LI NING COMPANY LIMITED
（李寧有限公司）

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

INTERIM RESULTS HIGHLIGHTS

- Revenue rose by 39.2% to RMB1,909.4 million*
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 61.8% to RMB299.2 million
- Profit attributable to equity holders grew by 52.6% to RMB198.3 million
- Basic earnings per share increased by 51.7% to RMB19.21 cents
- Margin of profit attributable to equity holders expanded 0.9 percentage points to 10.4%
- Declared interim dividend of RMB5.76 cents per ordinary share, increased by 51.6%

* *Revenue of LI-NING branded products, which accounted for 98.2% of total revenue, rose by 37.5% to RMB1,875.2 million.*

INTERIM RESULTS

The board of directors (the "Board") of Li Ning Company Limited (the "Company") is pleased to announce the unaudited consolidated condensed interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007, together with the comparative figures for the corresponding period last year, as follows:

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

As at 30 June 2007

	Note	**Unaudited 30 June 2007 *RMB'000***	Audited 31 December 2006 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**223,986**	156,887
Land use rights		**25,297**	25,583
Intangible assets		**78,866**	81,551
Deferred income tax assets		**16,975**	12,455
Other non-current assets		**34,704**	—
Total non-current assets		**379,828**	276,476
Current assets			
Inventories		**422,041**	350,544
Trade receivables	6	**594,663**	579,143
Other receivables and prepayments		**104,546**	109,951
Fixed deposits held at banks		**10,321**	10,304
Cash and cash equivalents		**810,767**	838,867
Total current assets		**1,942,338**	1,888,809
Total assets		**2,322,166**	2,165,285

	Note	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Ordinary shares		**109,614**	109,503
Share premium		**389,770**	462,911
Shares held for Restricted Share Award Scheme		**(7,288)**	(6,367)
Other reserves		**194,782**	182,484
Retained earnings		**849,232**	650,959
		1,536,110	1,399,490
Minority interest		**—**	17,589
Total equity		**1,536,110**	1,417,079
LIABILITIES			
Non-current liability			
License fees payable		**56,249**	59,754
Current liabilities			
Trade payables	7	**382,586**	424,460
Other payables and accruals		**313,991**	207,281
Current income tax liabilities		**20,361**	45,725
License fees payable — current portion		**12,869**	10,986
Total current liabilities		**729,807**	688,452
Total liabilities		**786,056**	748,206
Total equity and liabilities		**2,322,166**	2,165,285
Net current assets		**1,212,531**	1,200,357
Total assets less current liabilities		**1,592,359**	1,476,833

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

For the six months ended 30 June 2007

		Unaudited	
		Six months ended 30 June	
		2007	2006
			(Reclassified –Note 3)
	Note	***RMB'000***	*RMB'000*
Revenue	5	**1,909,431**	1,371,929
Cost of sales	9	**(978,998)**	(703,484)
Gross profit		**930,433**	668,445
Distribution expenses	9	**(546,128)**	(398,623)
Administrative expenses	9	**(148,159)**	(123,180)
Other gains	8	**30,466**	25,871
Operating profit		**266,612**	172,513
Finance costs, net	10	**(72)**	815
Profit before income tax		**266,540**	173,328
Income tax expense	11	**(67,876)**	(43,362)
Profit for the period		**198,664**	129,966
Attributable to:			
— equity holders of the Company		**198,273**	129,939
— minority interest		**391**	27
		198,664	129,966
Interim dividend	12	**59,519**	39,038
Earnings per share for profit attributable to the equity holders of the Company *(RMB cents)*			
— basic	13	**19.21**	12.66
— diluted	13	**18.91**	12.48

SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

1. General information

Li Ning Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in brand development, design, manufacturing, sale and distribution of sports-related footwear, apparel 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 Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

This unaudited consolidated condensed interim financial information was approved for issue on 28 August 2007 by the board of directors of the Company.

2. Basis of preparation

This unaudited consolidated condensed interim financial information for the six months ended 30 June 2007 has been prepared in accordance with International Accounting Standard (the "IAS") 34, "Interim Financial Reporting". This unaudited consolidated condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3. Significant accounting policies

The accounting policies adopted are consistent with the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006. Certain staff costs amounting to RMB15,182,000 incurred during the six-month period ended 30 June 2006 have been reclassified from distribution and administrative expenses to cost of sales in order to conform with the current period's presentation.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007:

- International Financial Reporting Interpretations Committee Interpretation (the "IFRIC Int.") 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economics, effective for annual periods beginning on or after 1 March 2006. This interpretation is not relevant for the Group's operations;

- IFRIC Int. 8 Scope of International Financial Reporting Standard (the "IFRS") 2, effective for annual periods beginning on or after 1 May 2006. IFRIC Int. 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on this unaudited consolidated condensed interim financial information;

- IFRIC Int. 9 Reassessment of Embedded Derivatives, effective for annual periods beginning on or after 1 June 2006. IFRIC Int. 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the Group's entities have changed the terms of their contracts, IFRIC Int. 9 is not relevant to the Group's operations;

- IFRIC Int. 10 Interim Financial Reporting and Impairment, effective for annual periods beginning on or after 1 November 2006. IFRIC Int. 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on this unaudited consolidated condensed interim financial information; and

- IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2007. IAS 1, Amendments to Capital Disclosures, effective for annual periods beginning on or after 1 January 2007. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. IFRS 7 and amendments to IAS 1 do not have any impact on disclosure requirements of this unaudited consolidated condensed interim financial information. The Group will apply new disclosure requirements in IFRS 7 and amendments to IAS 1 in its financial statements for the year ending 31 December 2007.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted.

