer Group. Before joining Johnson & Johnson, he had worked with Procter & Gamble and PepsiCo. Mr. Wu is a holder of Degree in Economics from National Chengchi University in Taiwan. He also obtained an MBA degree from Duke University's Fuqua School of Business. Mr. Wu serves on the Board of Visitors at Duke University's Fuqua School of Business and Advisory Boards of Duke Kunshan University and Center for Talented Youth at the Johns Hopkins University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Koo Fook Sun, Louis, aged 59, is an independent non-executive Director and chairman of the audit committee of the Company. Mr. Koo joined the Group in June 2004. Mr. Koo is the managing director of Hercules Capital Limited, a corporate finance advisory firm. Prior to the founding of Hercules Capital Limited, he was the managing director and the head of corporate finance department of a major international bank, and a director and chief executive officer of a company listed on the Main Board of the Stock Exchange. Mr. Koo also serves currently as an independent non-executive director of Midland Holdings Limited, Good Friend International Holdings Inc., Xingda International Holdings Limited and Winfull Group Holdings Limited, all of which are listed on the Main Board of the Stock Exchange. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley in the United States and is a certified public accountant.

Ms. Wang Ya Fei, aged 60, is an independent non-executive Director, chairperson of the remuneration committee and a member of the audit committee of the Company. Ms. Wang joined the Group in January 2003. Ms. Wang has over 20 years of experience in management and corporate finance matters. Ms. Wang has been appointed as chairman of Caelum Asset Management Company with effect from September 2011. She also serves as an independent director of Xueda Education Group, listed on the New York Stock Exchange. Ms. Wang was the director and deputy general manager of Beijing Investment Consultants Inc. from 1996 to September 2011, and an associate professor in Guanghua School of Management of Peking University (北京大學光華管理學院) from 1995 to September 2011. Ms. Wang holds a bachelor's degree in international politics from Fudan University (復 旦 大 學) in Shanghai and was an exchange scholar in Maryland University, College Park in the United States. Ms. Wang also holds a M.B.A. degree from University of Lancaster in the United Kingdom.

Dr. Chan Chung Bun, Bunny, GBS, JP, aged 58, is an independent non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of the Company. Dr. Chan joined the Group in June 2004. Dr. Chan has more than 30 years of experience in the garment industry and is currently the chairman of Prospectful Holdings Ltd. Dr. Chan has also served as independent non-executive director respectively of Great Harvest Maeta Group Holdings Limited since September 2010 and of Speedy Global Holdings Limited since December 2012, and both companies are listed on the Main Board of the Stock Exchange. Dr. Chan is active in community affairs in Hong Kong. He is currently the chairman of the Kwun Tong District Council of Hong Kong. He has been appointed as vice-chairperson of the Community Care Fund Task Force of the Commission on Poverty from 1 December 2012 and as member of the Council for Sustainable Development from 1 March 2015 respectively. Dr. Chan was appointed as Justice of Peace in 2002 and was awarded the Bronze Bauhinia Star medal in 2004, Silver Bauhinia Star medal in 2009 and Gold Bauhinia Star medal in 2014 by the Hong Kong Government. In December 2013, Dr. Chan was conferred Doctor of Business Administration, honoris causa, by the Open University of Hong Kong.

Mr. Su Jing Shyh Samuel, aged 63, is an independent non-executive Director and chairman of the nomination committee of the Company. Mr. Su joined the Group in July 2012. Mr. Su has recently retired from Yum! Brands, Inc. ("Yum!"), a company listed on the New York Stock Exchange, where he was the Chairman and CEO of its China division until his retirement in August 2015. Mr. Su remains as the vice chairman and an executive director of Yum!. Mr. Su earned his undergraduate degree at the National Taiwan University, a M.Sc. degree of Chemical Engineering at Pennsylvania State University and an MBA at the Wharton School. Before joining Yum!, Mr. Su worked with Procter & Gamble in Germany and Taiwan. Mr. Su started his career with Yum! in 1989 as KFC International's director of marketing for the North Pacific region. In 1993, he became vice president of North Asia for both KFC and Pizza Hut. Mr. Su was named president of Greater China for Tricon Global Restaurants International upon Pepsi's spin-off of the restaurant business in 1997. Yum!'s China Division today leads the development of the KFC, Pizza Hut Dine-in Restaurants, Pizza Hut Home Service, East Dawning and Little Sheep brands in mainland China. Mr. Su was a non-executive director of Little Sheep Group Limited from 2 June 2009 to 2 February 2012, which was delisted from the Main Board of the Stock Exchange in February 2012.

SENIOR MANAGEMENT

Mr. Tsang, Terence Wah-Fung, aged 54, chief financial officer of the Group, joined the Group in April 2013, and is responsible for finance, internal audit, company secretary and investor relationship. Mr. Tsang has over 24 years of experience in the apparel industry. His previous employment included that for Guess Inc, Ashworth Inc and Levi Strauss Company. Mr. Tsang had held various management roles including as chief financial officer, chief operation officer, Asia president and senior vice president for business unit throughout his career. He is a Certified Public Accountant. Mr. Tsang holds a Bachelor of Science in Accounting and a Master of Business Administration from State University of New York.

Investor Relations Report

OVERVIEW

In 2015, the Company and the management continued to adhere to the principle of being accessible, credible and timely (the "ACT") so as to maintain adequate, sustainable and effective communication with the investment community showing continuous interest in the business development of the Company. During the year, the Company successfully met the target of breaking-even, mainly attributed to the growth of revenue and gross profit and the decrease in expense ratio. The operating efficiency and profitability of the direct-retail stores were augmented, and the long term cooperation relationship with our channel partners was therefore strengthened. Meanwhile, the experience creation and enhancement for users was also an important move of the year. The introduction of "Internet+" concept brought a new breakthrough to the business model. In the second half of 2015, the product segmentation strategy in light of the taste and demand of general consumers was also phased in and will be further implemented in 2016. Based on its own trajectory, together with the externality of the industry as a whole, the Company and the investor relations team attach more importance to the questions and feedbacks from investors on the progress of business development of the Company and the new initiatives, as a proactive measure to uphold two-way communication.

Year 2015 marked the beginning of a new development stage of the Company. Meanwhile, despite the lackluster performance of the consumer segment, the domestic sportswear industry maintained a positive momentum. The environmental changes whether internal or external, drew more attention to the Company. Against such a backdrop, with various new initiatives brought into play, the Investor Relations Department actively communicated with the capital market and rapidly responded to concerns and questions in order to disseminate the information of the Company's development and the major progress of its new highlighted businesses in a more timely fashion.

During the year, in strict compliance of the various information disclosure requirements of the Hong Kong Stock Exchange, the Company and the Investor Relations Department continued to conduct various investor relations activities in a proper manner.

QUARTERLY OPERATING DATA DISCLOSURE

Taking market focus and the progress of business development as a whole into consideration, the Company adopted a system in 2015 to disclose operating data on a quarterly basis to enhance transparency, which rendered investors a deeper insight of the Company's development.

TWO-WAY COMMUNICATION

Furthermore, the Company and the Investor Relations Department convened conference calls for special incidents, answered questions and eased concerns in order to expand the depth and breadth of information dissemination and underpin market confidence on the long term development of the Company. During the year, the Investor Relations Department strived to maintain smooth day-to-day communication channels. Except the black-out period prior to the results announcement, the Investor Relations Department responded to the investors' questions according to the publicly disclosed information of the Company in an effective and timely manner. At the same time, it served as a two-way bridge to transmit the feedbacks from the investment community to the Company's management for the consideration of the Company's future development.

The details of all investor relations activities during the year are provisionally listed as follows:

Type of initiative	2015	2014
(Number of times)		
Roadshows (including reverse roadshows)	**2 (43 meetings in total)**	3 (37 meetings in total)
Forum	**0**	1
One-on-one meeting	**92**	110
Conference call	**160**	89
Store visit	**18**	18
Site visit	**0**	3
Stock commentator roundtables	**2**	2

OUTLOOK

The Company firmly believes that effective investor relations is part and parcel of the corporate management philosophy. With various initiatives taking effect and business development to be readily in place in 2016, the Investor Relations Department will continue to adhere to the principle of being accessible, credible and timely (the "ACT"). In line with the business development of the Company, the Investor Relations Department will review our development strategy with an aim to facilitate understanding by the investment community of the Company's future development in a more timely and comprehensive way and uphold the confidence of the market on the long-term development of the Company.

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 31 December 2015: 1,885,490,226
Market capitalisation as at 31 December 2015:
approximately HK$7,919,058,949

Dividend for 2015

Interim dividend: Nil
Final dividend: Nil

Financial Calendar

Announcement of annual results: 16 March 2016
Annual General Meeting: 3 June 2016

Corporate Websites

Li Ning Official Website: http://www.lining.com
Li Ning IR Website: http://ir.lining.com

Contact for Investor Relations

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Langham Place, 8 Argyle Street, Mongkok
Kowloon, Hong Kong
Investor Relations Department, Li Ning Company Limited

Telephone: +852 3541 6000
Fax: +852 3102 0927
Email: investor@li-ning.com.cn

Environmental, Social and Governance Report

Li Ning Company attaches great importance to corporate social responsibility (CSR) and continuously carries out a variety of actions that promote care and compassion in society. The Group believes that its commitment to being a "responsible corporate citizen" helps bring long-term benefits not only to its employees, but also to the community and the environment as a whole.

"Shouldering social responsibility" has become an important constituent of the corporate culture of Li Ning Company. Li Ning Company consistently upholds the concept that "sports activities are not solely for competition or fitness, but they also have charity and social education functions", and deliver our most sincere compassion through quality products and encourage the community to participate in charity initiatives so as to rally strengths for contribution to society.

CORE VALUES

The Group believes that its employees are its greatest asset. By maintaining a working environment that promotes employees' physical and psychological well-being as well as providing them with skill training and career development opportunities, the Group was able to enhance staff cohesion and create a greater sense of belonging while upskilling its staff. As a result, the staff grows as the Company grows.

In 2015, the Group continued to adhere to its core values that embrace excellence and breakthrough, creating consumer-oriented work ethics with both integrity and commitment, as well as building the Li Ning Company culture and dream. Senior management and staff had many opportunities to communicate with each other through various internal platforms, including town hall meetings, the Group's intranet and various training courses. Our staff was also greatly encouraged to project their positive energy and develop a sense of ownership of the Company, which helped them deliver excellent performance, inspire innovation and proactively take part in the corporate reform and transformation.

STAFF TRAINING

Adhering to the "people-oriented" principle and based on the well-established system that integrates the perspectives of trainees, lecturers and curriculum, the Group developed its training programs with the focus on meeting the mutual needs for the development of both the corporation and the staff. The Group also provided targeted training courses, internal or external, for staff of various positions across different business units, including courses on protection of consumer rights, reasonable and lawful sales promotion techniques, regulations on rebates of distributors, product knowledge training, new employee orientation program and assessment centre for shop managers, in order to support the team building and development of our business units.

At the same time, the Group continued to perfect its talent review and development system. It reviewed staff performance and took stock of staff with potentials through Organization and Talent Roundtable, and provided corresponding training courses to assist our management personnel in nurturing staff with potentials in a focused manner. The above measures not only facilitated staff development and enhanced the overall strength of our teams, but they also help develop a sustainable internal talent pool displaying strong potential and competitiveness.

WORKING ENVIRONMENT AND CULTURE

As a company specializing in sports brand, the Group regards highly the physical and psychological well-being of its employees. Employees are encouraged to participate in various activities to promote sportsmanship, diligence and the spirit of striving for excellence. Sporting activities also provide valuable opportunities for team interaction and bonding and enhance their understanding about the corporate mission of the Li Ning Group.

The Li-Ning Centre, situated at the Group's headquarters in Beijing, offers a variety of facilities and venues for staff use, ranging from basketball courts, badminton courts, tennis courts, swimming pools and football fields to fitness centres. Professional coaches are hired not only to teach our employees various sports but also to foster their positive attitude toward sports.

The Group is also funding a number of sports clubs set up by our staff on their own initiatives, and those sports clubs have organized or participated in various internal and external competitions, including badminton/basketball/football contests, Beijing marathons, and basketball competitions for foreign-invested enterprises in Beijing. These sporting activities provided our staff with unique opportunities to continuously deepen their appreciation of our corporate values. Our unique sporting culture has also become one of the important elements in attracting talents to the Group.

The Group remains steadfast in its development with sustainability and social responsibility by protecting environment and resources conservation. It also endeavors to ratchet up in terms of safety, health and environment protection in a bid to provide its staff with a healthy and safe workplace in every working area to keep occupational accidents at bay.

Furthermore, as 2015 marked the 25th anniversary of the Company, the Company revised the 5S management system (which include Sort (SEIRI), Set in order (SEITON), Shine (SEISO), Standardize (SEIKEISU) and Sustain (SHITSUKE)) and commenced the continuing 5S improvement and examination across the board, in order to enhance the Company's implementation of 5S management from "form" to "substance", with the ultimate goal of cultivating a 5S practice in the Company.

EMPLOYMENT STANDARD FOR THE CORPORATE

Recruitment and employment of employees of the Group are fully in compliance with relevant laws and regulations. The Company will select candidates who are in line with our corporate culture and of legal age based on our recruitment criteria.

The Group treats each staff member equally. All matters regarding recruitment, dismissal, emolument, promotion, work and recess are in compliance with relevant policies and laws. The Group places emphasis on an environment that encourages sharing in which its staff members can freely exchange their ideas, learn continuously and grow in different areas.

The Group selects and positions its employees based on their capability by making necessary adjustments on positions on this basis without taking into account race, religion, nationality, gender, color, age or physical or mental disability. We are committed to providing equal career opportunity in compliance with relevant regulations on equal opportunity on employment and anti-discrimination in full recognition of the spirits of such regulations.

TAKING CARE OF STAFF AND THEIR FAMILIES

In addition to our unique sporting culture, the Group has also regularly organized various activities including parent-child gatherings, annual gathering and health talks for our staff and their families. These activities have helped enhance employees' sense of belonging to the Group and demonstrated the Group's care for its employees and their families.

EMPLOYEE BENEFITS AND WELFARE

The Group provides supplementary commercial medical insurance to all employees and their family members, and arranges free medical check-ups for its staff every year. Our offices are furnished with various green plants and environment-friendly facilities to create an elegant and soothing working space and ensure a healthy and comfortable working environment. At the same time, the Group has set up nursery rooms for female employees during their lactation period. The Group streamlined the welfare system to transform our staff welfare system into a more personalized flexible benefits program. In addition, regular departmental meetings were held to provide additional platforms for communications between the management and our staff.

CONTRIBUTING TO SOCIETY

The Group has been actively fulfilling its social responsibility as a corporate citizen, and Mr. Li Ning, the founder of the Group, regards corporate social responsibility and charitable activities as highly important to the Company. In 2015, the Group rolled out "Give New Year Warmth – Donation to Sunvillage", through which 2,256 pieces of clothes were donated to the children in Banqiao Village, Zhaoquanying Town, Shunyi District, Beijing, coming as a lovely surprise to the children during the spring festival. The Group attaches great importance to corporate responsibility, and will continue to encourage employees to participate in charitable activities in future.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY MANAGEMENT

1. Li Ning's Supply Chain Social Responsibility, Environment and Sustainable Development:

The Group all along attaches great importance to the balance between the Company's growth and environmental protection, and is committed to exploring efficient solutions on chemical management through continuing collaborations with industry organizations, suppliers, NGOs, external experts and other stakeholders. On the basis of the Company's extensive management of and collaborations with its suppliers, in 2015, Li Ning Company carried out targeted projects of CSR and environmental performance management, and promoted the continuing enhancement of management standards of its suppliers.

A. Occupational Health, Safety and Social Responsibility of Li Ning's Supply Chain:

This year, the Group continued to implement the "Li Ning Company Supplier Social Responsibility Code of Conduct" and consolidated and strengthened the management of its suppliers through the following measures:

– The new supplier approval system was strictly executed. In the year, audits were conducted on a total of 11 potential suppliers, among which 5 of them became our suppliers officially and 5 of them were approved conditionally, while the introduction of 1 potential supplier was terminated. The total passing rate was about 46%;

- Li Ning's supplier quarterly reporting/assessment system was implemented, whereby suppliers were required to evaluate and improve their CSR performance on a regular basis. Li Ning Company conducted quarterly assessments and evaluations on CSR performance of all suppliers of finished products in a bid to strengthen suppliers in terms of self-management and continuing improvement. The quarterly CSR ratings will be taken into account in the Group's supplier quarterly comprehensive assessment indicators system;

- With the continuing combination of the suppliers' self-management and improvement and the supervision by Li Ning Company, the Group further improved its supplier audit assessment tool and commissioned a third-party consulting organization to conduct CSR on-site audit on 10 representative suppliers during the year;

- Coupling auditing with improvement measures, the Group emphasized on the improvement requirements for suppliers and tracked the progress of CSR auditing and improvement of all participating suppliers of finished products in order to step up suppliers' ability to manage and control;

- With the combination of daily management and emergency planning, the Group conducted risk review and assessment of suppliers' operation on a regular basis.

