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 2009

INTERIM RESULTS HIGHLIGHTS

- Revenue rose by 32.4% to RMB4,052 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 56.1% to RMB773 million
- Profit attributable to equity holders grew by 41.6% to RMB473 million
- Margin of profit attributable to equity holders increased by 0.8 percentage points to 11.7%
- Basic earnings per share increased by 41.2% to RMB45.53 cents
- Declared an interim dividend of RMB13.58 cents per ordinary share, an increase of 41.0%
- Number of retail stores of LI-NING brand reached 6,809, a net increase of 564 stores during the period

INTERIM RESULTS

The board of directors (the "Board") of Li Ning Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2009, together with comparative figures, as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**Unaudited As at 30 June 2009** *RMB'000*	Audited As at 31 December 2008 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**617,463**	629,305
Land use rights		**391,431**	324,764
Intangible assets		**894,197**	329,035
Deferred income tax assets		**73,006**	69,441
Other non-current assets		**126,880**	166,440
Total non-current assets		**2,102,977**	1,518,985
Current assets			
Inventories		**649,351**	650,715
Trade receivables	*4*	**1,003,109**	1,090,576
Other receivables and prepayments		**171,057**	182,938
Restricted bank deposits		**6,448**	105,675
Cash and cash equivalents		**1,041,597**	788,040
Total current assets		**2,871,562**	2,817,944
Total assets		**4,974,539**	4,336,929

	Note	Unaudited As at 30 June 2009 RMB'000	Audited As at 31 December 2008 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**110,552**	110,323
Share premium		**218,006**	200,758
Shares held for Restricted Share Award Scheme		**(83,853)**	(84,118)
Other reserves		**283,386**	257,610
Retained profits			
– dividend declared/proposed	*11*	**141,761**	115,941
– others		**1,628,111**	1,295,899
		2,297,963	1,896,413
Minority interests		**205,030**	192,535
Total equity		**2,502,993**	2,088,948
LIABILITIES			
Non-current liabilities			
Deferred income		**64,589**	—
License fees payable		**503,033**	81,997
Deferred income tax liabilities		**94,760**	79,141
Total non-current liabilities		**662,382**	161,138
Current liabilities			
Trade payables	*5*	**736,259**	863,470
Other payables and accruals		**631,298**	541,865
License fees payable – current portion		**58,999**	28,747
Current income tax liabilities		**71,198**	45,281
Borrowings		**311,410**	607,480
Total current liabilities		**1,809,164**	2,086,843
Total liabilities		**2,471,546**	2,247,981
Total equity and liabilities		**4,974,539**	4,336,929
Net current assets		**1,062,398**	731,101
Total assets less current liabilities		**3,165,375**	2,250,086

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2009 RMB'000	2008 RMB'000
Revenue	3	**4,051,855**	3,060,768
Cost of sales	6	**(2,115,295)**	(1,578,574)
Gross profit		**1,936,560**	1,482,194
Distribution costs	6	**(1,038,764)**	(898,410)
Administrative expenses	6	**(281,165)**	(191,257)
Other income	7	**69,212**	60,029
Operating profit		**685,843**	452,556
Finance income	8	**3,340**	9,772
Finance costs	8	**(38,927)**	(15,147)
Finance costs – net		**(35,587)**	(5,375)
Profit before income tax		**650,256**	447,181
Income tax expense	9	**(165,221)**	(113,449)
Profit for the period		**485,035**	333,732
Attributable to:			
Equity holders of the Company		**472,540**	333,732
Minority interests		**12,495**	—
		485,035	333,732
Earnings per share for profit attributable to equity holders of the Company *(RMB cents)*			
– basic	10	**45.53**	32.24
– diluted	10	**44.98**	31.75
Dividends	11	**141,761**	100,071

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit for the period	**485,035**	333,732
Other comprehensive income:		
Difference on translation of foreign currency financial statements	**(41)**	—
Total comprehensive income for the period	**484,994**	333,732
Attributable to:		
Equity holders of the Company	**472,499**	333,732
Minority interests	**12,495**	—
	484,994	333,732

NOTES

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. The Group's operations are mainly carried out in the People's Republic of China (the "PRC").

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

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 26 August 2009 by the board of directors of the Company.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with IAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009, which are relevant for and applied in the Group.

- IAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of the reportable segments presented from one segment to four segments as follows, LI-NING brand, Double Happiness brand, Lotto brand and all other brands segments.

  Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision-makers of the Group.

  Goodwill is allocated by management to groups of cash-generating units on a segment level. Goodwill relating to the previous acquisition within Double Happiness brand segment remains in that segment. The allocation of goodwill relating to the acquisition of Kason Sports (Hong Kong) Limited ("Kason") is still in progress and it was allocated in all other brands segment for the time being. The change in reportable segments has not resulted in any additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2008 have been provided.

- Amendment to IFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 January 2009, are not currently relevant for the Group or do not have material impact on the Group in the period ended 30 June 2009.

3. Revenue and segment information

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

Management considers the business from a brand perspective. The Group has four reportable segments as follows, LI-NING brand, Double Happiness brand, Lotto brand and all other brands segments. Management assesses the performance of the operating segments based on operating profit. Segment information provided to management for decision making is measured in a manner consistent with that in the financial statements.

Revenue consists of sales from LI-NING brand, Double Happiness brand, Lotto brand and all other brands, which are RMB3,736,874,000, RMB219,037,000, RMB15,436,000 and RMB80,508,000 for the six months ended 30 June 2009 and RMB3,002,421,000, nil, nil and RMB58,347,000 for the six months ended 30 June 2008, 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 the management is measured in a manner consistent with that in the condensed consolidated interim income statement.

	Unaudited				
	LI-NING brand	**Double Happiness brand**	**Lotto brand**	**All other brands**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2009					
Total revenue	**3,736,874**	**220,495**	**23,493**	**85,820**	**4,066,682**
Inter-segment revenue	**—**	**(1,458)**	**(8,057)**	**(5,312)**	**(14,827)**
Revenue from external customers	**3,736,874**	**219,037**	**15,436**	**80,508**	**4,051,855**
Operating profit/(loss)	**673,516**	**44,240**	**(35,474)**	**3,561**	**685,843**
Distribution costs and administrative expenses	**1,214,081**	**48,086**	**35,029**	**22,733**	**1,319,929**
Include:					
– depreciation and amortisation	**52,610**	**7,175**	**9,933**	**1,210**	**70,928**
Six months ended 30 June 2008					
Total revenue	3,002,421	—	—	58,347	3,060,768
Inter-segment revenue	—	—	—	—	—
Revenue from external customers	3,002,421	—	—	58,347	3,060,768
Operating profit/(loss)	453,723	—	—	(1,167)	452,556
Distribution costs and administrative expenses	1,063,306	—	—	26,361	1,089,667
Include:					
– depreciation and amortisation	27,334	—	—	110	27,444

	LI-NING brand	Double Happiness brand	Lotto brand	All other brands	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2009 (Unaudited)					
Total assets	**3,443,302**	**867,400**	**492,810**	**266,520**	**5,070,032**
Inter-segment elimination	**(66,431)**	**(11)**	**(8,950)**	**(20,101)**	**(95,493)**
Segment Assets	**3,376,871**	**867,389**	**483,860**	**246,419**	**4,974,539**
As at 31 December 2008 (Audited)					
Total assets	3,496,215	841,108	—	101,148	4,438,471
Inter-segment elimination	(101,542)	—	—	—	(101,542)
Segment Assets	3,394,673	841,108	—	101,148	4,336,929

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

	Unaudited Six months ended 30 June 2009	2008
	RMB'000	*RMB'000*
Operating profit	**685,843**	452,556
Finance income	**3,340**	9,772
Finance costs	**(38,927)**	(15,147)
Profit before income tax	**650,256**	447,181

Geographical information	Revenue Unaudited Six months ended 30 June **2009**	2008	Non-current assets Unaudited 30 June **2009**	Audited 31 December 2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (including the Hong Kong Special Administrative Region)	**3,996,669**	3,027,917	**2,027,381**	1,449,131
Other regions	**55,186**	32,851	**2,590**	413
Total	**4,051,855**	3,060,768	**2,029,971**	1,449,544

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

Non-current assets by geographical location other than deferred income tax assets (there are no financial instruments or employment benefit assets and rights arising under insurance contracts) are determined on basis of the location of the relevant assets.