- IFRIC Int. 11 IFRS 2 — Group and Treasury Share Transactions, effective for annual periods beginning on or after 1 March 2007. IFRIC Int. 11 addresses how to apply IFRS 2 Share-based Payments to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. Management is in the process of assessing the impact of this interpretation on the Group's consolidated financial statements;

- IFRIC Int. 12 Service Concession Arrangements, effective for annual periods beginning on or after 1 January 2008. IFRIC Int. 12 provides guidance on the accounting by operators in public-to-private service concession arrangements. As the Group does not participate in service concession arrangements, IFRIC Int. 12 is not relevant to the Group's operations;

- IFRIC Int. 13 Customer Loyalty Programs, effective for annual periods beginning on or after 1 July 2008. IFRIC Int. 13 requires award credits granted to customers to be accounted for as a separately identifiable component at fair value and deferred in recognition of revenue. Management is currently assessing the impact of this interpretation on the Group's consolidated financial statements;

- IFRS 8 Operating Segments, effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 Segment Reporting and specifies how an entity should report information about its operating segments in annual financial statements, and as a consequential amendment to IAS 34 Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial information. This standard also sets out requirements for related disclosures about products and services, geographical areas and major customers. Management is currently assessing the impact of this standard on the Group's consolidated financial statements; and

- IAS 23 (revised 2007) Borrowing Costs, effective for annual periods beginning on or after 1 January 2009. IAS 23 (revised 2007) removes the option of expensing the borrowing costs and requires an entity to capitalize borrowing costs attributable to qualifying assets. This revised standard does not have any impact on the Group's consolidated financial statements.

4. Financial risk management

(a) *Financial risk factors*

The activities of the Group expose it to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risk, credit risk, and liquidity risk.

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

(i) *Foreign exchange risk*

The Group mainly operates in the PRC with most of the transactions settled in Renminbi.

Certain of the Group's cash and bank deposits are denominated in Hong Kong Dollars (HK$) or United States Dollars (US$). In addition, the Company pays dividends in HK$ when dividends are declared.

Any significant exchange rate fluctuations of foreign currencies against Renminbi may have financial impact to the Group.

(ii) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets, other than cash at banks. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) *Credit risk*

The Group has no significant concentrations of credit risk. The carrying amount of trade and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in this unaudited consolidated condensed financial information.

(iv) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain adequate credit lines to ensure sufficient and flexible funding is available to the Group.

(b) *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 debt.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total liabilities divided by capital and reserves attributable to equity holders of the Company.

As at 30 June 2007, the debt to equity ratio was 51.2% (31 December 2006: 53.5%).

(c) *Fair value estimation*

The carrying values less impairment provision of the financial assets and the carrying value of the financial liabilities are assumed to approximate their fair values.

5. Revenue and segment information

Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Primary reporting format — business segment

The Group has its own brands and operates in one business segment which is the brand development, design, manufacturing, sale and distribution of sports-related footwear, apparel and accessories.

Secondary reporting format — geographical segment

Substantially all assets and operations of the Group for the current period were located in the PRC. No geographical segments analysis is presented as less than 5% of the Group's revenue and contribution to operating profit is attributable to markets outside the PRC.

6. Trade receivables

	Unaudited 30 June 2007 *RMB'000*	Audited 31 December 2006 *RMB'000*
Gross trade receivables	**597,426**	587,863
Less: provision for impairment of receivables	**(2,763)**	(8,720)
	594,663	579,143

Customers are normally granted credit terms within the period of 60 to 90 days, depending on assessment of their credit quality. Ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	Unaudited 30 June 2007 *RMB'000*	Audited 31 December 2006 *RMB'000*
0–30 days	**284,511**	355,062
31–60 days	**132,678**	75,361
61–90 days	**118,930**	77,848
91–180 days	**58,544**	70,872
181–365 days	**635**	46
Over 365 days	**2,128**	8,674
	597,426	587,863

Movement on provision for impairment of trade receivables is as follows:

	Unaudited Six months ended 30 June	
	2007 *RMB'000*	2006 *RMB'000*
At 1 January	**8,720**	3,716
Provision for impairment of receivables	**559**	6,724
Receivables written off during the period	**(6,516)**	(5)
At 30 June	**2,763**	10,435

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

7. Trade payables

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

	Unaudited 30 June 2007	Audited 31 December 2006
	RMB'000	*RMB'000*
0–30 days	**331,013**	310,120
31–60 days	**40,373**	102,647
61–90 days	**1,630**	7,653
91–180 days	**5,722**	3,015
181–365 days	**1,879**	346
Over 365 days	**1,969**	679
	382,586	424,460

8. Other gains

	Unaudited Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Subsidies from local governments *(note a)*	**30,303**	20,901
Net gain on disposal of a subsidiary *(note b)*	**—**	4,970
Others	**163**	—
	30,466	25,871

Notes:

(a) The Group received subsidies from various local governments in the PRC amounting to RMB30,303,000 for the six months ended 30 June 2007 (2006: RMB20,901,000).

(b) During the six months ended 30 June 2006, the Group disposed of Hangzhou Edosports Goods Sales Co., Ltd., a company incorporated in the PRC which is principally engaged in sales of sports goods, to two individuals unrelated to the Group, and recognized gain on disposal of RMB4,970,000.