B. Environmental Responsibility of Li Ning's Supply Chain:

Impact on the environment has always been a major focus of the Group. In order to become an enterprise which puts emphasis on environmental protection and sustainable development, the Group focuses on the following two aspects: the business operation environment and the production environment. During the year, the Group continuously strengthened the suppliers' awareness and concept of environmental protection and provided them with ways and means to improve their environmental performance by way of policy revision, specialized training, on-site audits, sample testing, etc.:

- The Group issued the "Li Ning Manufacturing Restricted Substances List (MRSL)", which sets out the requirements on control of restricted substances used in the manufacturing process and provides a reference for protecting the health and safety of employees and preventing and controlling pollution to the environment;

- The Group signed the "Li Ning Manufacturing Restricted Substances List (MRSL) Compliance Statement" with its suppliers, requiring the suppliers to control the use of toxic and hazardous substances from the beginning and to undertake not to deliberately use toxic and hazardous substances, so as to prevent toxic and hazardous chemicals from harming the environment, reduce the negative impact from the manufacturing process on the environment and protect employees' health;

- The Group conducted environmental self-assessment/self-reporting by all material suppliers using third-party environmental audit tool (Higg Index) to evaluate suppliers' environmental management performance in terms of environmental management systems, energy/greenhouse gas emissions, water, waste, chemicals and noise, etc.;

- The Group conducted environmental performance audit on key material suppliers using third-party environmental audit tool (TGI, ZDHC) to evaluate suppliers' environmental management performance in terms of legal compliance, water, energy, solid waste, chemicals, gas emissions and noise, etc.;

- The Group conducted on-site chemical management audit on key material suppliers using third-party chemical management audit tool to evaluate suppliers' chemical management performance and risks of on-site chemicals, etc.;

– The Group conducted wastewater testing for core material suppliers and promoted their disclosure of data on the platform of the Institute of Public & Environmental Affairs (IPE), enabling 80% of the suppliers with hydrometallurgical process to disclose their data on the IPE platform, thereby facilitating the supply of data for the objective of green supply chains.

C. Interaction with the Zero Discharge of Hazardous Chemicals (ZDHC) Program member brands and Participation in the ZDHC Program:

As one of the six founding brands of ZDHC, the Li Ning Group actively participated in ZDHC's workstream meetings this year and collaborated with other ZDHC major brands and made the following contributions to environmental protection in the textile and footwear industry:

– The Group participated in regular meetings of the ZDHC management board and took part in the resolutions of and discussions on major issues concerning the ZDHC program;

– The Group conducted ZDHC Chemical Hazard Assessment – Discussion on Prioritization and Action, took part in the discussion of the work of chemicals phase out and harmful substances substitution and the development of relevant methodologies. In addition, the Group also released the new version of MRSL(1.1), developed the template of the ZDHC MRSL Declaration of Conformity and the extracted version of MRSL Conformity Guidance, updated and added guidance on 11 chemicals for suppliers' use, and signed "Li Ning Company Declaration of Conformity on MRSL" with its suppliers. The Group collaborated with four major commercial laboratories to develop uniform testing methodology and detection limit for 11 categories of hazardous substances, providing guidance on chemical management and control and safe alternatives;

– To achieve environment-friendly production and minimize the environmental impact brought about during the production process, the Li Ning Group has been committed to exploring quality solutions on environmental protection and chemical management and control. The Group actively participated in ZDHC-Assessments and Audits and took part in the integration of Higg Index, ZDHC Audit Agreement and OIA Chemicals Management Modules, which is expected to be launched for use in 2016;

– The Group participated in the Workstream of ZDHC-Stakeholder Partnering to work with bigger ZDHC Asian Brands, making positive contributions to the promotion of environmental protection in China and Asia;

– During the year, ZDHC updated and released the new version of Manufacturing Restricted Substances List (MRSL), which has included leather in the list for the first time. As the only Chinese brand in the ZDHC group, the Li Ning Group was involved in the formulation of the MRSL list, continuously making positive contributions to the goal of zero discharge of hazardous chemicals.

2. Product Safety and Sustainability:

The Group consistently provides consumers and customers with high quality safe products that meet international quality standards. This has been a key component of the Group's Corporate Social Responsibility.

During the year, the Group updated and published its own product safety-related standards Q TXLNB 0003-2015, Q TXLNF 2201-2015, Q TXLNF 1203-2015, Q TXLNF 3009A-2015, Q TXLNF 1201-2015, etc. in line with the industry product safety standards and latest market demands. In addition, the Group signed a "Li Ning Company Declaration of Conformity on Restricted Substances List (RSL)" with its suppliers. All of the Group's products sold on the market have passed inspections by independent third-party testing institutions holding national credentials.

The Group has been committed to establishing local brands' best practices in environmental protection and social responsibility. The Group invests large amount of resources each year in the development and use of environment-friendly materials. These materials can minimize the impact generated during the production process on the environment, and can save energy and resources.

3. Stakeholder Communication and Industry Cooperation:

During the year, in striving for the sustainable development of our Group's business, environmental performance and social interests to which our Group attaches great importance, the Group actively responded to and participated in open dialogues with active social groups and civil organizations with the aim of establishing stable, long-term communication channels.

During the year, the Group established a mechanism to interact with licensed brands in terms of environmental protection and social responsibility, regularly communicating with each other on the Group's policies, standards, requirements and promotional projects.

The Group also teamed up with ZDHC member brands during the year to carry out performance evaluation on environmental protection in relation to products and supply chains and the elimination of harmful chemicals, and to disclose the progress of the collaboration projects to the public on quarterly and annual basis. Through these interactions and mutual learning, the Group excelled among domestic industry players in respect of CSR practices and sustainable development philosophies.

During the year, the Group and other ZDHC member brands cooperated with China Textile Industry Association to organize the "Sustainable Manufacturing and Environmental Responsibility Management Seminar". The seminar was designed to advance positive drivers in environmental protection and sustainable development, and promote positive and long-term changes in the field of chemical management to fulfill the ultimate goal of "zero discharge".

During 2015, the Group and other ZDHC member brands also cooperated with China Artificial and Synthetic Leather Professional Committee to organize the "Exchange Meeting of Chinese Synthetic Leather Companies and ZDHC Member Brands", which had significantly positive and profound impacts on directing the textile and leather industry to fulfill "zero discharge" of hazardous chemicals by 2020, referring and offering quality material suppliers of artificial and synthetic leather to top famous brands, and procuring long-term and in-depth cooperation among both suppliers and purchasers.

During the year, the Group participated in the "China and Asia Green Textile Summit 2015", during which the Group put forward challenges and opportunities for the printing and dyeing industry and apparel brands, and expressed its view on collaborative solutions to energy saving, environmental protection, product innovation and enhancement in market competitiveness.

The Group was invited to participate in the "2015 Green Supply Chain Forum" during the year, and had in-depth discussions on the objectives of how to achieve the ultimate goal of zero discharge of hazardous chemicals in the textile industry supply chain with source suppliers of chemicals, dyes and additives, intermediary suppliers for dyeing, finishing and other processes, and various stakeholders, pushing a step towards this goal in the industry.

During the year, the Group conducted searches for the environmental performance of all of its suppliers on the information platform of the Institute of Public & Environmental Affairs (IPE), and procured its suppliers to disclose discharge data on the IPE platform.

AWARDS RECEIVED BY LI NING COMPANY LIMITED IN 2015

Honours

Employer brand

Enterprise with the Best Working Environment in 2015
Reasons for receiving the award: comfortable office environment, good team spirit, sound performance evaluation and remuneration system, equal opportunities in career advancement.

Best Talent Attraction Award 2015
Reasons for receiving the award: excellent practice in talent attraction and employee engagement.

TOP 100 Best Employer 2015
Reasons for receiving the award: the greater attractiveness of Li Ning as an employer among the job market.

2015 China Employer
Reasons for receiving the award: having an advanced model for talent recruitment and management with an outstanding employer's image internally and externally.

Best Employer Award 2015
Reasons for receiving the award: attaching importance to innovative approaches on human resources management; putting efforts in employee training; showing respect to talents; significant achievement in building corporate culture; positive employer's brand image distinguishing itself from the industry (sector).

Products

Best Marvel Series Product Award 2015 presented by the Walt Disney Company
Reasons for receiving the award: Li Ning Company partnered with Marvel's The Avengers to roll out the casual-sportswear featuring the style of the film and the classic comics. This series of apparel with unique color gained wide popularity.

Leading Sports Footwear Brand of the Year and Leading Footwear Brand of Innovative Designs presented by HC INTERNATIONAL, INC.
Reasons for receiving the award: The design and production concept of LI-NING 's smart running shoes, namely Motion Control and Trich Tu, and classic basketball shoes like the 4th generation of WOW series and LI-NING Mightiness epitomized Li Ning Company's spirit of continuing breakthroughs and innovations, and are well acclaimed among authoritative medias in the industry and its peers.

Best Cross-Sector Marketing Award 2015 presented by China Times
Reasons for receiving the award: Li Ning Company linked up product development and retail operating capacity with internet-driven business environment, and joined hands with more innovative technology corporations to explore and create more Internet+ Sports Life Experience for consumers. As a result, Li Ning Company gained recognition from China Times, a renowned financial media company in the PRC.

Best Smart Sports Gadget Award for LI-NING smart running shoes presented by Sports Money (體育大生意)
Reasons for receiving the award: The core development and research conducted on LI-NING SMART and Xiaomi Sports Cloud Big Data Technology Platform. The smart platform is the hybrid of "Professional Equipment + Smart Gadget + Mobile Internet + Data Analysis and Sharing" which provides customers with a wide range of running experience. LI-NING was granted *Best Smart Sports Gadget Award* for its running shoes by Sports Money, a new sports media in the PRC.

Brand

2014 Best Running Tournament Award for LI-NING 10K Road Racing League presented by Runner's World
Reasons for receiving the award: With four years' effort, around 150,000 runners have hands-on experience in the 10K Road Racing League. With its outstanding league service and reputation gained among the runners, it has become an iconic road racing competition in China that is up to professional

standard and of wide influence, thereby gaining endorsement from Runner's World, the most influential magazine for runners.

Making it on the List of the Light Industry Design Centres (first cohort) for light industry in the PRC 2015
Reasons for receiving the award: As a leading sports brand, the Group placed its emphasis on both continuing development and innovation in pace with China's comprehensive implementation of the national growth strategy, thereby gaining recognition from the China Light Industry Council, being the only one sports brand selected by this authority.

The Most Respected Enterprise in China 2014–2015 granted by The Economic Observer
Reasons for receiving the award: Making efforts to explore Internet + Sports Life Services in order to render better sports life experience to consumers, Li Ning Company stayed steadfast to fulfill its social responsibilities as a corporate citizen. With the establishment of Li Ning Sports Park, Li Ning Company promoted popularity of sports in the general public by rolling out a philanthropy project named "Postal Parcel for Mothers". Moreover, Li Ning Company launched products such as smart running shoes and smart rackets as well as smart sports services to variegate the sports lifestyle of the public. LI-NING brand is the only sports brand that made it on the list of Economic Observer, the financial news heavyweight in the PRC, with recognition.

Elected as one of the Top 10 Made in China Contributors for Outstanding Quality by CCTV and The Economic Observer
Reasons for receiving the award: During the course of steering from Made in China to Created in China, the Group gripped the Internet+ wave with bold imagination and dauntless innovation to carry out change toward being supplier of "Internet+ Sports Life Experience Service" in terms of products, channels and consumer communication, thereby gaining recognition from authoritative medias including CCTV and the Economic Observer.

Best Business Model Award presented by 21 Century Business Review
Reasons for receiving the award: The Group forged ahead based on the digitalization strategy and platform, and the "sports marketing" business model driven by sports marketing, products and offerings. This breakthrough and its insightful strategy was highly regarded by a financial media group, namely 21st Century Press Group (《21世紀報業集團》) and its core media arms including "21st Century Business Review", "Southern Daily"* (《南方日報》) and "21st Century Business Herald"(《21世紀經濟報導》) unanimously.

The Lowest Carbon Emission Contributor Award presented by 21st Century Press Group
Reasons for receiving the award: The CBA apparel is made of eco-friendly recycled fiber and waste-to-value "coffee charcoal fabric", and the shoes that is made of tire was one of the winning entry of iF Creativity Award – These examples show that the Group never stops to bring about innovation that builds green and low-carbon philosophy into product design and R&D process, and this is the reason that it received recognition from 21st Century News Group, the authoritative financial press group in the PRC.

Scientific research

Named by "Physical Therapy in Sports" (a science magazine) as the Best Researcher Thesis in China
Reasons for receiving the award: The sports science-related research thesis titled "High-intensity stepwise conditioning programme for improved exercise responses and agility performance of badminton player with knee pain" published by Li Ning Company was named as the Best Researcher Thesis in China by Physical Therapy in Sports, a science magazine.

STANDING OUT

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's subsidiaries and its investment in associates and a joint venture as at 31 December 2015 are set out in notes 10 and 11 respectively, to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 89-90 of this annual report.

During the year, the Company did not declare interim dividend for the six months ended 30 June 2015 (2014: Nil). In light of the current operating environment, the Board considers it appropriate to retain cash for the future development of the Group. Therefore, it does not recommend the payment of a final dividend in respect of the year ended 31 December 2015 (2014: Nil).

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2015 are set out in note 17 to the consolidated financial statements.

RESERVES

As at 31 December 2015, reserves of the Company amounted to RMB3,233,048,000 (2014: RMB2,027,743,000). Details of movements in reserves of the Group during the year are set out in note 18 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively in the financial year were as follows:

	Year ended 31 December	
	2015	2014
	% of total revenue	% of total revenue
The largest customer	**5.3**	4.9
Five largest customers	**19.5**	18.0

	% of total purchases	% of total purchases
The largest supplier	**10.6**	9.7
Five largest suppliers	**42.7**	37.3

All of the above five largest customers and suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors, their associates or any Shareholder holding more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest customers or suppliers as disclosed above.

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2015 amounted to RMB566,499,000 (2014: RMB849,023,000). Particulars of the borrowings are set out in note 22 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB134,356 (2014: RMB3,202,357).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 6 to the consolidated financial statements.

CONVERTIBLE BONDS

On 19 January 2012, the Company entered into the subscription agreements with TPG ASIA, Inc. (TPG ASIA, INC., and/or its affiliates, "TPG") and Tetrad Ventures Pte. Ltd. ("GIC Investor") respectively in relation to the issue by the Company of convertible bonds (the "Convertible Bonds") in an aggregate amount of RMB750,000,000 with a conversion price of HK$7.74 per Share. The Convertible Bonds bear minimum interest at the rate of 4% per annum and will be due on the fifth anniversary of the date of issue of the Convertible Bonds. The Company had issued 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 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.

Details of the Convertible Bonds are set out in note 23 to the consolidated financial statements.

CONVERTIBLE SECURITIES

On 25 January 2013, the Company announced the open offer of convertible securities (the "2013 Convertible Securities") in the principal amount of approximately HK$1,847.8 million on the basis of each 2013 Convertible Securities in the principal amount of HK$3.50 for every two existing Shares held on 19 March 2013. Details of the 2013 Open Offer and the terms thereof are set out in the Company's announcement dated 25 January 2013 and the prospectus dated 27 March 2013 respectively.

After the 2013 Open Offer became unconditional, the Company issued the 2013 Convertible Securities with an aggregate principal amount of HK$1,847,838,000 entitling the conversion for a total of 527,953,814 Shares on 22 April 2013. 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") at the election of qualifying shareholders) ("Offer Securities") on the basis of 5 Offer Securities for every 12 existing Shares held on 8 January 2015. Details of the 2015 Open Offer and the terms thereof are set out in the Company's announcement dated 16 December 2014 and the prospectus dated 9 January 2015 respectively.

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

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

During the year, the 2013 Convertible Securities in an aggregate principal amount of approximately HK$2,337,444.02 and the 2015 Convertible Securities in an aggregate principal amount of HK$153,199.80 had been converted into 726,721 Shares and 58,923 Shares respectively. As at 31 December 2015, the outstanding 2013 Convertible Securities amounted to approximately HK$527,182,466.48 and the outstanding 2015 Convertible Securities amounted to HK$381,738,689.80 entitling to the conversion into a total of 165,624,400 Shares and 146,822,573 Shares respectively.

FIVE-YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 6 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands where the Company is incorporated.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Li Ning	*(Executive Chairman and Interim CEO)* *(appointed as Interim CEO on 18 March 2015)*
Mr. Jin-Goon Kim	*(Executive Vice Chairman)* *(resigned as Executive Director and Executive Vice Chairman on 4 July 2015)*

Non-executive Directors

Mr. Chen Yue, Scott	
Mr. Wu, Jesse Jen-Wei	*(appointed on 12 August 2015)*

Independent non-executive Directors

Mr. Koo Fook Sun, Louis	*(re-elected on 5 June 2015)*
Ms. Wang Ya Fei	
Dr. Chan Chung Bun, Bunny, GBS, JP	*(re-elected on 5 June 2015)*
Mr. Su Jing Shyh, Samuel	*(re-elected on 5 June 2015)*

In accordance with article 87 of the Company's Articles of Association and the Corporate Governance Code ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules, Mr. Li Ning and Mr. Chen Yue, Scott shall retire from the office by rotation and, being eligible, offer themselves for re-election as Directors at the 2016 AGM.

In accordance with article 86(3) of the articles of association, Mr. Wu, Jesse Jen-Wei, who has been appointed by the Board as non-executive Director with effect from 12 August 2015, shall hold office until the 2016 AGM and shall then be eligible for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of the Directors and senior management of the Group are set out under "Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2016 AGM has an unexpired service contract which is not determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in this report, no contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

PERMITTED INDEMNITY PROVISIONS

Under the Articles of Association, and subject to the applicable laws and regulations, the directors and officers of the Group shall be indemnified out of the assets and profits of the Company from or against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PENSION SCHEMES

In the PRC, the Group contributes on a monthly basis to various defined contribution retirement benefit plans established and operated by relevant Chinese municipal and provincial governments (the "Pension Schemes"). The municipal and provincial governments have undertaken to assume the obligations to pay all the retirement benefits accrued to employees under the Pension Schemes upon their retirement. The Group has no further obligation for payment of post-retirement benefits to employees beyond the contributions made by the Group to the Pension Schemes.

The Group also participates in the provident fund plans mandated by the Hong Kong Government, South Korea Government and the US Government which are defined contribution retirement benefit plans.