The Group has a large number of customers. For the six months ended 30 June 2009, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

4. Trade receivables

	Unaudited 30 June 2009 *RMB'000*	Audited 31 December 2008 *RMB'000*
Accounts receivable	**912,229**	1,055,171
Notes receivable	**93,123**	40,710
	1,005,352	1,095,881
Less: provision for impairment of receivables	**(2,243)**	(5,305)
	1,003,109	1,090,576

Customers are normally granted credit terms within 90 days. As at 30 June 2009, trade receivables that were neither past due nor impaired amounted to RMB967,482,000 (31 December 2008: RMB941,481,000). Trade receivables that were past due but not impaired amounted to RMB35,627,000 (31 December 2008: RMB149,095,000) which relate to a number of independent customers for whom there is no recent history of default and with outstanding receivables aged from 91 to 180 days as at 30 June 2009.

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

	Unaudited 30 June 2009 *RMB'000*	Audited 31 December 2008 *RMB'000*
0–30 days	**438,478**	382,364
31–60 days	**253,765**	301,836
61–90 days	**275,239**	257,281
91–180 days	**35,627**	149,095
181–365 days	**1,441**	2,708
Over 365 days	**802**	2,597
	1,005,352	1,095,881

As at 30 June 2009, trade receivables of RMB2,243,000 (31 December 2008: RMB5,305,000) were impaired for which full provision of impairment has been made. The impairment was firstly assessed individually for significant or long ageing balances, and the remaining balances were grouped for collective assessment according to their ageing and historical default rates as these customers were of similar credit risk.

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

	Unaudited	
	2009	2008
	RMB'000	*RMB'000*
As at 1 January	**5,305**	4,809
Provision for impairment of receivables	**1,530**	2,333
Receivables written off during the period as uncollectible	**(1,109)**	(448)
Unused amount reversed	**(3,483)**	—
As at 30 June	**2,243**	6,694

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. The Group does not hold any collateral as security.

5. Trade payables

The normal credit period for trade payables generally ranges from 30 to 60 days. Ageing analysis of trade payables at the respective balance sheet dates is as follows:

	Unaudited	Audited
	30 June	31 December
	2009	2008
	RMB'000	*RMB'000*
0–30 days	**670,284**	652,739
31–60 days	**40,855**	175,007
61–90 days	**4,219**	27,587
91–180 days	**6,466**	1,506
181–365 days	**10,761**	3,618
Over 365 days	**3,674**	3,013
	736,259	863,470

6. Expenses by nature

	Unaudited Six months ended 30 June 2009 *RMB'000*	2008 *RMB'000*
Cost of inventories recognised as expenses included in cost of sales	**1,987,945**	1,482,962
Depreciation on property, plant and equipment	**46,390**	31,707
Amortisation of land use rights and intangible assets	**41,023**	11,007
Advertising and marketing expenses	**622,697**	571,037
Director and employee benefit expenses	**314,776**	202,834
Operating lease rentals in respect of land and buildings	**118,739**	107,179
Research and product development expenses	**94,089**	91,027
Transportation and logistics expenses	**56,327**	45,819
(Reversal of)/Provision for impairment charge of receivables	**(1,953)**	2,333
Write-down of inventories to net realisable value	**6,335**	16,703
Auditor's remuneration	**2,032**	2,110
Management consulting expenses	**42,065**	27,228
Travelling and entertainment expenses	**50,813**	38,656
Other expenses	**53,946**	37,639
Total of cost of sales, distribution costs and administrative expenses	**3,435,224**	2,668,241

7. Other income

	Unaudited Six months ended 30 June 2009 *RMB'000*	2008 *RMB'000*
Government grants *(Note a)*	**69,212**	60,029

Note:

(a) The Group received subsidies from various local governments in the PRC amounting to RMB69,212,000 for the six months ended 30 June 2009 (30 June 2008: RMB60,029,000).

8. **Finance income and costs**

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Interest income on bank balances and deposits	**3,340**	5,198
Net foreign currency exchange gain	**—**	4,574
Finance income	**3,340**	9,772
Amortisation of discount – license fees payable	**(20,019)**	(2,336)
Interest expense on bank borrowings	**(14,458)**	(12,811)
Net foreign currency exchange loss	**(1,548)**	—
Bank and other charges	**(2,902)**	—
Finance costs	**(38,927)**	(15,147)
Finance costs – net	**(35,587)**	(5,375)

9. **Income taxes**

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax *(Note b)*	**786**	639
– The PRC corporate income tax *(Note c)*	**172,416**	124,052
	173,202	124,691
Deferred income tax	**(7,981)**	(11,242)
	165,221	113,449

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 six months ended 30 June 2009 (30 June 2008: 16.5%).