9. Expenses by nature

Expenses included in cost of sales, distribution and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2007	2006
		(Reclassified –Note 3)
	RMB'000	*RMB'000*
Cost of inventories recognized as expenses included in cost of sales	**917,881**	660,548
Depreciation on property, plant and equipment	**23,567**	11,041
Amortisation of intangible assets	**8,727**	1,310
Amortisation of land use rights	**286**	65
Advertising and marketing expenses	**325,604**	239,625
Director benefit expenses	**6,876**	7,500
Employee benefit expenses	**141,530**	112,040
Operating lease rentals in respect of land and buildings	**60,561**	49,116
Research and development expenses	**50,537**	35,890
Transportation and logistics expenses	**31,669**	21,522
Impairment charge of trade receivables	**559**	6,724
Write-down of inventories to net realizable value	**20,900**	18,706
Auditor's remuneration	**1,000**	1,132
Other expenses	**83,588**	60,068
Total of cost of sales, distribution and administrative expenses	**1,673,285**	1,225,287

10. Finance costs, net

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Amortisation of discount — license fees payable	**(2,307)**	—
Interest income on bank balances and deposits	**5,409**	7,543
Net foreign currency exchange loss	**(3,174)**	(6,728)
	(72)	815

11. Income tax expense

	Unaudited Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Current income tax		
— Hong Kong profits tax	**417**	262
— The PRC corporate income tax	**71,979**	43,100
	72,396	43,362
Deferred income tax	**(4,520)**	—
	67,876	43,362

Notes:

(a) The Company was incorporated in the Cayman Islands. Under the current laws of Cayman Islands, the Company is not subject to any Cayman Islands tax. 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 17.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2007 (2006: 17.5%).

(c) Provision for the PRC corporate income tax is calculated based on the statutory tax rate of 33% on the assessable income of each of the group companies, except that certain subsidiaries of the Company are taxed at preferential tax rate of 15% based on the relevant PRC tax rules and regulations.

(d) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law adjusts the corporate income tax rate for domestic enterprises and foreign invested enterprises from 33% and 15% to 25%, respectively, with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred income tax assets has been written down in the six-month period ended 30 June 2007. The new CIT Law provided that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any.

12. Interim dividend

	Unaudited Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Declared interim dividend of RMB5.76 cents (2006: RMB3.80 cents) per ordinary share	**59,519**	39,038

Note:

At a board meeting held on 28 August 2006, the directors declared an interim dividend of RMB3.80 cents (equivalent to HK3.71 cents) per ordinary share, totalling RMB39,038,000, for the six months ended 30 June 2006.

At a board meeting held on 28 August 2007, the directors declared an interim dividend of RMB5.76 cents (equivalent to HK5.95 cents) per ordinary share, totalling RMB59,519,000, for the six months ended 30 June 2007.

13. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme during the period.

	Unaudited Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**198,273**	129,939
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(in thousands)*	**1,032,012**	1,026,737
Basic earnings per share *(RMB cents)*	**19.21**	12.66

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares to be issued under its share option schemes and shares held for Restricted Share Award Scheme. 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 and the payout of the shares held for Restricted Share Award Scheme, with the difference being adjusted in arriving at the weighted average number of ordinary shares for diluted earnings per shares, of which details are as follows:

	Unaudited Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	**198,273**	129,939
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(in thousands)*	**1,032,012**	1,026,737
Adjustment for share options and shares held for Restricted Share Award Scheme *(in thousands)*	**16,636**	14,603
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**1,048,648**	1,041,340
Diluted earnings per share *(RMB cents)*	**18.91**	12.48

14. Subsequent events

(a) On 6 July 2007, the Group established Li Ning (China) Sport Goods Co., Ltd., a wholly-owned subsidiary in the PRC, with a registered capital of RMB50,000,000.

(b) On 2 July and 16 July 2007, 1,206,600 and 18,000 restricted shares of the Company were granted to certain directors and employees of the Group pursuant to the Restricted Share Award Scheme respectively.

(c) On 2 July 2007, options to purchase 19,400 shares of the Company held by Alpha Talent Management Limited, a company owned by Mr. Li Ning who is the Chairman and a substantial shareholder of the Company, were granted to certain employees of the Group at an exercise price of HK$0.86 per share pursuant to the share purchase scheme of Alpha Talent Management Limited.

(d) On 19 July 2007, options to purchase 350,000 shares of the Company at an exercise price of HK$19.68 per share were granted to certain participant under Post-IPO Option Scheme.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB5.76 cents per ordinary share for the six months ended 30 June 2007 (2006: RMB3.80 cents), representing an increase of 51.6% over the corresponding period last year. The dividend will be paid in Hong Kong Dollars based on the rate of HK$1.00 = RMB0.9682, being the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China as at the date of this announcement. The dividend will be payable on or around 28 September 2007 to the shareholders whose names appear on the register of members of the Company on 21 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 September 2007 to Friday, 21 September 2007 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 17 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's business objectives for the year 2007 are to continue to grow and strengthen the LI-NING brand, which is its core business, while also developing a multi-brand structure that leverages on its core business. The Group will pursue these objectives to ensure steady profit growth and continuous value creation, which will maximize the benefits of the shareholders.

Financial Review

The PRC economy sustained robust growth and PRC consumers' average disposable income increased continuously during the first half of 2007. In addition, benefited from the strong wave of enthusiasm generated by the 2008 Beijing Olympics, the Group has achieved outstanding results by riding on its solid brand and marketing capabilities, strong product research and development, extensive distribution channel and enhanced supply chain management.