None of the Pension Schemes or abovementioned provident fund plans has provision for the forfeiture of contributions made to the provident fund. Contributions to these plans are expensed as incurred. The Group's contributions to retirement benefit schemes charged to the consolidated income statement for the year ended 31 December 2015 were RMB49,362,000 (2014: RMB49,151,000).

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2015, save for the Convertible Bonds, the Convertible Securities and the 2014 Share Option Scheme of the Company (as set out in the sections of "Convertible Bonds", "Convertible Securities" and "Share Option Schemes" in this report), the Company has not entered into any equity-linked agreement, nor did any equity-linked agreement subsist at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

LONG-TERM INCENTIVE SCHEMES

Share Option Schemes

At the annual general meeting of the Company held on 30 May 2014, the Shareholders approved (i) 2014 Share Option Scheme and (ii) the termination of 2004 Share Option Scheme. The 2014 Share Option Scheme will be valid and effective for a period of 10 years commencing on 30 May 2014.

The purpose of the 2014 Share Option Scheme is to provide incentives to the new participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group. Eligible participants are employees, officers, agents, consultants or representatives of any member of the Group, including any executive and non-executive directors of any member of the Group who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded as valuable human resources of the Group based on his/her work experience, knowledge in the industry and other relevant factors.

The maximum number of Shares in respect of which options may be granted under the 2014 Share Option Scheme together with any options outstanding and yet to be exercised under the 2014 Share Option Scheme and any other scheme(s) of the Group in aggregate shall not exceed 30% of the Shares in issue from time to time. In addition, subject to the restrictions imposed by the Listing Rules, the total number of Shares which may be issued upon exercise of all options to be granted under the 2014 Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Group shall not in aggregate exceed 10% of the nominal amount of all the issued Shares as at 30 May 2014, being the date of adoption of the 2014 Share Option Scheme. On the basis of 1,370,236,257 Shares in issue on the date of adoption of the 2014 Share Option Scheme, the maximum number of Shares that may be issued upon exercise of options that may be granted under the 2014 Share Option Scheme is 137,023,625 Shares. Details of the 2014 Share Option Scheme and the terms thereof are set out in the Company's circular dated 10 April 2014.

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 31 December 2015 entitled the holders to subscribe for 30,456,964 Shares. Details of movements of the options granted under the 2004 Share Option Scheme for the year ended 31 December 2015 are set out below and in note 34 to the consolidated financial statements.

Grantees	Date of grant	Exercise price per Share HK$	Adjusted exercise price per Share upon the 2015 Open Offer HK$ *(Note 4)*	Number of Shares: As at 01/01/2015	Adjusted on 02/02/2015 upon the 2015 Open Offer *(Note 4)*	Granted during the year *(Note 5)*	Exercised during the year *(Note 5)*	Lapsed during the year *(Note 5)*	Cancelled during the year *(Note 5)*	As at 31/12/2015	Vesting period	Exercise period
Executive Directors												
Li Ning	17/01/2014	7.00	6.35	1,370,073	1,509,470	–	–	–	–	1,509,470	17/01/2014 – 31/12/2014	17/01/2014 – 31/12/2018
Jin-Goon Kim *(Note 6)*	20/12/2012	4.92 *(Note 3)*	4.47	312,906	344,743	–	–	206,846	–	137,897	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
	17/01/2014	7.00	6.35	6,850,369	7,547,354	–	–	–	–	7,547,354	17/01/2014 – 31/12/2014	17/01/2014 – 31/12/2018
	17/01/2014	7.00	6.35	6,850,369	7,547,355	–	–	7,547,355	–	–	*(Note 1)*	*(Note 1)*
Non-executive Director												
Chen Yue, Scott	20/12/2012	4.92 *(Note 3)*	4.47	312,906	344,743	–	–	–	–	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Independent non-executive Directors												
Koo Fook Sun, Louis	19/01/2009	10.45 *(Note 3)*	–	286,726	–	–	–	286,726	–	–	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015
	15/07/2011	9.09 *(Note 3)*	8.25	227,705	250,873	–	–	–	–	250,873	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	4.92 *(Note 3)*	4.47	312,906	344,743	–	–	–	–	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Wang Ya Fei	19/01/2009	10.45 *(Note 3)*	–	286,726	–	–	–	286,726	–	–	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015
	15/07/2011	9.09 *(Note 3)*	8.25	227,705	250,873	–	–	–	–	250,873	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	4.92 *(Note 3)*	4.47	312,906	344,743	–	–	–	–	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Chan Chung Bun, Bunny, GBS, JP	19/01/2009	10.45 *(Note 3)*	–	286,726	–	–	–	286,726	–	–	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015
	15/07/2011	9.09 *(Note 3)*	8.25	227,705	250,873	–	–	–	–	250,873	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	4.92 *(Note 3)*	4.47	312,906	344,743	–	–	–	–	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Su Jing Shyh, Samuel	20/12/2012	4.92 *(Note 3)*	4.47	312,906	344,743	–	–	–	–	344,743	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Employees of the Group												
In aggregate	19/01/2009	10.45 *(Note 3)*	–	1,168,764	–	–	–	1,168,764	–	–	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015
In aggregate	22/10/2009	20.09 *(Note 3)*	18.23	1,821,008	1,962,059	–	–	2,002,227	–	–	01/07/2010 – 01/07/2012	01/07/2010 – 22/10/2015
In aggregate	15/07/2011	9.09 *(Note 3)*	8.25	975,087	1,074,296	–	–	337,150	–	737,146	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
In aggregate	20/12/2012	4.92 *(Note 3)*	4.47	13,257,767	14,333,240	–	123,500 *(Note 2)*	7,805,067	–	6,652,889	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
In aggregate	13/08/2013	5.07	4.60	5,765,542	6,119,974	–	–	536,102	–	5,794,604	31/03/2014 – 14/08/2018	31/03/2014 – 31/12/2019
In aggregate	18/12/2013	6.79	6.16	983,692	969,608	–	–	577,564	–	495,670	19/12/2014 – 19/12/2018	19/12/2014 – 31/12/2019
In aggregate	17/01/2014	7.00	6.35	3,226,483	3,468,703	–	–	1,454,948	–	2,091,857	18/01/2015 – 18/03/2019	18/01/2015 – 31/12/2020
In aggregate	04/04/2014	5.10	4.63	649,515	715,602	–	–	27,803	–	687,799	05/04/2015 – 05/04/2019	05/04/2015 – 31/12/2020

Grantees	Date of grant	Exercise price per Share HK$	Adjusted exercise price per Share upon the 2015 Open Offer HK$ (Note 4)	As at 01/01/2015	Adjusted on 02/02/2015 upon the 2015 Open Offer (Note 4)	Number of Shares: Granted during the year (Note 5)	Exercised during the year (Note 5)	Lapsed during the year (Note 5)	Cancelled during the year (Note 5)	As at 31/12/2015	Vesting period	Exercise period
Other participants												
In aggregate	19/01/2009	10.45 (Note 3)	–	4,919,629	–	–	–	4,919,629	–	–	19/01/2010 – 19/01/2014	19/01/2010 – 31/12/2015
In aggregate	22/10/2009	20.09 (Note 3)	18.23	326,567	359,793	–	–	359,793	–	–	01/07/2010 – 01/07/2012	01/07/2010 – 22/10/2015
In aggregate	15/07/2011	9.09 (Note 3)	8.25	910,785	1,003,452	–	–	1,003,452	–	–	01/07/2012 – 04/07/2014	01/07/2012 – 31/12/2015
In aggregate	04/07/2012	4.31 (Note 3)	3.91	726,058	799,930	–	–	799,930	–	–	04/07/2013 – 04/07/2015	04/07/2013 – 31/12/2015
In aggregate	13/08/2013	5.07	4.60	123,960	136,571	–	–	–	–	136,571	31/03/2014 – 14/08/2018	31/03/2014 – 31/12/2019
In aggregate	17/01/2014	7.00	6.35	1,950,000	2,148,402	–	–	–	–	2,148,402	17/01/2014 – 01/09/2016	17/01/2014 – 30/09/2019
In aggregate	17/01/2014	7.00	6.35	37,188	40,971	–	–	–	–	40,971	18/01/2015 – 31/03/2019	18/01/2015 – 31/12/2020
				55,333,585	52,557,857	–	123,500	29,606,808	–	30,456,964		

Notes:

1. The vesting of the 6,850,369 options is subject to certain conditions set out in the relevant grant letter instead of a vesting period. Upon vesting, this part of options are exercisable from vesting date to 31 December 2018.
2. The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK$4.67.
3. 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.
4. As a result of the 2015 Open Offer, the exercise prices and the number of the Shares to be allotted and issued upon full exercise of the outstanding share options granted under the 2004 Share Options Scheme were adjusted in accordance with the 2004 Share Option Scheme as from 2 February 2015. Please refer to the announcement of the Company dated 30 January 2015 for details.
5. Including changes of options before the 2015 Open Offer (adjustments was made accordingly) and after the 2015 Open Offer (without open offer adjustments).
6. Mr. Jin-Goon Kim resigned as Director with effect from 4 July 2015.

Details of movements of the options granted under the 2014 Share Option Scheme for the year ended 31 December 2015 are set out below and in note 34 to the consolidated financial statements.

Grantees	Date of grant	Exercise price per Share HK$	As at 01/01/2015	Number of Shares: Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31/12/2015	Vesting period	Exercise period
Employees of the Group										
In aggregate	01/04/2015	4.44	–	37,400,000 (Note 1)	–	5,000,000	–	32,400,000	01/04/2016 – 01/04/2018	01/04/2016 – 31/12/2020
Other participants										
In aggregate	01/04/2015	4.44	–	800,000 (Note 1)	–	–	–	800,000	01/04/2016 – 01/04/2018	01/04/2016 – 31/12/2020
			–	38,200,000	–	5,000,000	–	33,200,000		

Note:

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

Details of valuation of the share options granted during the year ended 31 December 2015 under the 2004 Share Option Scheme and 2014 Share Option Scheme are set out in note 34 to the consolidated 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

On 14 July 2006 (the "Adoption Date"), the Board adopted the Restricted Share Award Scheme in which any individual being a director, employee, officer, agent or consultant of the Company or any of its subsidiaries is entitled to participate. The purpose of the Restricted Share Award Scheme is to facilitate the Company's objectives of attracting new and motivating existing talents and retaining both in the Company. The Restricted Share Award Scheme shall be valid for a term of 10 years from the Adoption Date and is administered by the administrative committee and the trustee of the scheme.

Pursuant to the Restricted Share Award Scheme, the Company shall transfer cash to the trustee from time to time for the acquisition of Shares to be held upon trust for the benefits of the selected participants. Shares granted to the selected participants (the "Restricted Shares") are subject to restrictions and limitations and will become unrestricted upon vesting at the end of each vesting period. No Restricted Shares will be granted under the Restricted Share Award Scheme if the number of Restricted Shares granted at any time during the scheme period has exceeded 5% of the Company's share capital in issue from time to time. Apart from the expenses incurred by the trustee attributable or payable in connection with the vesting of the Restricted Shares which shall be borne by the selected participants, vested Shares shall be transferred at no cost to the selected participants.

The Restricted Share Award Scheme has been amended on 30 April 2009 pursuant to a Board resolution to allow the administration committee of the Restricted Share Award Scheme to determine in its absolute discretion such vesting criteria or periods for the Restricted Shares to be vested, including, without limitation, the satisfaction of specified performance criteria relating generally to the Company or particularly to a selected participant or such other restrictions or conditions as the administration committee may in its discretion determine to be appropriate. Any of the foregoing vesting criteria or restrictions shall be set out in the grant letter as referred to in the Restricted Share Award Scheme.

By resolutions of the Board on 4 July 2012, the Restricted Share Award Scheme has been further amended to allow purchases of Shares from the market from time to time (instead of one-off purchase after each grant) such that sufficient number of Shares are available for vesting of the relevant Restricted Shares. In addition, the maximum number of Restricted Shares under the Restricted Share Award Scheme has been increased from 2% of Shares in issue as at the Adoption Date to 5% of Shares in issue from time to time.

The purpose of the amendments is to allow the Board to have more flexibility in the administration of the Restricted Share Award Scheme and to allow the Restricted Share Award Scheme to offer better long-term incentive to the grantees.

During the year ended 31 December 2015, no Restricted Shares were granted to eligible participants pursuant to the Restricted Share Award Scheme. During the year, 220,000 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 year ended 31 December 2015 are as follows:

		Number of Restricted Shares					
Date of grant	Fair value per Restricted Share HK$ *(Note 1)*	as at 01/01/2015	granted during the year	vested during the year	lapsed during the year	as at 31/12/2015	Vesting period
03/09/2010	23.30	440,000	–	(220,000)	–	220,000	01/07/2011 – 01/07/2016
17/01/2014	6.71	1,370,073	–	–	–	1,370,073	*(Note 2)*
		1,810,073	–	(220,000)	–	1,590,073	

Notes:

1. The fair values of the Restricted Shares were based on the closing price per Share at the date of grant.
2. The vesting of the 1,370,073 Restricted Shares is subject to certain conditions set out in the relevant grant letter instead of a vesting period.

Save as disclosed above, at no time during the year 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 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares	Total (Long Position)	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	303,876,053 (Note 1)	252,707,086 (Note 1)	556,583,139	29.52%
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 1,885,490,226 Shares in issue as at 31 December 2015.*

Notes:

1. Mr. Li Ning ("Mr. Li") is interested in 303,876,053 Shares, among which 1,940,933 Shares are held as personal interest, and he is deemed to be interested in an aggregate of 301,935,120 Shares held by Viva China Holdings Ltd ("Viva China BVI") and Alpha Talent. Moreover, Mr. Li is deemed to be interested in 252,707,086 underlying Shares, among which (i) 1,509,470 Shares are share options granted by the Company, (ii) 1,370,073 Shares are unvested Restricted Shares granted by the Company and (iii) total amount of HK$722,478,136 of convertible securities held by Viva China BVI which is entitled to the conversion of 249,827,543 Shares. Details are as follows:

   (a) Viva China BVI, a wholly-owned subsidiary of Viva China Holdings Limited ("Viva China"), is interested in 299,374,000 Shares and 249,827,543 underlying Shares, which comprise (i) the 2013 Convertible Securities in the total amount of HK$398,156,304 entitling to the conversion of 125,088,377 Shares at the conversion price of HK$3.183 each, and (ii) the 2015 Convertible Securities in the total amount of HK$324,321,831.60 entitling to the conversion of 124,739,166 Shares at the conversion price of HK$2.60 each. Viva China is owned as to approximately 14.63% by Victory Mind Assets Limited ("Victory Mind"), approximately 24.38% by Lead Ahead Limited ("Lead Ahead") and approximately 27.43% by Dragon City Management (PTC) Limited ("Dragon City") respectively. Each of Lead Ahead and Dragon City is owned as to 60% and 60% by Mr. Li respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li is a settlor). As a result, Mr. Li is deemed to be interested in the 299,374,000 Shares and the 249,827,543 underlying Shares held by Viva China. 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 of the Company at an exercise price of HK$6.35 each and 1,370,073 unvested restricted shares under the Restricted Share Award Scheme.

2. The underlying Shares are the share options granted by the Company to the respective Directors under the 2004 Share Option Scheme.

Save as disclosed above, so far as was known to any Director, as at 31 December 2015, none of the Directors or chief executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the register of substantial shareholders maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, representing 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares	Total		Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	303,876,053	252,707,086	556,583,139 *(Note 1)*	(L)	29.52%
Li Chun	Interest of controlled corporations	299,374,000	249,827,543	549,201,543 *(Note 2)*	(L)	29.13%
Viva China Holdings Limited	Interest of controlled corporations	299,374,000	249,827,543	549,201,543 *(Note 1(a))*	(L)	29.13%
David Bonderman	Interest of controlled corporations	53,000,000	229,634,281	282,634,281 *(Note 3)*	(L)	14.99%
James G. Coulter	Interest of controlled corporations	53,000,000	229,634,281	282,634,281 *(Note 3)*	(L)	14.99%
BlackRock, Inc.	Investment manager	150,321,611	–	150,321,611	(L)	7.97%
	Investment manager	5,924,734	–	5,924,734	(S)	0.31%
Minister for Finance	Interest of controlled corporations	93,050,918	56,810,856	149,861,774 *(Note 4)*	(L)	7.95%
Lou Yunli	Interest of controlled corporations	134,583,330	–	134,583,330 *(Note 5)*	(L)	7.14%
James Christopher Kralik	Interest of controlled corporations	134,583,330	–	134,583,330 *(Note 5)*	(L)	7.14%
Marathon Asset Management LLP	Investment manager	115,765,127	–	115,765,127	(L)	6.14%
FIL Limited	Investment manager	112,274,506	–	112,274,506	(L)	5.95%

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

* *The percentage has been calculated based on 1,885,490,226 Shares in issue as at 31 December 2015.*

Notes:

1. Mr. Li Ning is interested in 303,876,053 Shares, among which 1,940,933 Shares are held as personal interest, and he is deemed to be interested in an aggregate of 301,935,120 Shares held by Viva China BVI and Alpha Talent. Moreover, Mr. Li is deemed to be interested in 252,707,086 underlying Shares, among which (i) 1,509,470 Shares are share options granted by the Company, (ii) 1,370,073 Shares are unvested restricted shares granted by the Company, and (iii) total amount of HK$722,478,136 of convertible securities held by Viva China BVI which is entitled to the conversion of 249,827,543 Shares. Details are as follows:

   (a) Viva China BVI, a wholly-owned subsidiary of Viva China, is interested in 299,374,000 Shares, and 249,827,543 underlying Shares, which comprise (i) the 2013 Convertible Securities in the total amount of HK$398,156,304 entitling to the conversion of 125,088,377 Shares at the conversion price of HK$3.183 each, and (ii) the 2015 Convertible Securities in the total amount of HK$324,321,831.60 entitling to the conversion of 124,739,166 Shares at the conversion price of HK$2.60 each. Viva China is owned as to approximately 14.63% by Victory Mind, approximately 24.38% by Lead Ahead and approximately 27.43% by Dragon City respectively. Each of Lead Ahead and Dragon City in owned as to 60% by Mr. Li and 40% by his brother, Mr. Li Chun respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settler). As a result, Mr. Li is deemed to be interested in the 299,374,000 Shares and the 249,827,543 underlying Shares held by Viva China. 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 1,370,073 unvested restricted shares under the Restricted Share Award Scheme.