(c) Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (30 June 2008: 25%) on the assessable income of each of the group companies in the PRC, except that certain subsidiaries of the Company are taxed at preferential tax rates of 20% under the relevant PRC tax rules and regulations.

10. 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	
	2009	2008
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**472,540**	333,732
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(in thousands)*	**1,037,926**	1,035,285
Basic earnings per share *(RMB cents)*	**45.53**	32.24

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares to be issued under 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 and the unvested awarded shares. 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 awarded shares, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per shares, of which details are as follows:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	**472,540**	333,732
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(in thousands)*	**1,037,926**	1,035,285
Adjustment for share options and awarded shares *(in thousands)*	**12,641**	15,948
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**1,050,567**	1,051,233
Diluted earnings per share *(RMB cents)*	**44.98**	31.75

11. Dividends

The final dividend for the year ended 31 December 2008 amounting to RMB114,508,000 was paid in May 2009 (the final and special dividends for the year ended 31 December 2007: RMB175,407,000).

In addition, an interim dividend of RMB13.58 cents per ordinary share for the six months ended 30 June 2009 (30 June 2008: RMB9.63 cents) was declared by the board of directors on 26 August 2009. It is payable on or around 25 September 2009 to shareholders whose names appear on the Company's register of members on 18 September 2009. This interim dividend, amounting to RMB141,761,000 (30 June 2008: RMB100,071,000), has not been recognised as a liability in this interim financial information. It will be recognised as an appropriation of distributable reserves in the financial statements of the Group and the Company for the year ending 31 December 2009.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB13.58 cents per ordinary share for the six months ended 30 June 2009 (2008: RMB9.63 cents), representing an increase of 41.0% over the corresponding period last year. The dividend will be paid in Hong Kong Dollars based on the rate of HK$1.00 = RMB0.8814, 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 paid on or around 25 September 2009 to shareholders whose names appear on the register of members of the Company on 18 September 2009.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 17 September 2009 to Friday, 18 September 2009 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms 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, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 16 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2009, the impact of the global financial crisis continued, and China's, as well as the world's economies, had been adjusting amid the turmoil. As the series of economic stimulus package promulgated by the Central Government started to take effect, China's economy showed signs of recovery in the second quarter. However, relevant statistics indicated that the economic recovery was being driven primarily by the government, that social investment-led consumption remained subdued and real economic recovery was still on shaky ground. With the global economy still reeling from the effects of the financial crisis, many uncertainties remain on China's economic recovery.

Notwithstanding the complex economic environment, the Group has strived to enhance its underlying strengths, on one hand enhancing its core competitiveness, while on the other hand intensifying the development of new businesses to strengthen its multi-brand structure. Meanwhile, through implementing prudent and effective management measures, the Group was able to achieve satisfactory results for the first half of 2009.

Financial Review

Key results and financial indicators of the Group for the six months ended 30 June 2009 are set out below:

	Unaudited Six months ended 30 June		**Change**
	2009	2008	(%)
Items of income statement			
(All amounts in RMB thousands unless otherwise stated)			
Revenue	**4,051,855**	3,060,768	32.4
Gross profit	**1,936,560**	1,482,194	30.7
Operating profit	**685,843**	452,556	51.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**773,256**	495,270	56.1
Profit attributable to equity holders	**472,540**	333,732	41.6
Basic earnings per share *(RMB cents) (Note 1)*	**45.53**	32.24	41.2
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	**47.8**	48.4	
Operating profit margin *(%)*	**16.9**	14.8	
Effective tax rate *(%)*	**25.4**	25.4	
Margin of profit attributable to equity holders *(%)*	**11.7**	10.9	
Return on equity holders' equity – half year *(%)*	**22.5**	18.3	
Asset efficiency ratios			
Average inventory turnover *(days) (Note 2)*	**56**	61	
Average trade receivables turnover *(days) (Note 3)*	**47**	47	
Average trade payables turnover *(days) (Note 4)*	**68**	71	

	Unaudited 30 June 2009	Audited 31 December 2008
Asset ratios		
Debt-to-equity ratio (%) *(Note 5)*	**107.6**	118.5
Net asset value per share *(RMB cents)*	**240.85**	201.51

Notes:

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

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

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

Revenue

The Group's revenue for the six months ended 30 June 2009 amounted to RMB4,051,855,000, representing a growth of 32.4% as compared to the corresponding period last year.