Key Indicators

Key results and financial indicators of the Group for the six months ended 30 June 2007 are summarized as follows:

	Unaudited Six months ended 30 June **2007**	2006 (Reclassified)	**Change** (%)
Items of income statement			
(All amounts in RMB thousands unless otherwise stated)			
Revenue	**1,909,431**	1,371,929	39.2
Gross profit	**930,433**	668,445	39.2
Operating profit	**266,612**	172,513	54.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**299,192**	184,929	61.8
Profit attributable to equity holders	**198,273**	129,939	52.6
Basic earnings per share *(RMB cents) (Note 1)*	**19.21**	12.66	51.7
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	**48.7**	48.7	
Operating profit margin *(%)*	**14.0**	12.6	
Effective tax rate *(%)*	**25.5**	25.0	
Margin of profit attributable to equity holders *(%)*	**10.4**	9.5	
Return on equity holders' equity — half year *(%)*	**13.5**	10.8	
Asset efficiency ratios			
Average inventory turnover *(days) (Note 2)*	**71**	75	
Average trade receivables turnover *(days) (Note 3)*	**55**	58	
Average trade payables turnover *(days) (Note 4)*	**69**	66	
Expense ratios			
Advertising and marketing expenses as a percentage of revenue *(%)*	**17.1**	17.5	
Director and employee benefit expenses as a percentage of revenue *(%)*	**7.8**	8.7	
Research and development expenses as a percentage of cost of sales *(%)*	**5.2**	5.1	

	Unaudited 30 June 2007	Audited 31 December 2006
Asset ratios		
Debt to equity ratio *(%) (Note 5)*	**51.2**	53.5
Net asset value per share *(RMB cents)*	**148.77**	137.38

Notes:

1. The calculation of basic earnings per share is based on the profit attributable to equity holders for the six months ended 30 June 2007 of RMB198,273,000 (2006: RMB129,939,000) and the weighted average of 1,032,012,000 ordinary shares in issue less shares held for the Restricted Share Award Scheme during the period (2006: 1,026,737,000 shares).

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

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

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

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

Revenue

For the six months ended 30 June 2007, the Group's revenue reached RMB1,909,431,000, an increase of 39.2% over the corresponding period last year.

Breakdown of revenue by brand and product category

	Six months ended 30 June				
	2007		2006		
	RMB'000	**% of total revenue**	RMB'000	% of total revenue	**Change** *(%)*
LI-NING brand					
Footwear	**761,569**	**39.9**	527,166	38.4	44.5
Apparel	**993,643**	**52.0**	728,912	53.2	36.3
Accessories	**119,958**	**6.3**	107,657	7.8	11.4
Total	**1,875,170**	**98.2**	1,363,735	99.4	37.5
Z-DO brand					
Footwear	**10,601**	**0.6**	—	—	—
Apparel	**15,865**	**0.8**	—	—	—
Accessories	**1,556**	**0.1**	—	—	—
Total	**28,022**	**1.5**	—	—	—

	Six months ended 30 June				
	2007		2006		
		% of total		% of total	**Change**
	RMB'000	**revenue**	RMB'000	revenue	*(%)*
AIGLE brand					
Footwear	**1,366**	**0.1**	876	0.1	55.9
Apparel	**4,756**	**0.2**	7,243	0.5	-34.3
Accessories	**117**	**0.0**	75	0.0	56.0
Total	**6,239**	**0.3**	8,194	0.6	-23.9
OVERALL					
Footwear	**773,536**	**40.6**	528,042	38.5	46.5
Apparel	**1,014,264**	**53.0**	736,155	53.7	37.8
Accessories	**121,631**	**6.4**	107,732	7.8	12.9
Total	**1,909,431**	**100.0**	1,371,929	100.0	39.2

Revenue of the Group was mainly generated by the LI-NING brand, which is the Group's core brand. Revenue of LI-NING branded products for the period under review amounted to RMB1,875,170,000, representing 98.2% of total revenue and an increase of 37.5% over the corresponding period last year due to the Group's (i) clear brand positioning with strong product differentiation and marketing strategies; (ii) continuous expansion in network coverage and improvement in retail store efficiency; (iii) successful development of new product series; and (iv) continual enhancement in supply chain management.

LI-NING branded products mainly focus on 5 key sport activities, namely, running, basketball, soccer, tennis and fitness. The product portfolio encompasses professional and casual footwear, apparel and accessories. During the period under review, due to enhancement of the brand's professional image and incorporation of hi-tech elements into the product design, the footwear products continued to record strong and rapid growth of 44.5% in revenue as compared to the corresponding period last year. Apparel products recorded 36.3% growth, which was attributable to clear positioning of product lines, stronger regional product planning as well as effective integration of marketing efforts. Accessories products recorded 11.4% growth.

The Group's new series of products, Z-DO, which targets the hypermarket sector was launched in April 2007 and recorded revenue of RMB28,022,000 for the period under review.

AIGLE brand which specializes in outdoor sports products, casual apparel and footwear products recorded revenue of RMB6,239,000 for the period, representing a decrease of 23.9% as compared to the corresponding period last year. The decrease was mainly attributable to the slower opening of franchised retail outlets. The recorded revenue has achieved the target for the period as the strategic focus was to enhance retail store efficiency in the first half of 2007.

Breakdown of revenue by sales channel

	Six months ended 30 June	
	2007	2006
	% of total revenue	% of total revenue
LI-NING brand		
PRC market		
Sales to franchised distributors	**79.0**	78.8
Sales by directly-managed retail stores	**8.7**	8.7
Sales by directly-managed concession counters	**9.4**	10.8
International markets	**1.1**	1.1
Z-DO brand		
PRC market		
Sales to franchised distributors	**1.5**	—
AIGLE brand		
PRC market	**0.3**	0.6
Total	**100.0**	100.0

LI-NING, Z-DO and AIGLE branded products are mainly sold through franchised distributors. The Group also distributes LI-NING and AIGLE branded products through directly-managed retail stores and concession counters.