2. As disclosed in Note 1(a) above, Mr. Li Chun is deemed to be interested in 299,374,000 Shares and the 249,827,543 underlying Shares held by Viva China. He is the brother of Mr. Li Ning.

3. TPG Stallion, L.P. ("TPG") is interested in 53,000,000 Shares and 229,634,281 underlying Shares, which comprise (i) the convertible bonds with the principal amount of RMB561,000,000 due 2017 entitling to the conversion in aggregate of 168,629,032 Shares, (ii) the 2013 Convertible Securities in the total amount of HK$123,888,471 entitling to the conversion in aggregate of 38,921,919 Shares at the conversion price of HK$3.183 each, and (iii) the 2015 Convertible Securities in the total amount of HK$57,416,658 entitling to the conversion in aggregate of 22,083,330 Shares at the conversion price of HK$2.60 each. TPG is wholly owned by TPG Asia Advisors V, Inc. and, in turn, it is owned as to 50% by Mr. David Bonderman and 50% by Mr. James G. Coulter.

4. Tetrad Ventures Pte. Ltd. ("Tetrad") is interested in 83,208,625 Shares and the convertible bonds with the principal amount of RMB189,000,000 due 2017 entitling to the conversion in aggregate of 56,810,850 Shares and 6 other derivatives. Tetrad is wholly owned by GIC (Ventures) Pte Ltd (formerly known as Government of Singapore Investment Corporation (Ventures) Pte Ltd). GIC Special Investments Pte Ltd manages the investment of Tetrad, and is wholly owned by GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd) ("GIC"). GIC also directly holds 9,842,293 Shares and is wholly owned by Minister for Finance.

5. Linden Street Capital Limited ("Linden"), a company owned as to 50% by Lou Yunli and 50% by James Christopher Kralik, is deemed to be interested in 134,583,330 Shares, among which 70,833,330 Shares are held by Milestone Capital Strategic Holdings Limited and 63,750,000 Shares are held by Milestone Sports Limited.

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any person (other than a Director or chief executive of the Company or their respective associate(s)) of any interest and short position in the Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS WITH VIVA CHINA BVI

On 23 October 2015, Shanghai Yue Ao Sporting Goods Co., Ltd. ("Shanghai Yue Ao"), a wholly-owned subsidiary of the Company and Viva China Investment Limited ("Viva China Investment"), a wholly-owned subsidiary of Viva China, entered into the share transfer agreement ("Share Transfer Agreement") pursuant to which Shanghai Yue Ao agreed to sell, and Viva China Investment agreed to purchase 11,200,000 shares ("Sale Shares") of Shanghai Double Happiness Co., Ltd. ("Double Happiness"), a non wholly-owned subsidiary of the Company, which represents 10% of the equity interest in Double Happiness ("Share Sale"). On 23 October 2015, Shanghai Yue Ao, the Company, Viva China Investment and Viva China also entered into the option agreement ("Option Agreement") pursuant to which, among other things, Shanghai Yue Ao is granted the call option ("Call Option") to purchase from Viva China Investment, and Viva China Investment is granted the put option ("Put Option") to sell to Shanghai Yue Ao, the Sale Shares and their derived interests, subject to the conditions under the Option Agreement. For details, please refer to the Company's announcement dated 25 October 2015 and the Company's circular dated 18 November 2015 respectively.

Viva China, who indirectly held approximately 15.88% interests in the Company as at 25 October 2015, being the date on which the Company announced the connected transaction, was a substantial Shareholder and hence a connected person of the Company. Viva China Investment, being a wholly-owned subsidiary of Viva China, is therefore a connected person of the Company. Accordingly, each of the Share Sale, the grant of the Put Option to Viva China Investment and the grant of the Call Option to Shanghai Yue Ao constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Share Sale are more than 5% and less than 25% but the consideration is more than HK$10,000,000, the Share Sale constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to independent shareholders' approval and all disclosure requirements.

Pursuant to Rule 14A.79(1) of the Listing Rules, the grant of the Put Option (the exercise of which is not at the Company's discretion) will be classified as if the Put Option had been exercised. As one or more of the applicable percentage ratios in respect of any exercise of the Put Option are more than 5% and less than 25% but the consideration is more than HK$10,000,000, the grant of the Put Option constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to independent shareholders' approval and all disclosure requirements.

The exercise of the Call Option is at the discretion of the Company. According to Rule 14A.79(2) of the Listing Rules, the grant of the Call Option is classified based on the amount of the premium payable by the Company. As no premium is payable for the grant of the Call Option to the Company, such grant constitutes a fully-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is exempt from independent shareholders' approval and all disclosure requirements.

However, pursuant to Rule 14A.79(3) of the Listing Rules, at the time of exercise of the Call Option, the Company will be required to compute the percentage ratios in respect of the exercise of the Call Option, and the Company will be required to seek independent shareholders' approval for the exercise of the Call Option if one or more of the applicable percentage ratios at the time of exercise of the Call Option exceeds the threshold for de minimis exemptions under Chapter 14A of the Listing Rules.

Each of the Share Sale and the grant of the Put Option were approved by the independent Shareholders at an extraordinary general meeting of the Company held on 4 December 2015. Viva China and its associates were abstained from voting at the meeting in respect of the resolutions approving the Share Sale and the grant of the Put Option.

CONTINUING CONNECTED TRANSACTIONS WITH VIVA CHINA

The Company and Viva China (Viva China and its subsidiaries, collectively the "Viva China Group") entered into a master agreement dated 31 August 2010 ("Master Agreement") whereby the Viva China Group provided to the Group the services in relation to (i) brand or product endorsement; (ii) sponsorship; and (iii) event management (the "Viva China Transactions") for the three financial years ended 31 December 2010, 2011 and 2012. The Master Agreement was expired on 31 December 2012.

On 4 January 2013, the Company and Viva China entered into an agreement (the "2013 Renewed Master Agreement") to renew the Master Agreement with effect from 4 January 2013 to 31 December 2015 or the day on which Viva China ceases to be a connected person of the Company (whichever is earlier). Pursuant to the 2013 Renewed Master Agreement, the annual caps for the Viva China Transactions payable by the Group to the Viva China Group for the three financial years ended 31 December 2013, 2014 and 2015 are RMB60,000,000, RMB90,000,000 and RMB90,000,000 respectively. As the applicable percentage ratios for the annual caps under the 2013 Renewed Master Agreement for the three financial periods ending 31 December 2013, 2014 and 2015 are less than 5%, the Viva China Transactions are exempt from independent shareholders' approval but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 4 January 2013 in regard to the 2013 Renewed Master Agreement. The 2013 Renewed Master Agreement was expired on 31 December 2015.

For the year ended 31 December 2015, there was an aggregate contracted amount of approximately RMB64,854,000 for the Viva China Transactions under the 2013 Renewed Master Agreement. The Company has complied with the relevant disclosure requirements in respect of such continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the Viva China Transactions and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) in accordance with the Group's pricing policies for transactions involving the provision of services to the Group;

(3) on normal commercial terms; and

(4) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

PricewaterhouseCoopers, the auditor of the Company, was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported their conclusions to the Board that the transactions:

(1) have been approved by the Board;

(2) have been in accordance with the pricing policies of the Group for transactions involving the provision of services to the Group;

(3) have been entered into in accordance with the relevant agreements governing the transactions during the year; and

(4) have not exceeded the annual caps disclosed in the announcement of the Company dated 4 January 2013.

On 24 December 2015, the Company and Viva China entered into an agreement (the "2016 Renewed Master Agreement") to renew the 2013 Renewed Master Agreement with effect from 1 January 2016 to 31 December 2018 or the day on which Viva China ceases to be a connected person of the Company (whichever is earlier). Pursuant to the 2016 Renewed Master Agreement, the annual caps for the Viva China Transactions payable by the Group to the Viva China Group for the three financial years ending 31 December 2016, 2017 and 2018 are RMB140,000,000, RMB154,000,000 and RMB170,000,000 respectively. As the applicable percentage ratios for the annual caps under the 2016 Renewed Master Agreement for the three financial periods ending 31 December 2016, 2017 and 2018 are less than 5%, the Viva China Transactions are exempt from independent shareholders' approval but are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 24 December 2015 in regard to the 2016 Renewed Master Agreement.

RELATED-PARTY TRANSACTIONS

The Viva China Transactions also constituted related-party transactions which, among others, are set out in note 36(d) to the consolidated financial statements.

Apart from the Viva China Transactions, other related-party transactions set out in note 36 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions which are subject to the reporting, annual review, announcement and/or independent shareholders approval requirements under Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2015 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2015, the Company has applied all the principles and complied with the code provisions of the Corporate Governance Code, except for certain deviations specified with considered reason as explained in the Corporate Governance Report.

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this annual report.

BUSINESS REVIEW

A fair review of the business of the Company and further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, important events affecting the Group that have occurred since the end of the financial year 2015, if any, and an indication of likely future developments of the Group's business, can be found in the Chairman's Statement, the Management Discussion and Analysis and the Corporate Governance Report set out on pages 12 to 15, pages 16 to 39 and pages 40 to 55 of this annual report, respectively.

In addition, the Group's environmental, employee, customer and supplier matters and compliance with the relevant laws and regulations that have a significant impact on the Company can be found in the Corporate Governance Report and the Environment, Social and Governance Report set out on pages 40 to 55 and pages 62 to 69 of this annual report, respectively.

The discussions referred to above form part of this Directors' Report.

AUDITOR

PricewaterhouseCoopers will retire as auditor of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the 2016 AGM.

By order of the Board
Li Ning
Executive Chairman and Interim CEO

Hong Kong, 16 March 2016

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Li Ning Company Limited ("the Company") and its subsidiaries set out on pages 87 to 159, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F:+852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2016

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CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	740,305	861,173
Land use rights	7	79,788	372,113
Intangible assets	8	265,570	446,399
Deferred income tax assets	24	230,868	311,081
Available-for-sale financial assets	9	26,000	26,000
Investments accounted for using the equity method	11	27,796	20,848
Other receivables and prepayments	14	43,615	39,473
Total non-current assets		1,413,942	2,077,087
Current assets			
Inventories	12	959,652	1,289,332
Trade receivables	13	1,439,513	1,260,131
Other receivables and prepayments – current portion	14	309,389	379,277
Restricted bank deposits	15	495	2,593
Cash and cash equivalents	15	1,812,572	1,031,386
		4,521,621	3,962,719
Assets of disposal group classified as held for sale	16	961,895	–
Total current assets		5,483,516	3,962,719
Total assets		6,897,458	6,039,806
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	17	177,492	141,698
Share premium	17	2,168,867	1,298,537
Shares held for Restricted Share Award Scheme	17	(2,084)	(3,719)
Other reserves	18	1,308,230	984,398
Accumulated deficit	18	(472,602)	(469,056)
		3,179,903	1,951,858
Non-controlling interests in equity		230,637	217,583
Total equity		3,410,540	2,169,441

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2015 RMB'000**	2014 RMB'000
LIABILITIES			
Non-current liabilities			
License fees payable	*21*	**27,886**	77,434
Borrowings	*22*	**200,000**	298,241
Convertible bonds	*23*	**710,033**	676,421
Deferred income tax liabilities	*24*	**11,503**	76,410
Deferred income	*25*	**65,710**	62,718
Total non-current liabilities		**1,015,132**	1,191,224
Current liabilities			
Trade payables	*19*	**997,473**	953,429
Other payables and accruals	*20*	**696,168**	1,104,541
License fees payable – current portion	*21*	**63,357**	57,880
Current income tax liabilities		**3,777**	9
Borrowings	*22*	**366,499**	550,782
Convertible bonds – interest payable	*23*	**12,500**	12,500
		2,139,774	2,679,141
Liabilities of disposal group classified as held-for-sale	*16*	**332,012**	–
Total current liabilities		**2,471,786**	2,679,141
Total liabilities		**3,486,918**	3,870,365
Total equity and liabilities		**6,897,458**	6,039,806

The notes on pages 94 to 159 are an integral part of these financial statements.

The financial statements on pages 87 to 159 were approved by the Board of Directors on 16 March 2016 and were signed on its behalf.

Li Ning
Executive Director & Chairman

Chen Yue, Scott
Non-executive Director

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	2015 RMB'000	2014 RMB'000
Continuing operations			
Revenue	5	7,089,495	6,047,195
Cost of sales	26	(3,896,836)	(3,329,436)
Gross profit		3,192,659	2,717,759
Distribution expenses	26	(2,720,361)	(2,764,656)
Administrative expenses	26	(346,149)	(627,944)
Other income and other gains – net	27	30,920	31,779
Operating profit/(Loss)		157,069	(643,062)
Finance income	29	6,343	10,444
Finance expenses	29	(139,546)	(152,622)
Finance expenses – net	29	(133,203)	(142,178)
Share of profit of investments accounted for using the equity method	11	6,948	7,352
Profit/(Loss) before income tax		30,814	(777,888)
Income tax expense	30	(73,768)	(52,179)
Loss for the year from continuing operations		(42,954)	(830,067)
Discontinued operations			
Profit for the year from discontinued operations		104,559	86,563
Profit/(Loss) for the year		61,605	(743,504)
Attributable to:			
Equity holders of the Company		14,309	(781,481)
Non-controlling interests		47,296	37,977
Profit/(Loss) attributable to equity holders of the Company arises from:			
Continuing operations		(42,954)	(830,117)
Discontinued operations	16	57,263	48,636
		14,309	(781,481)

The notes on pages 94 to 159 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Earnings/(Losses) per share from continuing and discontinued operations attributable to equity holders of the Company for the year (expressed in RMB cents per share)			
Basic earnings/(losses) per share	*31*		
From continuing operations		**(1.99)**	(53.08)
From discontinued operations		**2.65**	3.11
From profit/(loss) for the year		**0.66**	(49.97)
Diluted earnings/(losses) per share	*31*		
From continuing operations		**(1.99)**	(53.08)
From discontinued operations		**2.65**	3.11
From profit/(loss) for the year		**0.66**	(49.97)

The notes on pages 94 to 159 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2015	2014
		RMB'000	RMB'000
Profit/(Loss) for the year		**61,605**	(743,504)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Currency translation differences		**(990)**	(140)
Total comprehensive income/(loss) for the year		**60,615**	(743,644)
Attributable to:			
Equity holders of the Company		**13,319**	(781,621)
Non-controlling interests		**47,296**	37,977
Total comprehensive income/(loss) for the year		**60,615**	(743,644)
Total comprehensive income/(loss) attributable to equity holders of the Company arises from:			
Continuing operations		**(43,944)**	(830,257)
Discontinued operations	*16*	**57,263**	48,636
		13,319	(781,621)

The notes on pages 94 to 159 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company							
	Ordinary shares RMB'000 *(Note 17)*	Share premium RMB'000 *(Note 17)*	Shares held for Restricted Share Award Scheme RMB'000 *(Note 17)*	Other reserves RMB'000 *(Note 18)*	Retained earnings RMB'000 *(Note 18)*	Subtotal RMB'000	Non-controlling interests in equity RMB'000	Total equity RMB'000
As at 1 January 2014	136,613	1,146,845	(31,509)	1,101,347	330,934	2,684,230	207,534	2,891,764
Total comprehensive (loss)/income for the year	–	–	–	(140)	(781,481)	(781,621)	37,977	(743,644)
Transactions with owners:								
Net proceeds from shares issued pursuant to share option schemes	66	3,173	–	–	–	3,239	–	3,239
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	–	48,156	–	48,156	–	48,156
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	(17,481)	–	17,481	–	–	–	–
Shares vested under Restricted Share Award Scheme	–	–	29,936	(29,936)	–	–	–	–
Shares purchased for Restricted Share Award Scheme	–	–	(2,146)	–	–	(2,146)	–	(2,146)
Appropriations to statutory reserves	–	–	–	18,509	(18,509)	–	–	–
Shares converted from convertible securities	5,019	166,000	–	(171,019)	–	–	–	–
Dividends to non-controlling interests of a subsidiary	–	–	–	–	–	–	(27,928)	(27,928)
As at 31 December 2014	141,698	1,298,537	(3,719)	984,398	(469,056)	1,951,858	217,583	2,169,441
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)/income for the year	–	–	–	(990)	14,309	13,319	47,296	60,615
Transactions with owners:								
Issuance of offer securities *(Note 17 and 18)*	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	–	–	–	14,882	–	14,882	–	14,882
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	(2,088)	–	2,088	–	–	–	–
Shares vested under Restricted Share Award Scheme	–	–	1,635	(1,635)	–	–	–	–
Appropriations to statutory reserves	–	–	–	17,855	(17,855)	–	–	–
Shares converted from convertible securities	62	1,741	–	(1,803)	–	–	–	–
Dividends to non-controlling interests of a subsidiary	–	–	–	–	–	–	(34,242)	(34,242)
As at 31 December 2015	177,492	2,168,867	(2,084)	1,308,230	(472,602)	3,179,903	230,637	3,410,540

The notes on pages 94 to 159 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	33	735,429	(349,135)
Income tax paid		(48,386)	(45,664)
Net cash generated from/(used in) operating activities		687,043	(394,799)
Cash flows from investing activities			
– investment in available-for-sale financial assets		–	(14,000)
– purchases of property, plant and equipment		(311,220)	(242,459)
– purchases of intangible assets		(77,451)	(84,769)
– proceeds on disposal of property, plant and equipment		18,611	1,482
– interest received		7,315	5,664
Net cash used in investing activities		(362,745)	(334,082)
Cash flows from financing activities			
– dividends paid to non-controlling interests of a subsidiary		(34,242)	(27,928)
– proceeds from issuance of ordinary shares		436	3,239
– shares purchased for Restricted Share Award Scheme		–	(2,146)
– proceeds from borrowings and loans		300,000	921,512
– repayments of borrowings and loans		(749,157)	(320,000)
– proceeds from issuance of offer securities		1,229,930	–
– transaction costs paid in relation to issuance of offer securities		(26,988)	–
– interest paid		(83,604)	(99,560)
Net cash generated from financing activities		636,375	475,117
Net increase/(decrease) in cash and cash equivalents		960,673	(253,764)
Cash and cash equivalents at beginning of year		1,031,386	1,280,684
Exchange (loss)/gains on cash and cash equivalents		(2,794)	4,466
Cash of disposal group classified as held for sale		(176,693)	–
Cash and cash equivalents at end of year		1,812,572	1,031,386

The notes on pages 94 to 159 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

1. General information

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") on 16 March 2016.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policies and disclosures

(a) *New and amended standards adopted by the Group*

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

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

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

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

(b) *New standards and interpretations not yet adopted*

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

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

(1) Effective for the accounting period beginning on 1 January 2016

(2) Effective for the accounting period beginning on 1 January 2017

(3) Originally intended to be effective for the accounting period beginning on 1 January 2016. The effective date has now been deferred.