Revenue breakdown by brand and product category

	Six months ended 30 June				
	2009		2008		**Revenue**
		% of total		% of total	**growth**
	RMB'000	**revenue**	*RMB'000*	revenue	*(%)*
LI-NING brand					
Footwear	**1,716,824**	**42.4**	1,385,329	45.3	23.9
Apparel	**1,812,696**	**44.7**	1,448,690	47.3	25.1
Equipment/accessories	**207,354**	**5.1**	168,402	5.5	23.1
Total	**3,736,874**	**92.2**	3,002,421	98.1	24.5
Double Happiness brand					
Equipment/accessories	**219,037**	**5.4**	N/A	N/A	N/A
Total	**219,037**	**5.4**	N/A	N/A	N/A
Lotto brand					
Footwear	**6,153**	**0.2**	N/A	N/A	N/A
Apparel	**8,939**	**0.2**	N/A	N/A	N/A
Accessories	**344**	**0.0**	N/A	N/A	N/A
Total	**15,436**	**0.4**	N/A	N/A	N/A
Other brands*					
Footwear	**24,947**	**0.6**	18,973	0.6	31.5
Apparel	**46,826**	**1.2**	37,358	1.2	25.3
Equipment/accessories	**8,735**	**0.2**	2,016	0.1	333.4
Total	**80,508**	**2.0**	58,347	1.9	38.0
Total					
Footwear	**1,747,924**	**43.2**	1,404,302	45.9	24.5
Apparel	**1,868,461**	**46.1**	1,486,048	48.5	25.7
Equipment/accessories	**435,470**	**10.7**	170,418	5.6	155.5
Total	**4,051,855**	**100.0**	3,060,768	100.0	32.4

* *Including AIGLE, Z-DO and Kason.*

The Group's core brand, the LI-NING brand, generated RMB3,736,874,000 in revenue which accounted for 92.2% of the Group's total revenue and represented an increase of 24.5% as compared to the corresponding period last year. Footwear products recorded a 23.9% growth in sales, apparel products recorded a 25.1% growth in sales while the sales of equipment and accessories were up 23.1%. The global financial crisis continued to have an impact, stunting growth in the sporting goods sector for the first half of 2009. Despite the difficult economic environment, the Group continued to achieve stable growth in revenue by making great efforts in the following aspects: (i) providing more sales channel support and continuing expansion of sales channel coverage, while focusing on strengthening retail management and improving services at the retail level; (ii) product research and development and design in line with market segments and consumer preferences, with a special focus on the launch of the Group's new business, LI-NING brand badminton products; and (iii) driving the building of a flexible and effective supply chain structure in order to improve operational efficiency.

As new additions to the Group's brand portfolio in the second half of last year, Double Happiness brand and Lotto brand recorded revenue of RMB219,037,000 and RMB15,436,000, which accounted for 5.4% and 0.4% of the Group's total revenue, respectively. Total revenue generated by AIGLE, Z-DO and Kason brands during the period was RMB80,508,000, accounting for a relatively small proportion of the Group's total revenue.

Percentage of revenue by sales channel

	Six months ended 30 June	
	2009	2008
	% of total revenue	% of total revenue
LI-NING brand		
PRC market		
Sales to franchised distributors	**81.3**	84.5
Sales by directly-managed retail stores	**10.1**	12.5
International markets	**0.8**	1.1
Double Happiness brand		
PRC market		
Sales through wholesale and integrated sporting goods stores	**4.8**	N/A
International markets	**0.6**	N/A
Lotto brand		
PRC market		
Sales to franchised distributors	**0.2**	N/A
Sales by directly-managed retail stores	**0.2**	N/A
Other brands*		
PRC market	**2.0**	1.9
Total	**100.0**	100.0

* *Including AIGLE, Z-DO and Kason.*

LI-NING brand products are mainly sold through franchised distributors and also through directly-managed retail stores. During the period, LI-NING brand's revenue generated from sales to franchised distributors amounted to RMB3,293,055,000, representing a period-on-period increase of 27.3% and accounting for 88.1% of the total revenue of the LI-NING brand. Revenue generated from sales by directly-managed retail stores amounted to RMB412,631,000, representing a period-on-period increase of 7.8% and accounting for 11.0% of the total revenue of the LI-NING brand for the period. The above revenue growth trend was in line with the sales model of the LI-NING brand, which uses franchised distributors as the major sales channel.