Breakdown of revenue by geographical location

		Six months ended 30 June				
		2007		2006		
			% of total		% of total	**Change**
	Note	**RMB'000**	**revenue**	RMB'000	revenue	(%)
LI-NING brand						
PRC market						
Beijing and Shanghai		**132,527**	**6.9**	104,001	7.6	27.4
Central region	1	**249,773**	**13.1**	166,333	12.1	50.2
Eastern region	2	**364,591**	**19.1**	306,573	22.3	18.9
Southern region	3	**209,317**	**11.0**	169,747	12.4	23.3
Southwestern region	4	**190,408**	**10.0**	133,853	9.8	42.3
Northern region	5	**370,694**	**19.4**	239,808	17.5	54.6
Northeastern region	6	**285,297**	**14.9**	198,989	14.5	43.4
Northwestern region	7	**51,736**	**2.7**	28,800	2.1	79.6
International markets		**20,827**	**1.1**	15,631	1.1	33.2
Z-DO brand						
PRC market		**28,022**	**1.5**	—	—	—
AIGLE brand						
PRC market		**6,239**	**0.3**	8,194	0.6	-23.9
Total		**1,909,431**	**100.0**	1,371,929	100.0	39.2

Notes:

1. Central region includes Hubei, Hunan and Jiangxi.

2. Eastern region includes Zhejiang, Jiangsu and Anhui.

3. Southern region includes Guangdong, Guangxi, Fujian and Hainan.

4. Southwestern region includes Sichuan, Chongqing, Guizhou, Yunnan and Tibet.

5. Northern region includes Shandong, Hebei, Henan, Tianjin, Shanxi and Inner Mongolia.

6. Northeastern region includes Liaoning, Jilin and Heilongjiang.

7. Northwestern region includes Shaanxi, Xinjiang, Gansu, Qinghai and Ningxia.

LI-NING branded products have established a vast and extensive distribution and retail network over all the provinces and municipalities in the PRC. The majority of the Group's retail outlets are concentrated in second and third-tier cities with the largest potential to maximize growth in the future. AIGLE and Z-DO branded products focus mainly in metropolitan and first-tier cities.

Cost of Sales and Gross Profit

For the six months ended 30 June 2007, the cost of sales of the Group amounted to RMB978,998,000 (2006: RMB703,484,000). Overall gross profit margin of the Group was 48.7%, the same as that in the corresponding period last year. Gross profit margin by product category is set out below:

	Six months ended 30 June	
	2007	2006
		(Reclassified)
	(%)	*(%)*
Footwear	**48.3**	47.5
Apparel	**48.7**	49.0
Accessories	**51.8**	52.5
Overall	**48.7**	48.7

Distribution and Administrative Expenses

For the six months ended 30 June 2007, distribution expenses of the Group amounted to RMB546,128,000 (2006: RMB398,623,000). These mainly comprised advertising, sponsorship and promotional expenses, salaries and benefits of sales staff, rental and renovation expenses of retail stores as well as transportation and logistics expenses. Distribution expenses accounted for 28.6% of the Group's total revenue, representing a decrease of 0.5 percentage points against 29.1% in the corresponding period last year. Such decrease was mainly due to a slower increase in advertising expenses, rental of retail stores and renovation costs, coupled with an overall effective management of expenses.

Administrative expenses of the Group for the six months ended 30 June 2007 amounted to RMB148,159,000 (2006: RMB123,180,000). These mainly comprised directors and staff costs, consulting expenses, office rentals, depreciation of office premises and other general expenses. Administrative expenses accounted for 7.8% of the Group's total revenue, representing a decrease of 1.2 percentage points against 9.0% in the corresponding period last year as a result of the increased economies of scale, staff expenses remained steady, effective credit control which reduced the doubtful debt provisions, hence offsetting the increase in other administrative expenses.

Operating Profit

For the six months ended 30 June 2007, operating profit of the Group was RMB266,612,000, representing an increase of 54.5% from RMB172,513,000 in the corresponding period last year. Attributable to the effective expense management, the Group's operating profit margin for the period under review was approximately 14.0%, representing an increase of 1.4 percentage points as compared to the corresponding period last year.

Income Tax Expense

For the six months ended 30 June 2007, income tax expense amounted to RMB67,876,000 (2006: RMB43,362,000) with an effective tax rate of 25.5% (2006: 25.0%).

Provision for Inventories

The Group's policy in respect of provision for inventories in 2007 remained the same as that in 2006. Inventories of the Group are stated at the lower of cost and net realizable value. In the event that net realizable value falls below cost, the difference is taken as a provision for inventories.

Accumulated provision for inventories as at 30 June 2007 amounted to RMB47,769,000 (31 December 2006: RMB26,869,000). In order to support continuous sales expansion, the Group has reasonably increased the level of inventories, resulting in the increase in provision for inventories as at the end of the period.

Provision for Doubtful Debts

The Group's policy in respect of provision for doubtful debts in 2007 remained the same as that in 2006.

Accumulated provision for doubtful debts as at 30 June 2007 amounted to RMB2,763,000 (31 December 2006: RMB8,720,000). The decrease in provision for doubtful debts was due to the writing off of trade receivables of RMB6,516,000 during the period under review and the result of strengthened credit control.

Liquidity and Capital Resources

For the six months ended 30 June 2007, the Group's net cash inflow from operating activities amounted to RMB149,389,000 (2006: RMB106,998,000).