(4) Effective for the accounting period beginning on 1 January 2018

(5) Effective for the accounting period beginning on 1 January 2019

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

2.2.1 Consolidation

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

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.9). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

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

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of investments accounted for using the equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

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

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

ii. income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the translation dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

iii. all resulting currency translation differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.7 Property, plant and equipment

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

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

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

Buildings	20 – 40 years
Leasehold improvement	Shorter of 2 years or the remaining lease terms
Mould	2 years
Machinery	10 –18 years
Office equipment and motor vehicles	3 – 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

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

2.8 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.9 Intangible assets

(a) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) License rights

License rights are stated at historical cost less accumulated amortisation and accumulated impairment losses. They are initially measured at the fair value of the consideration given to acquire the license at the time of the acquisition, which represents historical cost comprising the capitalised present values of the fixed minimum periodic payments to be made on date of acquisition and in the subsequent years in respect of the acquisition of the license rights.

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

(c) Computer software

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.10 Disposal group held-for-sale and discontinued operations

The disposal group is classified as held for sale when the carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal group (except for certain assets as explained below), is stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the disposal group constituting the discontinued operation. Comparatives figures are also reclassified for consistent presentation purpose (refer to Note 5 and Note 16 for discontinued operations in 2015).

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

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.12 Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group's financial assets primarily comprise loans and receivables, and available-for-sale financial assets.

(i) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included within trade receivables, other receivables, restricted bank deposits and cash and cash equivalents in the balance sheets (Notes 2.16 and 2.17).

(ii) Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or Management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

At 31 December 2015, the Group's available-for-sale financial assets represent interests in certain unlisted companies which do not have quoted market prices in an active market and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, these investments are carried at cost less accumulated impairment losses.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. Summary of significant accounting policies *(Continued)*

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.15 Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.16 Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for trade receivables and other receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.18 Share capital/Convertible securities

(a) Ordinary shares

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

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

(b) Convertible securities

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

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.20 License fees payable

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

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

2.21 Borrowings

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

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

2.22 Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.23 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in convertible bonds reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition, except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

- *Inside basis differences*

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

  Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

- *Outside basis differences*

  Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

  Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.25 Employee benefits

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

(a) Pension obligations

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

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

Contributions to these plans are expensed as incurred. The Group has no other post-employment obligations under the employment contracts.

(b) Share-based compensation

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

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

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

(c) Other benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.26 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entities and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sales have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and specifics of each arrangement.

(a) Sales of goods – wholesale

For wholesale business, sales of goods are recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Revenue is adjusted for the value of expected returns. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products of the Group are often sold with volume discounts; customers have a right to return faulty products within certain days in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with the market practice.

(b) Sales of goods – retail

For retail business, sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. Accumulated experience is used to estimate and provide for amount of sales returns at each financial reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2. Summary of significant accounting policies *(Continued)*

2.27 Revenue recognition *(Continued)*

(c) Sales of goods – internet

Revenue from the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Transactions are settled by credit or payment card or through on-line payment platforms. Provisions are made for internet credit sales based on the expected level of returns, which in turn is based upon the historical rate of returns.

(d) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

(f) License fee income

License fee income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

2.28 Operating leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.29 Government grants

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

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

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

2.30 Dividend distribution

Dividend distribution to the Company's equity holders, excluding those relating to the Company's own shares held under the Li Ning Company Limited Restricted Share Award Scheme ("Restricted Share Award Scheme"), is recognised as a liability in the Group and the Company's financial statements in the period in which the dividends are approved by the Company's equity holders in case of final dividend and the Company's directors in case of interim/special dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

3. Financial risk management

3.1 Financial risk factors

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

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

(a) Market risks

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Certain of the Group's cash and bank deposits, and trade receivables are denominated in Hong Kong dollars (HK$), United States dollars (US$), EURO (EUR) or South Korean Won (KRW) (Note 13). In addition, the Company is required to pay certain license fees, borrowings and other payables in foreign currencies. Any foreign currency exchange rate fluctuations against RMB may have a financial impact to the Group. The Group did not use any financial instruments to hedge against its foreign currency risk as at 31 December 2015.

As at 31 December 2015 and 2014, if RMB strengthened/weakened by 5% against HK$/US$/EUR/KRW with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of HK$, US$, EUR and KRW denominated cash and cash equivalents, trade receivables, borrowings, license fees and other payables.

		2015	2014
		RMB'000	RMB'000
Post-tax loss from continuing operations (decrease)/increase			
– Strengthened	5%	**(13,218)**	(33,117)
– Weakened	5%	**13,218**	33,117

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no assets bearing significant interest. Financial assets and liabilities at fixed rates expose the Group to fair value interest-rate risk. On 8 February 2012, the Company issued convertible bonds with principal amount of RMB750 million due on 8 February 2017. The convertible bonds are interest-bearing at the fixed interest rate of 4% per annum and payable semi-annually in arrears (Note 23). The Group currently does not hedge its exposure to interest rate risk.

Management does not anticipate significant impact resulting from the changes in interest rates because the borrowings bear fixed interest rates. The weighted average effective interest rates per annum of the borrowings were 6.35% (2014: 6.62%) for bank borrowings denominated in RMB and 5.23% (2014: 4.92%) for bank borrowings denominated in HK$ as disclosed in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only parties with good credit ratings are accepted. For wholesale customers, the Group assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management. The utilisation of credit limits is regularly monitored. All of these major customers are with good credit history. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements. Sales to retail customers are settled in cash or using major credit cards.

The table below shows the balances with the three major banks as at the balance sheet dates.

	2015 RMB'000	2014 RMB'000
Banks*		
Bank A	**724,708**	353,752
Bank B	**359,738**	237,784
Bank C	**321,002**	162,984
	1,405,448	754,520

* All banks are prominent nationwide bank in the PRC (including the Hong Kong Special Administrative Region), or branch of international commercial bank in the PRC (including the Hong Kong Special Administrative Region) with good credit ratings.

Trade receivables were due within 90 days from the date of billing. The Company has launched a series of plans to manage the credit risk of the customers. Allowance is made for the balances past due when Management considers the loss from non-performance by these counterparties is likely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 22) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2015				
Borrowings	385,230	206,637	–	–
Convertible bonds (a)	30,000	765,000	–	–
License fees payable	67,758	17,176	18,798	–
Trade payables	997,473	–	–	–
Other payables	370,189	–	–	–
	1,850,650	988,813	18,798	–
As at 31 December 2014				
Borrowings	580,962	306,459	–	–
Convertible bonds (a)	30,000	30,000	765,000	–
License fees payable	62,073	65,007	34,476	–
Trade payables	953,429	–	–	–
Other payables	292,957	–	–	–
	1,919,421	401,466	799,476	–

Note:

(a) As stated in Note 23, the Company issued convertible bonds on 8 February 2012. Unless early redeemed, converted, or purchased and canceled, these convertible bonds will be redeemed at the outstanding principal amount together with the unpaid interest upon maturity. The annual interest payment is RMB30 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

3. Financial risk management *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by capital and reserves attributable to equity holders of the Company as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	Including convertible bonds		Excluding convertible bonds	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Total borrowings and loans	**1,289,032**	1,685,863	**566,499**	996,942
Capital and reserves attributable to equity holders	**3,179,903**	1,951,858	**3,179,903**	1,951,858
Gearing ratio	**40.5%**	86.4%	**17.8%**	51.1%

3.3 Fair value estimation

The carrying values less any estimated credit adjustments for the Group's financial assets and liabilities with a maturity of less than one year, including cash at bank and in hand, time deposits, trade receivables and other receivables, trade payables and other payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

4. Critical accounting estimates and judgements *(Continued)*

(a) Estimated impairment of goodwill, intangible assets, and other non-current assets

The Group tests whether goodwill, intangible assets and other non-current assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.9 and Note 2.11 respectively. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions (See Note 8). If future events do not correspond to such assumptions, the value in use amount will need to be revised, and this may have an impact on the Group's results of operation or balance sheet.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management reassesses the estimations at each balance sheet date.

(c) Allowance for impairment of trade receivables and other receivables

The Group's Management determines the allowance for impairment of trade receivables and other receivables in accordance with the accounting policy stated in Note 2.16. Such allowance for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. 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. The Group's customers mainly are distributors of sports products, and they vary in size and types of products to be distributed. In making the judgment on the allowance for impairment, the Company evaluates, among other factors, the historical payment pattern and credit-worthiness of each customer, default rates of prior years, aging of receivable balances and latest communication with individual customers. To the extent the financial condition of any customer deteriorates which results in an inability to make payments on time, or the customers significantly exceed their credit term and ask for payment extension, or if the Company incurs more bad debt than their original estimates, additional allowance may be required. This assessment is based on the specific facts and circumstances of each customer. Management reassesses the allowance at each balance sheet date to ensure the current allowance is still appropriate.

(d) Income taxes

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

5. Segment information

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

Management considers the business from a brand perspective. During the year ended 31 December 2014, the Group had three reportable segments as follows, LI-NING brand, Double Happiness brand and all other brands segments. During the year ended 31 December 2015, the Group decided to dispose 10% equity interest in Shanghai Double Happiness Co., Ltd. ("Double Happiness") and announced its disposal plan on 23 October 2015. Upon the completion of the disposal transaction the Group will no longer consolidate Double Happiness and account for it as an associate company, and thereby it will not be a reportable segment of the Group in the future. Double Happiness was classified as held-for-sale and discontinued operations as at and for the year ended 31 December 2015 (refer to Note 16 for further details).

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

5. Segment information *(Continued)*

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

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

Geographical information of revenue

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

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

The Group has a large number of customers. For the years ended 31 December 2015 and 2014, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

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(All amounts in RMB unless otherwise stated)

6. Property, plant and equipment

	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Office equipment and motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
As at 1 January 2014							
Cost	691,499	89,083	263,457	136,830	209,055	4,483	1,394,407
Accumulated depreciation	(139,221)	(65,162)	(211,900)	(41,959)	(145,094)	–	(603,336)
Net book amount	552,278	23,921	51,557	94,871	63,961	4,483	791,071
Year ended 31 December 2014							
Opening net book amount	552,278	23,921	51,557	94,871	63,961	4,483	791,071
Additions	44,796	125,908	33,546	3,355	15,915	5,046	228,566
Transfer out from construction-in-progress	5,021	–	–	2,542	126	(7,689)	–
Disposals	(2,361)	(358)	(5,184)	(1,729)	(3,037)	–	(12,669)
Depreciation charge	(29,463)	(48,293)	(32,729)	(12,467)	(22,843)	–	(145,795)
Closing net book amount	570,271	101,178	47,190	86,572	54,122	1,840	861,173
As at 31 December 2014							
Cost	738,838	194,401	244,367	136,872	200,352	1,840	1,516,670
Accumulated depreciation	(168,567)	(93,223)	(197,177)	(50,300)	(146,230)	–	(655,497)
Net book amount	570,271	101,178	47,190	86,572	54,122	1,840	861,173
Year ended 31 December 2015							
Opening net book amount	570,271	101,178	47,190	86,572	54,122	1,840	861,173
Additions	438	194,166	38,896	1,767	9,558	22,777	267,602
Transfer out from construction-in-progress	1,894	–	–	927	60	(2,881)	–
Disposals	(43)	(4,072)		(1,483)	(827)	–	(6,425)
Depreciation charge	(26,564)	(102,775)	(33,729)	(12,249)	(18,474)	–	(193,791)
Transferred to disposal group classified as held for sale *(Note 16)*	(144,831)	–	–	(17,784)	(3,903)	(21,736)	(188,254)
Closing net book amount	401,165	188,497	52,357	57,750	40,536	–	740,305
As at 31 December 2015							
Cost	527,915	319,489	283,263	101,710	196,356	–	1,428,733
Accumulated depreciation	(126,750)	(130,992)	(230,906)	(43,960)	(155,820)	–	(688,428)
Net book amount	401,165	188,497	52,357	57,750	40,536	–	740,305

Depreciation expenses (after excluding the portion attributable to discontinued operations) of RMB40,182,000 (2014: RMB36,059,000) has been charged to cost of sales, RMB125,493,000 (2014: RMB80,037,000) to distribution expenses and RMB16,206,000 (2014: RMB22,089,000) to administrative expenses.

As at 31 December 2015, buildings with net book value of RMB386,548,000 (2014: RMB403,819,000) were pledged as securities for the Group's borrowings (Note 22).

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(All amounts in RMB unless otherwise stated)

7. Land use rights

	RMB'000
As at 1 January 2014	
Cost	399,054
Accumulated amortisation	(47,702)
Net book amount	351,352
Year ended 31 December 2014	
Opening net book amount	351,352
Additions	29,785
Amortisation charge	(9,024)
Closing net book amount	372,113
As at 31 December 2014	
Cost	428,839
Accumulated amortisation	(56,726)
Net book amount	372,113
Year ended 31 December 2015	
Opening net book amount	**372,113**
Amortisation charge	**(9,695)**
Transferred to disposal group classified as held for sale *(Note 16)*	**(282,630)**
Closing net book amount	**79,788**
As at 31 December 2015	
Cost	**95,558**
Accumulated amortisation	**(15,770)**
Net book amount	**79,788**

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 31 December 2015, land use rights with net book value of RMB79,661,000 (2014: RMB81,518,000) were pledged as securities for the Group's borrowings (Note 22).

Amortisation (after excluding the portion attributable to discontinued operations) of RMB1,901,000 (2014: RMB1,901,000) has been charged to administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

8. Intangible assets

	Goodwill RMB'000	Trademarks RMB'000	Computer Software RMB'000	License rights RMB'000	Customer relationships & Non-compete agreements RMB'000	Total RMB'000
As at 1 January 2014						
Cost	179,226	119,037	139,684	292,129	41,339	771,415
Accumulated amortisation and impairment	–	(40,045)	(93,356)	(231,846)	(25,233)	(390,480)
Net book amount	179,226	78,992	46,328	60,283	16,106	380,935
Year ended 31 December 2014						
Opening net book amount	179,226	78,992	46,328	60,283	16,106	380,935
Additions	67,087	–	22,078	–	19,940	109,105
Amortisation charge	–	(5,538)	(17,424)	(13,384)	(7,295)	(43,641)
Closing net book amount	246,313	73,454	50,982	46,899	28,751	446,399
As at 31 December 2014						
Cost	246,313	119,037	161,762	292,129	61,279	880,520
Accumulated amortisation and impairment	–	(45,583)	(110,780)	(245,230)	(32,528)	(434,121)
Net book amount	246,313	73,454	50,982	46,899	28,751	446,399
Year ended 31 December 2015						
Opening net book amount	**246,313**	**73,454**	**50,982**	**46,899**	**28,751**	**446,399**
Additions	**–**	**–**	**29,369**	**–**	**–**	**29,369**
Amortisation charge	**–**	**(5,536)**	**(26,128)**	**(11,878)**	**(6,848)**	**(50,390)**
Transferred to disposal group classified as held for sale *(Note 16)*	**(106,839)**	**(52,969)**	**–**	**–**	**–**	**(159,808)**
Closing net book amount	**139,474**	**14,949**	**54,223**	**35,021**	**21,903**	**265,570**
As at 31 December 2015						
Cost	**139,474**	**25,682**	**191,131**	**292,129**	**61,279**	**709,695**
Accumulated amortisation and impairment	**–**	**(10,733)**	**(136,908)**	**(257,108)**	**(39,376)**	**(444,125)**
Net book amount	**139,474**	**14,949**	**54,223**	**35,021**	**21,903**	**265,570**

Note:

Amortisation (after excluding the portion attributable to discontinued operations) of RMB11,878,000 (2014: RMB13,384,000) to distribution expenses and RMB34,276,000 (2014: RMB26,019,000) to administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

8. Intangible assets *(Continued)*

Impairment tests for goodwill

Goodwill is monitored by Management at the operating segment level (i.e. at the brand level). The following is a summary of goodwill allocation for each operating segment.

	Li Ning brand RMB'000	Kason brand RMB'000	Double Happiness brand RMB'000
As at 1 January 2014	–	72,387	106,839
Additions	67,087	–	–
As at 31 December 2014	67,087	72,387	106,839
As at 1 January 2015	67,087	72,387	106,839
Transferred to disposal group classified as held for sale *(Note16)*	–	–	(106,839)
As at 31 December 2015	67,087	72,387	–

The recoverable amounts for the CGUs have been determined based on values-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Management. The weighted average revenue growth rate used for the sixth year to the tenth year for Li Ning brand and Kason brand are 5% and 3% per annum respectively. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGU operate. The pre-tax discount rates used are 22.8%and 14.1% which reflect specific risks relating to Li Ning brand and Kason brand respectively.