Double Happiness brand products are mainly sold through wholesale and integrated sporting goods stores.

Lotto brand products are sold through franchised distributors and directly-managed retail stores. During the period, revenue generated from sales to franchised distributors amounted to RMB8,281,000 and revenue generated from sales by directly-managed retail stores amounted to RMB7,155,000, which accounted for 53.6% and 46.4% of the total revenue of Lotto brand for the period, respectively.

Revenue breakdown by geographical location

		Six months ended 30 June				
		2009		2008		**Revenue**
			% of total		% of total	**growth**
	Note	***RMB'000***	**revenue**	*RMB'000*	revenue	*(%)*
LI-NING brand						
PRC market						
Eastern region	*1*	**1,460,464**	**36.0**	1,191,725	38.9	22.6
Northern region	*2*	**1,574,544**	**38.9**	1,246,381	40.7	26.3
Southern region	*3*	**670,678**	**16.5**	531,464	17.4	26.2
International markets		**31,188**	**0.8**	32,851	1.1	–5.1
Double Happiness brand						
PRC market		**195,039**	**4.8**	N/A	N/A	N/A
International markets		**23,998**	**0.6**	N/A	N/A	N/A
Lotto brand						
PRC market		**15,436**	**0.4**	N/A	N/A	N/A
Other brands*						
PRC market		**80,508**	**2.0**	58,347	1.9	38.0
Total		**4,051,855**	**100.0**	3,060,768	100.0	32.4

* *Including AIGLE, Z-DO and Kason.*

Notes:

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

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

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

During the period, having been affected to a relatively larger extent by the current economic downturn and the relatively higher market saturation in the area, revenue of LI-NING brand in the eastern region recorded a period-on-period growth of 22.6%, which was lower than that in the northern and southern regions. The Group is striving to intensify sales channel monitoring and to strengthen management and control of the retail capability of stores in order to maintain the continuous steady growth of revenue in that region. Under the direct impact of the global financial crisis, revenue from international markets recorded a period-on-period decrease of 5.1%.

Cost of Sales and Gross Profit

For the six months ended 30 June 2009, cost of sales for the Group amounted to RMB2,115,295,000 (2008: RMB1,578,574,000), and overall gross profit margin was 47.8% (2008: 48.4%). Overall gross profit margin was slightly lower than the previous year, mainly due to the difference in product positioning of the Group's new brands and the disposal of outmoded Lotto brand products at discounted price.

Cost of sales of LI-NING brand amounted to RMB1,915,445,000 (2008: RMB1,545,421,000), and gross profit margin was 48.7% (2008: 48.5%). In the first half of the year, in the midst of uncertainty over recovery of the macro economy and the weakness in consumer confidence, the Group managed to maintain the gross profit margin through appropriate cost control and pricing strategy in line with the brand's competitiveness.

Cost of sales of Double Happiness brand amounted to RMB129,754,000, and gross profit margin was 40.8%. Gross profit margin of Double Happiness brand is in line with its brand positioning.

Cost of sales of Lotto brand amounted to RMB15,881,000, and gross profit margin was -2.9%. The negative gross profit margin was mainly due to the inclusion of the relatively higher product development costs in the cost of sales in the period, which is a treatment consistently applied by the Group in the financial statements prepared in accordance with International Accounting Standards. The gross profit margin with exclusion of such expenses would be 42.0%. The gross profit margin for the period was also affected by the disposal of outmoded products at discounted price, which was inventory in China assumed by the Group pursuant to the relevant agreement entered into by the Group on 31 July 2008 in conjunction with the license agreement in relation to Lotto trademarks.

Distribution Costs

For the six months ended 30 June 2009, the Group's distribution costs amounted to RMB1,038,764,000 (2008: 898,410,000), accounting for 25.6% of the Group's total revenue (2008: 29.4%).