Cash and cash equivalents (including cash at banks and in hand, and fixed deposits held at banks with original maturity not more than 3 months) as at 30 June 2007 amounted to RMB810,767,000, a net decrease of RMB28,100,000 as compared with the position as at 31 December 2006. The decrease was brought about by the following items:

Items	Six months ended 30 June 2007 *RMB'000*
Net cash inflow generated from operating activities	**149,389**
Net capital expenditure	**(80,770)**
Net cash outflow from acquisition of minority interest of a subsidiary	**(17,817)**
Interest income received	**5,409**
Dividend payment	**(78,922)**
Other net cash outflow	**(102)**
Cash reduction due to fluctuation in exchange rates	**(5,287)**
Net decrease in cash and cash equivalents	**(28,100)**

The Group has a strong liquidity position with standby banking facilities. As at 30 June 2007, the Group's available banking facilities amounted to RMB200,000,000. As at 30 June 2007, the Group had no outstanding bank borrowings. The outstanding bank borrowings to equity holders' equity ratio was nil (31 December 2006: nil).

As at 30 June 2007, the Group has not entered into any interest rate swaps to hedge against interest rate risks.

Pledge of Assets

As at 30 June 2007, no asset of the Group was pledged to secure bank borrowings or for any other purpose.

Contingent Liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

Foreign Exchange Risk

The operation of the Group mainly carries out in the PRC with most transactions settled in Renminbi. Certain of the Group's cash and bank deposits are denominated in Hong Kong Dollars or United States Dollars. In addition, the Company pays dividends in Hong Kong Dollars when dividends are declared. Any significant exchange rate fluctuations of foreign currencies against Renminbi may have financial impact to the Group.

Business Review

During the six months ended 30 June 2007, the Group strengthened its core business and sustained rapid growth through enhancement of its capabilities in marketing and promotion, product research and development, sales channel and supply chain management. The Group has also reinforced its multi-brand strategy to develop new businesses.

Marketing and Promotion

As PRC's leading sports brand enterprise, the Group has always emphasized brand building. During the period under review, the Group continued to deploy a considerable amount of resources in sponsorships and promotions, integrating the marketing and promotion efforts for its products, markets and retail network in order to further differentiate the brand and to enhance the brand image. The Group has also accelerated its marketing efforts to take advantage of expected consumer enthusiasm of the forthcoming 2008 Beijing Olympics which provides an unprecedented opportunity for the Group to propel the international profile of the LI-NING brand.

The Group has extensive sponsorship and brand marketing resources. It has continued its sponsorships of the four national gold-medal teams, namely, the Gymnastics Team, Diving Team, Table Tennis Team and Shooting Team, as well as the China University Basketball Association (CUBA), one of the top three basketball associations in the PRC and the Chinese University Football League (CUFL). On the international front, apart from the Group's continued role as the official marketing partner in the PRC for the Association of Tennis Professionals (ATP), sponsor of the men's Spanish Basketball Team and the partnership with the renowned NBA player, Shaquille O'Neal for the co-branded "LI-NING — SHAQ" basketball products, the Group has also entered into sponsorship agreements with the Swedish Olympic Delegation and the Spanish Olympic Delegation to collaborate in achieving remarkable performance in the 2008 Beijing Olympics.

The key events of the Group in respect of brand promotion and sponsorships took place during the period are summarized as follows:

CCTV National Sports TV Channel

On 5 January 2007, the Group announced the entering into a partnership with the CCTV National Sports TV Channel. According to the agreement, hosts, news presenters and reporters of all the programs and tournaments broadcasted on CCTV National Sports TV Channel (which also includes the Olympics Channel during the 2008 Beijing Olympic Games) will wear LI-NING branded products during the term of the agreement. CCTV National Sports TV Channel is the most influential professional sports channel in China, which broadcasts the largest number of international sports competitions and tournaments to the largest group of audience. This partnership marks the beginning of a highly integrated sports marketing model. The Group will leverage on the sports channel as a platform to fully demonstrate the international and professional image of the LI-NING brand.

Argentina National Basketball Team

On 12 January 2007, the Group signed a strategic partnership agreement with the Argentina Basketball Federation (Confederación Argentina de Básquet) in becoming the official partner of the Argentina Basketball Federation and the official sports apparel sponsor for both the men's and women's national basketball teams of Argentina. The Argentina men's and women's national basketball teams will put on LI-NING branded apparel in major international sports events such as the 2008 Beijing Olympics and the 2012 London Olympics. This partnership represents another remarkable accomplishment of the Group in sports marketing in the basketball sector since its partnership with the Spain National Basketball Association established in 2004. It is also an important step for the Group's internationalization strategy and an endorsement to the professional quality of the LI-NING brand and its products by the world's top sports teams.

The Swedish Olympic Delegation

On 24 January 2007, the Group announced the signing of an agreement with the Swedish Olympic Committee in becoming the Swedish Olympic Delegation's official sports apparel partner for the 2008 Beijing Olympics and the 2010 Vancouver Winter Olympics. Pursuant to this agreement, the Group is also authorized by the Swedish Olympic Delegation to sell Olympics related products in Sweden. The LI-NING brand will, therefore, appear in a variety of Swedish Olympic Committee's promotional events in Sweden. This is the first agreement ever entered into by a Chinese sports brand with an overseas Olympic delegation which represents a significant achievement in the Group's brand internationalization strategy.

Tanzanian National Track and Field Team

On 1 March 2007, the Group announced its co-operation with the Tanzanian National Track and Field Team in providing sportswear sponsorship for the team during the term of co-operation. The Tanzanian National Track and Field Team is a world-class team with particular strength in men's marathon. Some of its team members have been regular gold, silver and bronze medal winners in the Olympics and the world championships in recent years. Such co-operation further demonstrates the Group's success in sports marketing in the international track and field sector after its sponsorships of the Sudan National Track and Field Team and the world top marathon Ethiopian runner, Ambesse Tolossa.