Management's assessment of the values-in-use of Li Ning brand and Kason brand exceeds their carrying values, therefore no impairment provision was recorded by Management.

9. Available-for-sale financial assets

The Group's available-for-sale financial assets include investments in three private companies. One of the investments is impaired as at 31 December 2015.

	2015 RMB'000	2014 RMB'000
Unlisted investments, at cost	**26,000**	26,000

	2015 RMB'000	2014 RMB'000
As at 1 January	**26,000**	46,930
Additions	**–**	14,000
Impairment charge	**–**	(34,930)
As at 31 December	**26,000**	26,000

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(All amounts in RMB unless otherwise stated)

10. Subsidiaries

The following is a list of the Group's subsidiaries as at 31 December 2015:

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
Directly held:				
RealSports Pte Ltd.	The British Virgin Islands, 8 October 2002 Limited liability company	US$1,000	100%	Investment holding
Indirectly held:				
Li Ning Sports Technology Development (Hong Kong) Co., Ltd. (李寧體育科技發展(香港)有限公司)	Hong Kong, 28 May 2004 Limited liability company	HK$1	100%	Research and development
Li Ning Sports (Hong Kong) Co., Ltd. (李寧體育(香港)有限公司)	Hong Kong, 19 March 2003 Limited liability company	HK$100	100%	Provision of administrative services
李寧體育(上海)有限公司 (Li Ning Sports (Shanghai) Co., Ltd.)	The PRC, 25 August 1997 Limited liability company	US$8,000,000	100%	Sale of sports goods
上海狐步信息系統有限公司 (Shanghai Hubu Information System Co., Ltd.)	The PRC, 20 April 2000 Limited liability company	RMB2,000,000	100%	Provision of information technology service
上海少昊體育用品研發有限公司 (Shanghai Shao Hao Sports Goods Research and Development Co., Ltd.)	The PRC, 18 December 2001 Limited liability company	RMB3,000,000	100%	Product design, research and development
上海悦奧體育用品有限公司 (Shanghai Yue Ao Sports Goods Co., Ltd.)	The PRC, 5 March 2003 Limited liability company	RMB3,000,000	100%	Sale of sports goods
佛山李寧體操學校服務有限公司 (Foshan Li Ning Gymnastic School Services Co., Ltd.)	The PRC, 31 October 1996 Limited liability company	RMB1,000,000	100%	Property management
廣東悦奧體育發展有限公司 (Guangdong Yue Ao Sports Development Co., Ltd.)	The PRC, 13 December 2001 Limited liability company	RMB8,241,000	100%	Manufacture of sports goods
李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd.)	The PRC, 6 July 2007 Limited liability company	RMB1,416,670,000	100%	Sale of sports goods
Li Ning Korea Sports Ltd. (李寧韓國有限公司)	South Korea, 21 August 2013 Limited liability company	KRW100,000,000	100%	Research and development

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(All amounts in RMB unless otherwise stated)

10. Subsidiaries *(Continued)*

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
李寧(北京)體育用品商業有限公司 (Li Ning (Beijing) Sports Goods Commercial Co., Ltd.)	The PRC, 19 December 2007 Limited liability company	HK$10,000,000	100%	Sale of sports goods
上海一動體育發展有限公司 (Shanghai Edosports Development Co., Ltd.)	The PRC, 9 July 2001 Limited liability company	RMB10,000,000	100%	Sale of sports goods
鄭州一動體育用品銷售有限公司 (Zhengzhou Edosports Goods Sales Co., Ltd.)	The PRC, 25 June 1998 Limited liability company	RMB2,750,000	100%	Sale of sports goods
廣州一動體育用品銷售有限公司 (Guangzhou Edosports Goods Sales Co., Ltd.)	The PRC, 6 October 1998 Limited liability company	RMB3,200,000	100%	Sale of sports goods
瀋陽一動體育用品銷售有限公司 (Shenyang Edosports Goods Sales Co., Ltd.)	The PRC, 10 June 1999 Limited liability company	RMB3,000,000	100%	Sale of sports goods
濟南一動體育用品銷售有限公司 (Jinan Edosports Goods Sales Co., Ltd.)	The PRC, 15 April 2003 Limited liability company	RMB1,000,000	100%	Sale of sports goods
武漢一動體育用品銷售有限公司 (Wuhan Edosports Goods Sales Co., Ltd.)	The PRC, 2 June 1999 Limited liability company	RMB1,000,000	100%	Sale of sports goods
北京李寧體育用品銷售有限公司 (Beijing Li Ning Sports Goods Sales Co., Ltd.)	The PRC, 4 November 1997 Limited liability company	RMB5,000,000	100%	Sale of sports goods
上海一動體育用品銷售有限公司 (Shanghai Edosports Goods Sales Co., Ltd.)	The PRC, 8 August 2000 Limited liability company	RMB5,000,000	100%	Sale of sports goods
天津一動體育用品銷售有限公司 (Tianjin Edosports Goods Sales Co., Ltd.)	The PRC, 14 December 1999 Limited liability company	RMB3,500,000	100%	Sale of sports goods
南京一動體育用品銷售有限公司 (Nanjing Edosports Goods Sales Co., Ltd.)	The PRC, 15 April 2003 Limited liability company	RMB1,000,000	100%	Sale of sports goods
新疆一動體育用品銷售有限公司 (Xinjiang Edosports Goods Sales Co., Ltd.)	The PRC, 4 February 2005 Limited liability company	RMB1,000,000	100%	Sale of sports goods
長沙一動體育用品銷售有限公司 (Changsha Edosports Goods Sales Co., Ltd.)	The PRC, 26 August 1998 Limited liability company	RMB1,000,000	100%	Sale of sports goods

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(All amounts in RMB unless otherwise stated)

10. Subsidiaries *(Continued)*

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
南寧一動體育用品銷售有限公司 (Nanning Edosports Goods Sales Co., Ltd.)	The PRC, 29 July 1998 Limited liability company	RMB1,500,000	100%	Sale of sports goods
西安一動體育用品銷售有限公司 (Xian Edosports Goods Sales Co., Ltd.)	The PRC, 23 January 2006 Limited liability company	RMB1,000,000	100%	Sale of sports goods
成都一動體育用品銷售有限公司 (Chengdu Edosports Goods Sales Co., Ltd.)	The PRC, 4 February 2008 Limited liability company	RMB1,000,000	100%	Sale of sports goods
昆明一動體育用品銷售有限公司 (Kunming Edosports Goods Sales Co., Ltd.)	The PRC, 24 September 2008 Limited liability company	RMB1,000,000	100%	Sale of sports goods
蘭州一動體育用品銷售有限公司 (Lanzhou Edosports Goods Sales Co., Ltd.)	The PRC, 13 May 2009 Limited liability company	RMB1,000,000	100%	Sale of sports goods
廈門悦奧商貿有限公司 (Xiamen Yue Ao Trading Co., Ltd.)	The PRC, 26 October 2009 Limited liability company	RMB1,000,000	100%	Sale of sports goods
大連悦奧商貿有限公司 (Dalian Yue Ao Trading Co., Ltd.)	The PRC, 13 June 2010 Limited liability company	RMB3,000,000	100%	Sale of sports goods
杭州悦奧體育用品銷售有限公司 (Hangzhou Yue Ao Sports Goods Sales Co., Ltd.)	The PRC, 17 December 2010 Limited liability company	RMB1,000,000	100%	Sale of sports goods
合肥一動體育用品銷售有限公司 (Hefei Edosports Goods Sales Co., Ltd.)	The PRC, 21 March 2011 Limited liability company	RMB1,000,000	100%	Sale of sports goods
上海李寧電子商務有限公司 (Shanghai Lining E-business Co., Ltd.)	The PRC, 27 September 2008 Limited liability company	RMB10,000,000	100%	Sale of sports goods
李寧體育(天津)有限公司 (Lining Sports (Tianjin) Co., Ltd.)	The PRC, 19 January 2009 Limited liability company	RMB330,000,000	100%	Sale of sports goods
上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.) *	The PRC, 26 December 1995 Limited liability company	RMB112,000,000	57.5%	Manufacture and sale of sports goods
上海紅雙喜體育用品銷售有限公司 (Shanghai Double Happiness Sports Goods Sales Co., Ltd.) *	The PRC, 21 August 1996 Limited liability company	RMB15,900,000	57.5%	Sale of sports goods

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(All amounts in RMB unless otherwise stated)

10. Subsidiaries *(Continued)*

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
北京紅雙喜體育用品銷售有限公司 (Beijing Double Happiness Sports Goods Sales Co., Ltd.) *	The PRC, 27 December 2010 Limited liability company	RMB2,000,000	57.5%	Sale of sports goods
廣州紅雙喜體育用品銷售有限公司 (Guangzhou Double Happiness Sports Goods Sales Co., Ltd.) *	The PRC, 6 May 2011 Limited liability company	RMB2,000,000	57.5%	Sale of sports goods
上海紅雙喜體育用品蘇州有限公司 (Suzhou Double Happiness Guan Du Sports Goods Co., Ltd.) *	The PRC, 10 August 2002 Limited liability company	RMB15,000,000	43.1% (indirectly)	Manufacture and sale of sports goods
上海紅冠體育用品有限責任公司 (Shanghai Hong Guan Sports Goods Co., Ltd.) *	The PRC, 29 July 1998 Limited liability company	RMB500,000	57.5%	Sale of sports goods
上海紅雙喜體育科技有限公司 (Shanghai Double Happiness Sports Technology Co., Ltd.) *	The PRC, 5 August 2014 Limited liability company	RMB30,000,000	57.5%	Research and development
上海李寧體育用品電子商務有限公司 (Shanghai Li Ning Sports Goods E-business Co.,Ltd.)	The PRC, 27 July 2011 Limited liability company	RMB10,000,000	100%	Sale of sports goods
樂途體育用品有限公司 (Lotto Sports Goods Co., Ltd.)	The PRC, 19 January 2009 Limited liability company	RMB400,000,000	100%	Sale of sports goods
李寧(福建)羽毛球科技發展有限公司 (Li Ning (Fujian) Badminton Technology Development Co., Ltd.)	The PRC, 30 June 2008 Limited liability company	RMB20,000,000	100%	Manufacture and sale of sports goods
Kason Sports (Hong Kong) Ltd. (凱勝體育(香港)有限公司)	Hong Kong, 15 January 2008 Limited liability company	HK$1	100%	Investment holding
Li Ning International Trading (Hong Kong) Co., Ltd. (李寧國際貿易(香港)有限公司)	Hong Kong, 27 August 2010 Limited liability company	HK$2	100%	Sales of sports goods
李寧(湖北)體育用品有限公司 (Li Ning (Hubei) Sports Goods Co., Ltd.)	The PRC, 2 November 2010 Limited liability company	RMB411,844,000	100%	Manufacture and sale of sports goods
湖北李寧鞋業有限公司 (Hubei Li Ning Footwear Co., Ltd.)	The PRC, 18 April 2013 Limited liability company	RMB50,00,000	95%	Manufacture and sale of sports goods
哈爾濱一動體育用品銷售有限公司 (Harbin Edosports Goods Sales Co., Ltd.)	The PRC, 25 December 2013 Limited liability company	RMB1,000,000	100%	Sale of sports goods

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(All amounts in RMB unless otherwise stated)

10. Subsidiaries *(Continued)*

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Company	Principal activities
大慶悦動體育用品銷售有限公司 (Daqing Yue Dong Sports Goods Sales Co., Ltd.)	The PRC, 25 December 2013 Limited liability company	RMB1,000,000	100%	Sale of sports goods
寧波一動體育用品有限公司 (Ningbo Edosports Goods Co., Ltd.)	The PRC, 2 April 2014 Limited liability company	RMB1,000,000	100%	Sale of sports goods
重慶悦奥體育用品銷售有限公司 (Chongqing Yue Ao Sports Goods Sales Co., Ltd.)	The PRC, 15 April 2014 Limited liability company	RMB1,000,000	100%	Sale of sports goods
溫州一動體育用品有限公司 (Wenzhou Edosports Goods Co., Ltd.)	The PRC, 22 April 2014 Limited liability company	RMB1,000,000	100%	Sale of sports goods
貴陽悦奥體育用品有限公司 (Guiyang Yue Ao Sports Goods Co., Ltd.)	The PRC, 23 May 2014 Limited liability company	RMB1,000,000	100%	Sale of sports goods
海口一動體育用品銷售有限公司 (Haikou Edosports Goods Sales Co., Ltd.)	The PRC, 6 June 2014 Limited liability company	RMB1,000,000	100%	Sale of sports goods

* These companies are Double Happiness and its subsidiaries. The Group's Management and shareholders had approved the disposal of 10% equity interest in Double Happiness on 23 October 2015, and 4 December 2015, respectively.

11. Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	2015 RMB'000	2014 RMB'000
Associates	**–**	–
Joint ventures	**27,796**	20,848
As at 31 December	**27,796**	20,848

The profit recognised in the income statement are as follows:

	2015 RMB'000	2014 RMB'000
Associates	**–**	–
Joint ventures	**6,948**	7,352
For the year ended 31 December	**6,948**	7,352

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11. Investments accounted for using the equity method *(Continued)*

Investment in associates

The following is a list of the associates as at 31 December 2015:

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Group	Principal activities	Measurement method
Tianjin Kuan Mao Mi Children's Products Company Limited ("Tianjin Kuan Mao Mi")	The PRC, 24 May 2011 Limited liability company	RMB30,000,000	13.30%	Sale of sports goods	Equity
Tianjin Yue Hao Tuo Outdoor Sports Company Limited ("Tianjin Yue Hao Tuo")	The PRC, 3 August 2011 Limited liability company	RMB20,790,000	14.82%	Sale of sports goods	Equity

Although the Group holds less than 20% of the equity interest of these associated companies, the Group exercises significant influence over the associated companies by virtue of its contractual right to appoint director to the board of directors of the associated companies and has the power to participate in the financial and operating policy decisions of the associated companies.

The Group does not have any share of loss from continuing operations and total comprehensive income of its associates for the year ended 31 December 2015 and 2014.

Investment in joint venture

	2015 RMB'000	2014 RMB'000
As at 1 January	**20,848**	13,496
Share of profit	**6,948**	7,352
As at 31 December	**27,796**	20,848

The joint venture listed below has share capital consisting solely of ordinary shares, which is indirectly held by the Group.

Name	Place of operation/ incorporation, date of incorporation and kind of legal entity	Issued share/ paid up capital	Effective equity interest held by the Group	Principal activities
Li-Ning Aigle Ventures Company Limited ("Li-Ning Aigle Ventures")	Hong Kong, 3 July 2005 Limited liability company	HK$48,600,000	50%	Investment holding

The Group has a 50% equity interest in Li-Ning Aigle Ventures which is a company jointly controlled by the Group and Aigle International S.A., a company incorporated in France. Li-Ning Aigle Ventures and its subsidiary are principally engaged in the manufacture, marketing and distribution of AIGLE brand apparel and footwear products in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

12. Inventories

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

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

13. Trade receivables

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

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

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

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(All amounts in RMB unless otherwise stated)

13. Trade receivables *(Continued)*

Customers are normally granted credit terms within 90 days. As at 31 December 2015, trade receivables of RMB881,843,000 (31 December 2014: RMB1,033,456,000) were past due. As discussed in Note 4(c), the Group's estimation of allowance for impairment of trade receivables and other receivables reflects its best estimate of amounts that are potentially uncollectible. This determination requires significant judgment. In making such judgment, the Company evaluates, among certain economic factors specific to each customer and other factors, the historical payment pattern and credit-worthiness of each customer, the default rates of prior years, ageing of the trade receivable, and the latest communication with individual customers. Management have been closely monitoring the credit risk of each customer and actively pursuing collection of those receivables until all efforts are exhausted. An allowance for impairment of RMB475,757,000 has been made as at 31 December 2015(31 December 2014: RMB596,766,000).

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

14. Other receivables and prepayments

	2015 RMB'000	2014 RMB'000
Prepaid rentals and other deposits	222,567	221,973
Advances to suppliers	23,122	46,587
Loans to a joint venture (a)	22,613	21,246
Prepayment for advertising expenses	1,507	18,069
Staff advances and other payments for employees	1,198	9,860
Deductible value-added tax input balance	–	32,810
Others	81,997	68,205
	353,004	418,750
Less: non-current portion	(43,615)	(39,473)
Current portion	309,389	379,277

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

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 31 December 2015, loan of HK$20,000,000 to Li-Ning Aigle Ventures was unsecured, interest free, and with no fixed maturity date.

As at 31 December 2015, loan of HK$6,000,000 to Li-Ning Aigle Ventures loan was unsecured, repayable on 30 July 2016 and bore a fixed interest at 1% per annum.

15. Cash, cash equivalents and restricted bank deposits

As at 31 December 2015, the Group had the following cash, cash equivalents and restricted bank deposits mainly held at banks in the PRC (including the Hong Kong Special Administrative Region):

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	1,812,572	1,031,386
Restricted bank deposits	495	2,593
	1,813,067	1,033,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

15. Cash, cash equivalents and restricted bank deposits *(Continued)*

An analysis of cash, cash equivalents and restricted bank deposits by denomination currency is as follows:

	2015 RMB'000	2014 RMB'000
Denominated in RMB	1,799,031	970,446
Denominated in HK$	2,525	18,560
Denominated in US$	7,522	13,590
Denominated in EUR	3,011	30,406
Denominated in KRW	978	977
	1,813,067	1,033,979

At present, Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of the PRC is subject to the rules and regulations of exchange control promulgated by the PRC government.

Cash at banks, short-term deposits and restricted bank deposits are neither past due nor impaired and are deposits with banks which are mainly prominent nationwide state-owned banks or PRC branches of international commercial banks with good credit ratings.

Restricted bank deposits are restricted for certain banking facilities. The maximum exposure to credit risk at the reporting date is the carrying amounts of the Group's restricted bank deposits mentioned above.

16. 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 income statement, and comparative figures are also reclassified for consistent presentation purpose. Further, to the extent the shares of Double Happiness has not been listed on any major stock exchanges within four years following the completion of the disposal transaction, the Company has the right to call back the 10% equity interest or and Viva China has a right to put back the 10% equity interest to the Company at a price of RMB124,992,000 plus 6.5% interest per annum after deducting the relevant cash dividends entitled. The disposal transaction is expected to be completed in the first half year of 2016.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

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

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

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

Analysis of the result of discontinued operations is as follows:

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

(c) Cash flows

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

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(All amounts in RMB unless otherwise stated)

17. Ordinary shares and shares held for Restricted Share Award Scheme

Issued and fully paid

	Number of share of HK$0.10 each (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Subtotal RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
As at 1 January 2014	1,367,934	136,613	1,146,845	1,283,458	(31,509)	1,251,949
Net proceeds from shares issued pursuant to share option schemes *(Note (a))*	830	66	3,173	3,239	–	3,239
Shares converted from convertible securities *(Note 18(a))*	63,488	5,019	166,000	171,019	–	171,019
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	(17,481)	(17,481)	–	(17,481)
Shares vested under Restricted Share Award Scheme	1,706	–	–	–	29,936	29,936
Shares purchased for Restricted Share Award Scheme	(470)	–	–	–	(2,146)	(2,146)
As at 31 December 2014	1,433,488	141,698	1,298,537	1,440,235	(3,719)	1,436,516
As at 1 January 2015	**1,433,488**	**141,698**	**1,298,537**	**1,440,235**	**(3,719)**	**1,436,516**
Issuance of ordinary shares *(Note 18(b))*	**450,630**	**35,722**	**870,251**	**905,973**	**–**	**905,973**
Net proceeds from shares issued pursuant to share option schemes *(Note (a))*	**124**	**10**	**426**	**436**	**–**	**436**
Shares converted from convertible securities *(Note 18(d))*	**786**	**62**	**1,741**	**1,803**	**–**	**1,803**
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	**–**	**–**	**(2,088)**	**(2,088)**	**–**	**(2,088)**
Shares vested under Restricted Share Award Scheme	**220**	**–**	**–**	**–**	**1,635**	**1,635**
As at 31 December 2015	**1,885,248**	**177,492**	**2,168,867**	**2,346,359**	**(2,084)**	**2,344,275**

(a) During the year ended 31 December 2015, the Company issued 124,000 shares (2014: 830,000 shares) to certain directors and employees of the Group at weighted-average issue price of HK$4.47 (2014: HK$4.927) per share pursuant to the Company's 2004 and 2014 Share Option Scheme (see Note 34).

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(All amounts in RMB unless otherwise stated)

18. Reserves

	Capital reserves RMB'000	Statutory reserve funds RMB'000	Share-based compensation reserves RMB'000	Convertible bonds reserves RMB'000	Convertible securities reserves RMB'000	Currency translation difference RMB'000	Subtotal RMB'000	Retained Earnings/ (accumulated deficit) RMB'000	Total RMB'000
As at 1 January 2014	66,791	249,174	75,556	113,395	591,878	4,553	1,101,347	330,934	1,432,281
Loss for the year	–	–	–	–	–	–	–	(781,481)	(781,481)
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	48,156	–	–	–	48,156	–	48,156
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	17,481	–	–	–	17,481	–	17,481
Share options lapsed	12,023	–	(12,023)	–	–	–	–	–	–
Shares vested under Restricted Share Award Scheme	–	–	(29,936)	–	–	–	(29,936)	–	(29,936)
Appropriations to statutory reserves	–	18,509	–	–	–	–	18,509	(18,509)	–
Shares converted from convertible securities *(Note)*	–	–	–	–	(171,019)	–	(171,019)	–	(171,019)
Translation difference of foreign currency financial statements	–	–	–	–	–	(140)	(140)	–	(140)
As at 31 December 2014	78,814	267,683	99,234	113,395	420,859	4,413	984,398	(469,056)	515,342
As at 1 January 2015	**78,814**	**267,683**	**99,234**	**113,395**	**420,859**	**4,413**	**984,398**	**(469,056)**	**515,342**
Profit for the year	–	–	–	–	–	–	–	**14,309**	**14,309**
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	**14,882**	–	–	–	**14,882**	–	**14,882**
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	**2,088**	–	–	–	**2,088**	–	**2,088**
Issuance of convertible securities *(Note)*	–	–	–	–	**293,435**	–	**293,435**	–	**293,435**
Appropriations to statutory reserves	–	**17,855**	–	–	–	–	**17,855**	**(17,855)**	–
Shares vested under Restricted Share Award Scheme	–	–	**(1,635)**	–	–	–	**(1,635)**	–	**(1,635)**
Share options lapsed	**39,216**	–	**(39,216)**	–	–	–	–	–	–
Shares converted from convertible securities *(Note)*	–	–	–	–	**(1,803)**	–	**(1,803)**	–	**(1,803)**
Translation difference of foreign currency financial statements	–	–	–	–	–	**(990)**	**(990)**	–	**(990)**
As at 31 December 2015	**118,030**	**285,538**	**75,353**	**113,395**	**712,491**	**3,423**	**1,308,230**	**(472,602)**	**835,628**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

18. Reserves *(Continued)*

(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 collectively; referred to as "Offer Securitities") in the aggregate principal amount of approximately HK$1,553,530,000 (equivalent to approximately RMB1,229,930,000), under which 450,630,034 ordinary shares and 146,881,496 convertible securities (the "2015 CS") were issued. The 2015 CS are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK$2.6 per ordinary share of the Company (subject to standard anti-dilution adjustments). Upon issuance, the 2015 CS can be converted into 146,881,496 ordinary shares of the Company.

(c) The 2013 CS and 2015 CS (collectively referred to as "CS") cannot be redeemed unless the Company exercises the pre-emption right (but shall not be obliged) to redeem (or procure the purchase of) all or part of the principal amount of the CS.

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

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

In relation to the issuance of the Offer Securities in January 2015, the Company paid underwriting commission expense of HK$11,908,000, HK$6,315,000, HK$5,000,000 and HK$2,277,000 to Viva China, TPG Stallion, L.P. ("TPG"), Mr. Lo Yu Sai and Milestone Capital Strategic Holdings Limited, respectively (equivalent to approximately to 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 31 December 2015, CS with carrying value of HK$1,285,630,000 (equivalent to approximately RMB1,022,428,000) had been converted into ordinary shares of the Company, amongst which carrying value of HK$2,270,000 (equivalent to approximate RMB1,803,000) were converted into 786,000 ordinary shares of the Company during the year ended 31 December 2015 (Note 17).

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19. Trade payables

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

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

20. Other payables and accruals

	2015 RMB'000	2014 RMB'000
Accrued sales and marketing expenses	255,743	379,293
Advances from customers	60,808	130,442
Wages and welfare payables	125,941	124,046
Other tax payables	28,968	32,537
Payable for property, plant and equipment	5,271	11,650
Loan from a related party *(Note a)*	–	152,106
Others	219,437	274,467
	696,168	1,104,541

(a) On 15 August 2014, a related party of the Company had lent HK$187,500,000 to the Company. The loan was repayable on demand, and bore an effective interest rate of 7.2% per annum. Interest accrued for the year ended 31 December 2015 was approximately RMB738,000. The principal together with the interest were fully repaid in January 2015.

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(All amounts in RMB unless otherwise stated)

21. License fees payable

The Group entered into several license agreements with entities 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 year is analysed as follows:

	RMB'000
As at 1 January 2014	176,933
Payment of license fees	(59,685)
Amortisation of discount *(Note 29)*	18,044
Adjustment for exchange difference	22
As at 31 December 2014	135,314
As at 1 January 2015	**135,314**
Payment of license fees	**(60,866)**
Amortisation of discount *(Note 29)*	**13,787**
Adjustment for exchange difference	**3,008**
As at 31December 2015	**91,243**

	2015 RMB'000	2014 RMB'000
Analysis of license fees payable:		
Non-current		
– the second to fifth year	**27,886**	77,434
Current	**63,357**	57,880
	91,243	135,314

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

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

	2015 RMB'000	2014 RMB'000
Less than 1 year	**67,758**	62,073
Between 1 and 5 years	**35,974**	99,483
	103,732	161,556

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22. Borrowings

	2015 RMB'000	2014 RMB'000
Borrowings		
– non-current	200,000	298,241
– current	366,499	550,782
	566,499	849,023
Borrowings denominated in		
– RMB	250,000	251,000
– HK$	–	299,782
– US$	316,499	298,241
	566,499	849,023
Borrowings		
– secured	516,499	498,241
– unsecured	50,000	350,782
	566,499	849,023

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

The weighted average effective interest rates per annum of the borrowings were 6.35% (2014: 6.62%) for those borrowings denominated in RMB and 5.23% (2014: 4.92%) for those borrowings denominated in other currencies for the year ended 31 December 2015.

Bank borrowings amounting to RMB516,499,000 and RMB498,241,000 were secured by the Group's buildings and land use rights, as at 31 December 2015 and 31 December 2014, respectively (Notes 7 and 8).

As at 31 December 2015, the Group has undrawn borrowing facilities within one year amounting to RMB150,000,000 (2014: RMB200,000,000). These facilities have been arranged to finance the Group's working capital.

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(All amounts in RMB unless otherwise stated)

22. Borrowings *(Continued)*

Movement in borrowings is analysed as follows:

	RMB'000
As at 1 January 2014	400,000
Additions	772,299
Effect of change in exchange rate	(3,276)
Repayments	(320,000)
As at 31 December 2014	849,023
As at 1 January 2015	**849,023**
Additions	**300,000**
Effect of change in exchange rate	**18,714**
Repayments	**(601,238)**
As at 31 December 2015	**566,499**

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2015 **RMB'000**	2014 RMB'000
– Less than 6 months	**50,000**	350,782
– Between 6 and 12 months	**316,499**	200,000
– Between 1 and 2 years	**200,000**	298,241
	566,499	849,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

23. 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/upon modification. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount of RMB113,395,000, representing the value of the equity conversion component, was included in shareholders' equity as other reserves.

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

	2015 **RMB'000**	2014 RMB'000
Liability component as at 1 January	**688,921**	658,227
Payment of interest	**(30,000)**	(30,000)
Interest expenses	**63,612**	60,694
Liability component as at 31 December	**722,533**	688,921
Less: Interest payable due within one year	**(12,500)**	(12,500)
Non-current portion	**710,033**	676,421

The face value of the CB as at 31 December 2015 is RMB750,000,000. No part of the CB was converted to ordinary shares of the Company during the year or subsequent to 31 December 2015 and before the approval date of this consolidated 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 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

24. Deferred income tax

Movements in deferred income tax assets/(liabilities) are analysed as follows:

	Provisions RMB'000	Unrealised profit on intra-group sales RMB'000	Fair value gains RMB'000	Accumulated tax losses RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets							
As at 1 January 2014	24,752	4,084	–	64,445	230,012	22,317	345,610
(Charged)/credited to income statement	(6,739)	5,365	–	(23,627)	(17,118)	7,590	(34,529)
As at 31 December 2014	18,013	9,449	–	40,818	212,894	29,907	311,081
As at 1 January 2015	18,013	9,449	–	40,818	212,894	29,907	311,081
(Charged)/credited to income statement	(4,282)	16,985	–	(33,738)	(39,221)	(3,784)	(64,040)
Transferred to disposal group classified as held for sale *(Note 16)*	(6,823)	(3,065)	–	–	(6,285)	–	(16,173)
As at 31 December 2015	6,908	23,369	–	7,080	167,388	26,123	230,868
Deferred income tax liabilities							
As at 1 January 2014	–	–	(73,065)	–	–	(2,251)	(75,316)
Credited/(charged) to income statement	–	–	3,937	–	–	(46)	3,891
Business combinations	–	–	(4,985)	–	–	–	(4,985)
As at 31 December 2014	–	–	(74,113)	–	–	(2,297)	(76,410)
As at 1 January 2015	–	–	(74,113)	–	–	(2,297)	(76,410)
Credited/(Charged) to income statement	–	–	5,090	–	–	(192)	4,898
Transferred to disposal group classified as held for sale *(Note 16)*	–	–	60,009	–	–	–	60,009
As at 31 December 2015	–	–	(9,014)	–	–	(2,489)	(11,503)

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(All amounts in RMB unless otherwise stated)

24. Deferred income tax *(Continued)*

The amounts expected to be recovered for deferred income tax assets/(liabilities) are as follows:

	2015 RMB'000	2014 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	190,679	225,619
– to be recovered after more than 12 months	40,189	85,462
	230,868	311,081
Deferred income tax liabilities		
– to be recovered within 12 months	(4,466)	(5,821)
– to be recovered after more than 12 months	(7,037)	(70,589)
	(11,503)	(76,410)

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB479,604,000 (2014: RMB443,837,000) in respect of tax losses amounting to RMB1,928,267,000 (2014: RMB1,782,390,000) that can be carried forward against future taxable income and will expire between 2016 and 2020 as Management believes it is more likely than not that such tax losses would not be utilised before they expire.

Deferred income tax liabilities of RMB12,515,000 (2014: RMB16,311,000) have not been recognised for the withholding tax that would be payable on the distributable retained profits of the Company's subsidiaries in the PRC earned after 1 January 2008. Such amounts totaling RMB250,301,000 (2014: RMB326,220,000) are not currently intended to be distributed to the subsidiaries incorporated outside the PRC.

25. Deferred income

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

	Government grants RMB'000	Customer loyalty programme RMB'000	Total RMB'000
As at 1 January 2014	64,012	–	64,012
Credited to income statement	(1,294)	–	(1,294)
As at 31 December 2014	62,718	–	62,718
As at 1 January 2015	62,718	–	62,718
Addition	560	5,702	6,262
Credited to income statement	(1,294)	(1,976)	(3,270)
As at 31 December 2015	61,984	3,726	65,710

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(All amounts in RMB unless otherwise stated)

26. Expenses by nature

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

(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.

27. Other income and other gains – net

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

28. Staff costs

	2015 RMB'000	2014 RMB'000
Wages and salaries	**294,359**	322,456
Contributions to retirement benefit plan *(Note b)*	**49,362**	49,151
Share options and restricted shares granted to directors and employees	**14,882**	48,156
Housing benefits	**19,005**	18,095
Other costs and benefits	**324,353**	289,985
	701,961	727,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

28. Staff costs *(Continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included one (2014: two) director for the years ended 31 December 2015 and his emoluments are reflected in the analysis shown in Note 39. The aggregate amounts of emoluments paid and payable to the remaining four (2014: three) individuals whose emoluments were the highest in the Group for the years are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and allowances	6,938	5,331
Other benefits	6,584	6,195
Contributions to retirement benefit scheme	308	212
	13,830	11,738

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emoluments bands		
HK$3,500,001 to HK$4,000,000	2	–
HK$4,000,001 to HK$4,500,000	–	1
HK$4,500,001 to HK$5,000,000	2	1
HK$5,500,001 to HK$6,000,000	–	1
	4	3

(b) Pensions – defined contribution plans

The employees of the Group participate in certain defined contribution pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 22% of the employees' basic salary dependent upon the applicable local regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

29. Finance income and expenses

	2015 RMB'000	2014 RMB'000
Interest income on bank balances and deposits	6,343	4,824
Net foreign currency exchange gain	–	5,620
Finance income	6,343	10,444
Amortisation of discount – license fees payable *(Note 21)*	(13,787)	(18,044)
Interest expense on bank and other borrowings	(30,205)	(37,300)
Interest expense on convertible bonds	(63,612)	(60,694)
Net foreign currency exchange loss	(8,994)	–
Others	(22,948)	(36,584)
Finance expenses	(139,546)	(152,622)
Finance expenses – net	(133,203)	(142,178)

30. Income tax expense

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

Notes:

(a) The Company was incorporated in the Cayman Islands. Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Company. The Company's subsidiary, RealSports Pte Ltd., was established under the International Business Companies Acts of the British Virgin Islands, and is exempted from British Virgin Islands income taxes.

(b) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2015 (2014: 16.5%).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

30. Income tax expense *(Continued)*

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rate of 25% as follows:

	2015 RMB'000	2014 RMB'000
Profit/(loss) before income tax	30,814	(777,888)
Tax calculated at a tax rate of 25% (2014: 25%)	7,704	(194,472)
Effects of different overseas tax rates	(3,154)	5,934
Temporary differences and tax losses for which no deferred income tax asset is recognised	18,073	182,520
Expenses not deductible for tax purposes	48,105	54,410
Income not subject to tax	(15)	(32)
Withholding tax on interest income	3,055	3,819
Tax charge	73,768	52,179

31. Earnings/(Losses) per share

Basic

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

In April 2013, the Company completed the issuance of convertible securities. In January 2015, the Company had completed the issuance of Offer Securities. The below market subscription price of these two events had effectively resulted in 80,391,000 ordinary shares (31 December 2014: 181,621,000 ordinary shares) to be issued upon conversion for nil consideration (i.e. the bonus element), and such impact has been taken into account in calculating the weighted average number of shares for the purpose of basic earnings/(losses) per share. The shares issued for nil consideration arising from the issuance of offer securities have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2014.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

31. 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 shares issued under share option schemes, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the 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.