Asian Indoor Games

On 11 May 2007, the Group entered into an agreement in becoming the official sponsor and exclusive sports apparel sponsor of the second Asian Indoor Games, which will be held in Macau in October 2007. The Asian Indoor Games is a non-competitive sports event. It is a new attempt for the Group to sponsor sports event of this type in promoting the LI-NING brand to consumers under a leisure and entertaining context.

The Spanish Olympic Delegation

On 25 June 2007, the Group announced that it has become an official partner of the Spanish Olympic Committee and the official sportswear provider for the Spanish Olympic Delegation for the 2008 Beijing Olympics. This is the collaboration between the Group with another overseas Olympic delegation in the 2008 Beijing Olympics after its partnership with the Argentina Basketball Federation and the Swedish Olympic Committee. This agreement has cemented another breakthrough for the Group's efforts in international expansion and sports marketing.

Product Research and Development

Innovation of product research and development has always been a key pursuit of the LI-NING brand. It is also a crucial strategy in confronting market competitions, establishing a distinct and professional brand image, and reaching the international market. The Group has set up research and development centres in both the PRC and Hong Kong, and each centre is equipped with excellent quality product development and design team. The team has also worked in association with foreign professional organizations, especially on the development of footwear products with high-technological content. In 2006, the Group developed its core patented technology — the "LI-NING BOW" anti-shock technology, and for the first time, incorporated this technology into its running shoes. The products have been highly recognized by consumers. In 2007, the "LI-NING BOW" technology continues to achieve other top anti-shock technological breakthrough in the industry to optimize the balance between the light-weight and anti-shock of footwear products so as to further uplift the brand's professional image. In the future, the "LI-NING BOW" technology will become one of the Group's major footwear product technological platforms and will be widely applied in a variety of its footwear products.

During the period under review, the Group launched the fourth generation of super-light and ventilated running shoes. This new series of running shoes has maintained and further upgraded the quality of the previous generations by adopting a traditional Chinese sparrow structure, matched with super-light protective materials and ventilation technology together with a contemporary design with a touch of Oriental characteristics. This series of running shoes has received overwhelming response immediately after its launch to the market.

The Group has continued to improve the work flow of product design and development, and has successfully developed products which target second and third-tier cities in the PRC in order to support its growth strategies in these markets.

Sales Channel Management

In metropolitan and first-tier cities, the Group has continued to focus in enhancing brand image and improving store quality. The Group has continued to expand its network coverage in second and third-tier cities. At the same time, the Group has endeavored to improve retail store efficiency in order to enhance same store growth. As at 30 June 2007, the domestic distribution and retail network of the Group comprised:

- about 239 distributors operating 4,188 franchised retail outlets under the LI-NING, Z-DO and AIGLE brands across the PRC; and
- a total of 114 directly-managed retail stores and 280 concession counters under the LI-NING and AIGLE brands in Beijing, Shanghai and 13 provinces in the PRC.

Number of franchised and directly-managed retail stores

	As at 30 June 2007	As at 31 December 2006	**Change** (%)	As at 30 June 2006
LI-NING brand				
Franchised retail outlets	**3,984**	3,860	3.2	3,264
Directly-managed retail stores	**112**	138	-18.8	124
Directly-managed concession counters	**262**	299	-12.4	242
Total	**4,358**	4,297	1.4	3,630
Z-DO brand				
Franchised retail outlets	**183**	—	—	—
Total	**183**	—	—	—
AIGLE brand				
Franchised retail outlets	**21**	15	40.0	8
Directly-managed retail stores	**2**	3	-33.3	2
Directly-managed concession counters	**18**	18	0.0	11
Total	**41**	36	13.9	21
Overall				
Franchised retail outlets	**4,188**	3,875	8.1	3,272
Directly-managed retail stores	**114**	141	-19.1	126
Directly-managed concession counters	**280**	317	-11.7	253
Total	**4,582**	4,333	5.7	3,651

In 2006, LI-NING brand franchised retail outlets included 245 hypermarket stores. During the period under review, all the LI-NING brand hypermarket outlets were closed and have been gradually replaced by the newly launched Z-DO brand hypermarket outlets. Taking out the closure of the LI-NING brand hypermarket outlets, the total number of LI-NING brand retail outlets as at 31 December 2006 was 4,052 and there was a net increase of 306 retail stores.

As compared to 30 June 2006, there was a net increase of 728 LI-NING brand retail outlets, including the net increase of 720 franchised retail outlets and 8 directly-managed retail stores.

During the period under review, the Group continued to restructure its directly-managed retail business of the LI-NING brand and released 52 retail stores under its regional subsidiary companies to competent distributors. By doing so, the Group has further enhanced its sales management and can better focus on its flagship stores, factory outlets and brand building related operations. Together with other net decrease of 11 retail stores, there was a total decrease of 63 directly-managed retail stores.

In the first half of 2007, additional 266 LI-NING brand stores were refurbished into the fourth generation retail outlets. The Group has also been active in setting up flagship stores and factory stores in prime and favorable locations in metropolitan and first-tier cities.

The Group has established its Distribution Sales Representative team and has set up a nation-wide store visit mechanism. Coupled with other measures to improve efficiency of retail stores, this plan aims to enhance same store growth of the Group's business.

Supply Chain Management

During the period under review, the Group continued to adopt a flexible and effective supply chain management strategy that enabled it to respond to market changes in an efficient and timely manner, as described below:

- Five large-scale sales fairs for distributors were organized to shorten the cycle time between product development and order placements, of which, two were hosted for the LI-NING brand, two for the Z-DO brand and one for the AIGLE brand;

- Improved sophistication of the Group's inventory management system shortened the average inventory turnover to 71 days, as compared to 75 days for the corresponding period last year;

- Improved credit management shortened the average trade receivables turnover to 55 days, as compared to 58 days for the corresponding period last year; and

- Average trade payables turnover was 69 days, as compared to 66 days for the corresponding period last year.