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

Note:

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

As at 31 December 2015, there were 64 million share options, 1.6 million restricted shares, and 225 million ordinary shares assuming conversion of convertible bonds that could potentially have a dilutive impact on continuing operations in the future but were anti-dilutive during the year ended 31 December 2015 (31 December 2014: 55 million, 1.8 million, and 205 million respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

32. Dividends

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

33. Statement of cash flows

Reconciliation of profit/(loss) before income tax including discontinued operations to cash used in operations are as follows:

	2015 RMB'000	2014 RMB'000
Profit/(loss) before income tax including discontinued operations	**169,886**	(664,627)
Adjustments for:		
Depreciation *(Note 6)*	**193,791**	145,795
Amortisation *(Note 7 and note 8)*	**60,085**	52,665
Loss on disposal of property, plant and equipment and land use rights	**2,077**	12,686
(Reversal of provision)/provision for impairment of trade receivables	**(120,832)**	8,942
Reversal of provision for write-down of inventories to net realisable value	**(68,754)**	(117,833)
Impairment of available-for-sale financial assets	**–**	34,930
Share options and restricted shares granted to directors and employees	**14,882**	48,156
Finance expenses – net	**140,587**	139,830
Amortisation of deferred income	**(3,270)**	(1,294)
Share of profit of investments accounted for using the equity method	**(6,948)**	(7,352)
Operating profit/(loss) before working capital changes	**381,504**	(348,102)
Decrease/(increase) in inventories	**274,591**	(229,131)
(Increase)/decrease in trade receivables	**(69,444)**	13,892
Decrease in other receivables and prepayments	**14,844**	81,067
Increase in trade payables	**120,836**	39,441
Increase in other payables and accruals	**11,000**	94,142
Decrease/(increase)in restrict bank deposits	**2,098**	(444)
Cash generated from/(used in) operations	**735,429**	(349,135)

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2015 RMB'000	2014 RMB'000
Net book amount *(Note 6)*	**6,425**	12,669
Loss on disposal of property, plant and equipment	**(2,077)**	(12,686)
Decrease in other receivables and prepayments	**14,263**	1,499
Proceeds from disposal of property, plant and equipment	**18,611**	1,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

34. Share-based compensation

(a) 2004 Share Option Scheme

Pursuant to a shareholders' resolution passed on 5 June 2004, the Company adopted a share option scheme (the "2004 Share Option Scheme"). The 2004 Share Option Scheme will remain in force for a period of 10 years commencing from 5 June 2004.

The purpose of the 2004 Share Option Scheme is to provide incentives to eligible participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group. Eligible participants are any individuals being employees, officers, agents, consultants or representatives of any member of the Group who, based on the board of directors' discretion, have made valuable contributions to the business of the Group based on their performance and/or years of service, or are regarded as valuable human resources of the Group based on their work experience, knowledge of the industry and other factors.

HK$1 is payable by the participant who accepts the grant of an option. The subscription price for the shares under the option to be granted will be determined by the Company's board of directors and will be the highest of: (a) the closing price of the shares of the Company as stated in The Hong Kong Stock Exchange Limited's daily quotations sheets on the date of the grant of the option; (b) the average closing price of the shares of the Company as stated in The Hong Kong Stock Exchange Limited's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (c) the nominal value of the shares of the Company.

The maximum number of shares that may be granted under the 2004 Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. The total number of shares of the Company issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted in any 12-month period to each participant must not exceed 1% of the number of shares of the Company in issue. Lapsed or cancelled options may be re-granted in accordance with the terms of the 2004 Share Option Scheme.

An option may be exercised in accordance with the terms of the 2004 Share Option Scheme at any time during a period to be notified by the Company's board of directors, which must not be more than 10 years from the date of the grant.

Any share of the Company allotted and issued on the exercise of options will rank pari passu with the other shares of the Company in issue on the date of allotment.

The 2004 Share Option Scheme was terminated on 30 May 2014. The options which have been granted and remained outstanding as of that date shall continue to follow the provisions of the 2004 Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

34. Share-based compensation *(Continued)*

(a) 2004 Share Option Scheme *(Continued)*

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

	2015		2014	
	Weighted average exercise price (per share) HK$	**Outstanding options (Thousands)**	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	**7.203**	**55,334**	7.677	40,780
Adjustment in relation to issuance of the Offer Securities *(Note a)*	**6.118**	**4,854**	–	–
Granted	**–**	**–**	6.933	21,456
Exercised	**4.470**	**(124)**	4.927	(830)
Lapsed	**7.734**	**(29,607)**	9.745	(6,072)
As at 31 December	**5.535**	**30,457**	7.203	55,334
Exercisable as at 31 December	**5.867**	**19,064**	8.635	27,172

(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.

Share options outstanding under this scheme as at the end of the years have the following expiry date and exercise price:

	2015		2014	
Expiry date	**Exercise price (per share) HK$**	**Share options (Thousands)**	Exercise price (per share) HK$	Share options (Thousands)
19 January 2015	**–**	**–**	10.450	6,948
22 October 2015	**18.230**	**–**	20.090	2,147
15 July 2017	**8.250**	**1,490**	9.090	2,569
4 July 2018	**3.910**	**–**	4.310	726
31 December 2018	**4.470**	**8,515**	4.920	15,135
31 December 2018	**6.350**	**9,056**	7.000	15,071
30 September 2019	**6.350**	**2,148**	7.000	1,950
31 December 2019	**4.600**	**5,931**	5.070	5,890
31 December 2019	**6.160**	**496**	6.790	984
31 December 2020	**6.350**	**2,133**	7.000	3,264
31 December 2020	**4.630**	**688**	5.100	650
		30,457		55,334

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(All amounts in RMB unless otherwise stated)

34. Share-based compensation *(Continued)*

(a) 2004 Share Option Scheme *(Continued)*

The fair value of the options granted under the 2004 Share Option Scheme during the years ended 31 December 2015 and 2014 determined by using Black-Scholes valuation model were as follows:

	2014 RMB'000
The 2004 Share Option Scheme	38,825

Significant inputs into the model were as follows:

	2014
The 2004 Share Option Scheme	
Weighted average share price (HK$)	6.65
Weighted average exercise price (HK$)	6.94
Expected volatility	52.6%
Expected option life (years)	3.23
Weighted average annual risk free interest rate	0.8%
Expected dividend yield	0.3%

The expected volatility at date of grant is estimated based on the daily trading prices of the Company's shares since its date of listing (28 June 2004).

The fair value of the 2004 Share Option Scheme is charged/reversed to the consolidated income statement over the vesting period of the option. The amount reversed during the year ended 31 December 2015 was RMB8,653,000 (2014: charged RMB35,409,000).

(b) 2014 Share Option Scheme

Pursuant to a shareholders' resolution passed on 30 May 2014, the Company approved (i) the adoption of a new share option scheme (the "2014 Share Option Scheme"), and (ii) the termination of the 2004 Share Option Scheme. The 2014 Share Option Scheme will be valid and effective for a period of 10 years commencing on 30 May 2014.

The Board proposes the adoption of the 2014 Share Option Scheme with the purposes, similar to the 2004 Share Option Scheme, to provide such incentives to participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group. There is no material difference between the terms of the 2004 Share Option Scheme and the 2014 Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. Share-based compensation *(Continued)*

(b) 2014 Share Option Scheme *(Continued)*

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

	2015	
	Weighte average exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	–	–
Granted	4.440	38,200
Lapsed	4.440	(5,000)
As at 31 December	4.440	33,200
Exercisable as at 31 December	–	–

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

	2015	
Expiry date	Exercise price (per share) HK$	Share options (Thousands)
31 December 2020	4.440	33,200

The fair value of the options granted under the 2014 Share Option Scheme during the years ended 31 December 2015 and 2014 determined by using Black-Scholes valuation model were as follows:

	2015 RMB'000
The 2014 Share Option Scheme	56,966

Significant inputs into the model were as follows:

	2015
The 2014 Share Option Scheme	
Weighted average share price (HK$)	4.44
Weighted average exercise price (HK$)	4.44
Expected volatility	51.8%
Expected option life (years)	3.88
Weighted average annual risk free interest rate	0.9%
Expected dividend yield	0.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

34. Share-based compensation *(Continued)*

(b) 2014 Share Option Scheme *(Continued)*

The expected volatility at date of grant is estimated based on the daily trading prices of the Company's shares since its date of listing (28 June 2004).

The fair value of the 2014 Share Option Scheme is charged to the consolidated income statement over the vesting period of the option. The amount charged during the year ended 31 December 2015 was RMB22,183,000 (2014: nil).

(c) Restricted Share Award Scheme

The Company adopted Restricted Share Award Scheme on 14 July 2006 with a duration of 10 years commencing from the adoption date. The objective of Restricted Share Award Scheme is to encourage and retain selected participants which include directors, employees, officers, agents and consultants of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals.

The Group has set up the Li Ning Company Limited Restricted Share Award Scheme Trust ("Restricted Share Trust") to administer and hold the Company's shares before they are vested and transferred to selected participants. As the financial and operational policies of the Restricted Share Trust are governed by the Group, and Group benefits from the Restricted Share Trust's activities, the Restricted Share Trust is consolidated in the Group's financial statements as a special purpose entity.

Upon granting of shares to selected participants ("Restricted Shares"), the Restricted Share Trust purchases the Company's shares awarded from the open market with funds provided by the Company by way of contributions. Restricted Shares vest gradually after selected participants complete a period of service in the Group of 12 to 36 months from the date of grant. The vested shares are transferred to selected participants at nil consideration. Dividends on Restricted Shares are used to purchase additional shares and allocate to selected participants on a pro rata basis.

The maximum number of Restricted Shares shall not exceed 5% of the Company's share capital in issue from time to time. For each selected participant, the maximum number of Restricted Shares granted in aggregate shall not exceed 10,278,000 shares, being 1% of the Company's issued share capital as at the adoption date of 14 July 2006.

The fair value of Restricted Shares awarded was based on the market value of the Company's shares at the grant date.

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

	2015		2014	
	Weighted average fair value (per share) HK$	**Number of Restricted Shares granted (Thousands)**	Weighted average fair value (per share) HK$	Number of Restricted Shares granted (Thousands)
As at 1 January	**10.743**	**1,810**	19.61	825
Granted	**–**	**–**	6.71	2,740
Vested	**23.300**	**(220)**	8.60	(1,706)
Lapsed	**–**	**–**	8.96	(49)
As at 31 December	**9.005**	**1,590**	10.743	1,810

The fair value of Restricted Shares charged to the consolidated income statement was RMB1,352,000 during the year ended 31 December 2015 (2014: RMB12,747,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

35. Commitments

(a) Capital commitments

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

	2015 RMB'000	2014 RMB'000
Contracted for but not paid		
Property, plant and equipment of Double Happiness	127,720	–

There is no capital expenditure authorised but not contracted for as at 31 December 2015.

(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:

	2015 RMB'000	2014 RMB'000
Not later than 1 year	242,694	243,368
Later than 1 year and not later than 5 years	275,556	303,773
Later than 5 years	11,734	11,744
	529,984	558,885

36. Related-party transactions

Related party is a party that is related to the Group if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group (including the Company or its wholly or non-wholly owned subsidiaries); or the party has an interest in the Group that gives it significant influence over the Group; or the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual who is a member of the key management personnel of the Group.

Besides as disclosed elsewhere in these consolidated financial statements, the Group has following related-party transactions during the year:

(a) Sales of goods to:

	2015 RMB'000	2014 RMB'000
Related companies of Shanghai Double Happiness (Group) Co., Ltd., all being controlled by a key management personnel of a non-wholly owned subsidiary	4,910	8,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

36. Related-party transactions *(Continued)*

(b) Purchases of goods from:

	2015 RMB'000	2014 RMB'000
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	20,716	18,381
Subsidiary of Li-Ning Aigle Ventures	8,761	7,361
Tianjin Yue Hao Tuo (associate of the Group)	10,826	-
	40,303	25,742

(c) Sales of services to:

	2015 RMB'000	2014 RMB'000
License fee from:		
Tianjin Kuan Mao Mi (associate of the Group)	10,422	4,050
Tianjin Yue Hao Tuo (associate of the Group)	1,428	1,484
Rental fee from:		
Subsidiary of Viva China	1,301	860
Subsidiary of Li-Ning Aigle Ventures	441	480
	13,592	6,874

(d) Purchases of services from:

	2015 RMB'000	2014 RMB'000
Subsidiaries of Viva China	64,854	68,986

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 THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

36. Related-party transactions *(Continued)*

(e) Key management compensation

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

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	17,470	20,334
Contribution to retirement benefit scheme	616	653
Employee share schemes for value of services provided	5,693	36,558
	23,779	57,545

(f) Year-end balances

	2015 RMB'000	2014 RMB'000
Receivables from related parties:		
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	15	444
Subsidiary of Viva China	108	–
Tianjin Yue Hao Tu	–	1,428
	123	1,872
Payables to related parties:		
Related companies of Shanghai Double Happiness (Group) Co., Ltd.	5,088	4,635
Loan from Viva China	–	152,106
Subsidiaries of Viva China	8,011	59,200
	13,099	215,941

The receivables from related parties arise mainly from sale transactions and are due three months after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2014: nil).

The payables to related parties arise mainly from purchase transactions and on average are due two months after the date of purchase. The payables bear no interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

37. Balance sheet and reserve movement of the Company

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		3,447,084	2,672,914
Current assets			
Dividends receivable		693,187	652,728
Cash and cash equivalents		1,179	647
Total current assets		694,366	653,375
Total assets		4,141,450	3,326,289
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares		177,492	141,698
Share premium		2,168,867	1,298,537
Other reserves	*(Note a)*	958,139	651,172
Retained earnings	*(Note a)*	106,042	78,034
Total equity		3,410,540	2,169,441
LIABILITIES			
Non-current liabilities			
Convertible bonds		710,033	676,421
Current liabilities			
Other payables and accruals		8,377	168,145
Borrowings		–	299,782
Convertible bonds – interest payable		12,500	12,500
Total current liabilities		20,877	480,427
Total liabilities		730,910	1,156,848
Total equity and liabilities		4,141,450	3,326,289

The balance sheet of the Company was approved by the Board of Directors on 16 March 2016 and was signed on its behalf

Li Ning
Executive Director & Chairman

Chen Yue, Scott
Non-executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

37. Balance sheet and reserve movement of the Company *(Continued)*

(a) Reserve movement of the Company

	Retained earnings profits RMB'000	Capital reserves RMB'000	Share-based compensation reserves RMB'000	Convertible bonds reserves RMB'000	Convertible securities reserves RMB'000	Total RMB'000
As at 1 January 2014	163,924	5,661	75,556	113,395	591,878	950,414
Total comprehensive loss for the year	(85,890)	–	–	–	–	(85,890)
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	48,156	–	–	48,156
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	17,481	–	–	17,481
Share options lapsed	–	12,023	(12,023)	–	–	–
Shares converted from convertible securities	–	–	–	–	(171,019)	(171,019)
Shares vested under Restricted Share Award Scheme	–	–	(29,936)	–	–	(29,936)
As at 31 December 2014	78,034	17,684	99,234	113,395	420,859	729,206
As at 1 January 2015	**78,034**	**17,684**	**99,234**	**113,395**	**420,859**	**729,206**
Total comprehensive income for the year	**28,008**	–	–	–	–	**28,008**
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	**14,882**	–	–	**14,882**
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	**2,088**	–	–	**2,088**
Issuance of convertible securities	–	–	–	–	**293,435**	**293,435**
Share options lapsed	–	**39,216**	**(39,216)**	–	–	–
Shares converted from convertible securities	–	–	–	–	**(1,803)**	**(1,803)**
Shares vested under Restricted Share Award Scheme	–	–	**(1,635)**	–	–	**(1,635)**
As at 31 December 2015	**106,042**	**56,900**	**75,353**	**113,395**	**712,491**	**1,064,181**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

38. Benefits and interests of directors

The remuneration of each director for the year ended 31 December 2015 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Estimated money value of other benefits *(Note (i))* RMB'000	Employer's contribution to a retired benefit scheme RMB'000	Total RMB'000
Mr. Li Ning	–	3,710	9	156	3,875
Mr. Jin-Goon Kim *(Note (iii))*	254	–	–	–	254
Mr. Wu, Jesse Jen-Wei	83	–	–	–	83
Ms. Wang Ya Fei	270	–	80	–	350
Mr. Koo Fook Sun, Louis	270	–	80	–	350
Dr. Chan Chung Bun, Bunny, GBS, JP	250	–	80	–	330
Mr. Chen Yue, Scott	250	–	80	–	330
Mr. Su Jing Shyh, Samuel	270	–	80	–	350

The remuneration of each director for the year ended 31 December 2014 is set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Estimated money value of other benefits *(Note (i))* RMB'000	Employer's contribution to a retired benefit scheme RMB'000	Total RMB'000
Mr. Li Ning	–	3,710	13,124	162	16,996
Mr. Zhang Zhi Yong *(Note (ii))*	191	–	439	67	697
Mr. Jin-Goon Kim	500	–	17,388	–	17,888
Ms. Wang Ya Fei	270	–	156	–	426
Mr. Koo Fook Sun, Louis	270	–	156	–	426
Dr. Chan Chung Bun, Bunny, GBS, JP	250	–	156	–	406
Mr. Chen Yue, Scott	250	–	126	–	376
Mr. Su Jing Shyh, Samuel	266	–	126	–	392

(i) Other benefits include insurance premium and fair value of share options charged to the consolidated income statement during the year.

(ii) Mr. Zhang Zhi Yong ceased to be a non-executive director of the Company with effect from 6 October 2014.

(iii) Mr. Jin-Goon Kim ceased to be an executive director of the Company with effect from 4 July 2015.

(iv) Mr. Wu, Jesse Jen-Wei appointed to be a non-executive director of the Company with effect from 12 August 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

38. Benefits and interests of directors

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Companies Ordinance Cap. 622 and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G.

During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2014: nil). No consideration was provided to or receivable by third parties for making available directors' services (2014: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2014: none).

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2014: none).

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which another group undertaking was a party that subsisted at the end of the year or at any time during the year (2014: none).

GLOSSARY

In this annual 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
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"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
"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.

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