The Group is in the process of streamlining its supply chain management system by turning it into a demand-driven model to accelerate its response to market needs so as to establish a competitive integrated supply chain system.

New Business Development

AIGLE Brand

The joint venture established by the Group and AIGLE of France commenced operation in the first half of 2006 and is still in its infancy stage. As at 30 June 2007, a total of 41 AIGLE stores have been opened in the PRC. In the future, its business development will mainly focus on product portfolio adjustment, price setting and localization of supply chain, while maintaining a moderate pace of new stores opening as well as improving retail store efficiency to increase sales.

Z-DO Brand

In April 2007, the Group officially launched its new series of products, Z-DO. As a subsidiary brand of LI-NING, Z-DO targets hypermarkets as its primary sales channel. Upon its market launch, Z-DO brand has recorded desirable sales, and its network coverage has been developing progressively. As at 30 June 2007, Z-DO brand has made presence in 67 cities, with 32 distributors and 183 stores.

The development of Z-DO brand not only sets new sales models and establishes new sales networks, but also utilizes the Group's supply chain to benefit from greater economies of scale. Complementing the LI-NING brand, the future development of Z-DO will focus in building a clear brand position and image, broadening the product lines and expanding its sales network to achieve rapid business growth.

Acquisition of the Remaining Interest of Guangdong Li Ning

On 10 May 2007, the Group acquired the remaining 20% interest in 廣東李寧體育發展有限公司 (Guangdong Li Ning Sports Development Co., Ltd.) ("Guangdong Li Ning") from 廣東健力寶集團有限公司 (Guangdong Jianlibao Group Co., Ltd.) at a consideration of RMB17,817,000, making Guangdong Li Ning a wholly-owned subsidiary of the Group. This strategic move can accelerate the plan of turning Guangdong Li Ning into the Group's apparel sample technology centre as well as market-oriented supply chain centre.

Human Resources

As at 30 June 2007, the Group had approximately 2,688 employees (31 December 2006: 2,365 employees). The increase in the number of employees was mainly attributable to the hiring of a large number of technical and production personnel to cope with the Group's plans to develop an apparel sample technology centre and market-oriented supply chain centre. This has offset the decrease in sales employees caused by the disposing of the directly-managed retail stores to distributors due to the restructure of the Group's directly-managed retail business.

The Group strives to offer a good working environment, a diversified range of training and development programs as well as an attractive remuneration package to the employees. The Group endeavors to motivate its staff with performance-based remuneration. On top of basic salary, staff with outstanding performance will be rewarded by way of cash bonuses, restricted shares and share options, honorary awards or a combination of all the above to further align the interests of the employees and the Company, to attract talented individuals, and to create long-term incentive for the staff.

Outlook

The Group will continue to grow and strengthen its core business, the LI-NING brand. It will endeavor to foster brand building in metropolitan and first-tier cities in the PRC through openings of brand and flagship stores. To enable continuous growth in second and third-tier cities, the Group will strive to further expand its network coverage in these markets and to fully leverage the competitive strengths of the LI-NING brand and its products. In addition to opening of new retail outlets, the Group is devoted to accelerate same store growth so as to realize a growth model that features a combination of horizontal and vertical growth of its business.

The Group will continue to adopt a multi-brand business strategy in order to open up new domains for its business. This will enable the Group to increase its competitiveness and to add in new components for its future development.

As the 2008 Beijing Olympics is approaching, the Group is intensifying relevant marketing and promotion efforts focusing on metropolitan and first-tier cities in the PRC. Through a range of creative sports marketing campaigns, brand communication and product development strategies, the Group anticipates that the LI-NING brand will be further strengthened during the 2008 Beijing Olympics, hence building a solid foundation for the Group's long-term development.

The Group is determined to capitalize on the unprecedented opportunities in order to bring its business to new heights. It will continue to leverage on its strengths, which include LI-NING brand's market position as the PRC's leading sports brand, the Group's prudent business strategies and the outstanding and professional management team to generate attractive returns for shareholders and investors as a whole.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company had not redeemed any of its listed shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries except for the Restricted Share Award Scheme Trust, had purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

The Company is committed to the upholding of a high level of corporate governance by continual review and enhancement of its corporate governance practices. During the period under review, the Board has complied with all the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Details of the Company's corporate governance practices can be found in the Corporate Governance Report set out in the Company's annual report for the year ended 31 December 2006.

The Audit Committee of the Company, consisting of three non-executive Directors (two of whom are independent non-executive Directors), has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results for the six months ended 30 June 2007, together with the management and external auditor.

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the interim financial information for the six months ended 30 June 2007 in accordance with the International Standards on Auditing applicable to review engagements issued by the International Federation of Accountants. On the basis of their review, which does not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention which would cause them to believe that the interim financial information has not been properly prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" in all material aspects.

By order of the Board
Li Ning Company Limited
Li Ning
Chairman

Hong Kong, 28 August 2007

As at the date of this announcement, the executive directors of the Company are Mr. Li Ning, Mr. Zhang Zhi Yong and Mr. Tan Wee Seng. The non-executive directors are Mr. Lim Meng Ann, Mr. Stuart Schonberger and Mr. Chu Wah Hui. The independent non-executive directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei, Jane and Mr. Chan Chung Bun, Bunny.

This results announcement is published on the Company's websites at www.lining.com and www.irasia.com/listco/hk/lining and The Stock Exchange of Hong Kong Limited's website at www.hkex.com.hk.