Distribution costs of LI-NING brand amounted to RMB969,028,000 (2008: RMB879,552,000), which accounted for 25.9% of LI-NING brand's revenue and represented a decrease of 3.4 percentage points from 29.3% in the corresponding period last year. During the period, the Group's advertising expenses were lower than those substantially incurred for the Olympics-related marketing campaign in the corresponding period last year. Rises in sponsorship fees, shop renovation expenses, transportation and logistics costs and other expenses remained stable. Due to the Group's effective management of expenses, salaries and benefits of sales recorded a steady increase, while depreciation and other sundry expenses remained stable. As a result, the overall percentage of distribution costs to total revenue decreased as compared to the corresponding period last year.

Distribution costs of Double Happiness brand amounted to RMB18,207,000, which accounted for 8.3% of Double Happiness brand's revenue and mainly comprised advertising expenses, sponsorship fees and other marketing expenses, as well as salaries and other benefits for sales staff.

Distribution costs of Lotto brand amounted to RMB32,285,000, which accounted for 209.2% of Lotto brand's revenue and included the amortisation fee of license rights of RMB9,845,000 for the period. Distribution costs would account for 145.4% of Lotto brand's revenue if such amortisation fee was excluded. According to International Accounting Standards, the 20-year license rights in relation to Lotto trademarks (the "Lotto License") carry a present value of RMB393,798,000 and should be recognised as "Intangible assets – license rights" and amortised in each relevant period using the straight-line method starting from the current year. Distribution costs also comprised advertising expenses, special promotions in shopping centres and daily operation expenses. The Group launched extensive channel expansion and brand promotion for Lotto brand in 2009, resulting in relatively higher level of marketing expenses for advertising, special promotions in shopping centres and channel establishment during the period.

Administrative Expenses

For the six months ended 30 June 2009, the Group's administrative expenses amounted to RMB281,165,000 (2008: RMB191,257,000), which accounted for 6.9% of the Group's total revenue (2008: 6.2%).

Administrative expenses of LI-NING brand amounted to RMB245,053,000 (2008: RMB183,754,000), which mainly comprised directors' and staff costs, management consulting expenses, basic research and development expenses, office rental, provision for impairment of assets, depreciation and amortisation charges and other sundry expenses. Administrative expenses accounted for 6.6% of LI-NING brand's revenue, representing an increase of 0.5 percentage points as compared to 6.1% in the corresponding period last year. To cater for the Group's rapid growth and strategic needs, the Group increased its investment in human resources and consultancy during the period. Office rental and other sundry expenses also increased due to the general surge in market rates.

Administrative expenses of Double Happiness brand amounted to RMB29,879,000, which accounted for 13.6% of Double Happiness brand's revenue. Such expenses mainly comprised staff costs, depreciation and amortisation charges and other sundry expenses.

Administrative expenses of Lotto brand amounted to RMB2,744,000, which accounted for 17.8% of Lotto brand's revenue. Such expenses mainly comprised staff costs, basic research and development expenses, depreciation and amortisation charges and other sundry expenses.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

For the six months ended 30 June 2009, the Group's EBITDA amounted to RMB773,256,000 (2008: RMB495,270,000), representing an increase of 56.1% as compared to the corresponding period last year.

EBITDA of LI-NING brand amounted to RMB740,447,000 (2008: RMB496,327,000), representing an increase of 49.2% as compared to the corresponding period last year. This was mainly attributable to stable gross profit margin and the significant reduction of the rate of distribution costs.

EBITDA of Double Happiness brand amounted to RMB53,256,000.

Lotto brand was at its preliminary stage of development and promotion, which involved relatively higher product research and development expenses and brand promotion expenses. As a result, EBITDA of Lotto brand during the period was RMB-25,218,000.

Finance Costs

For the six months ended 30 June 2009, the Group's net finance costs amounted to RMB35,587,000 (2008: RMB5,375,000), representing 0.9% of the Group's total revenue, among which the interest expense charged in the period for the discounted license fee payable for the Lotto License was RMB15,208,000 using the effective interest method in accordance with International Accounting Standards.

Income Tax Expense

For the six months ended 30 June 2009, income tax expense of the Group amounted to RMB165,221,000 (2008: RMB113,449,000). The effective tax rate was 25.4% (2008: 25.4%).

Consolidated Profitability

For the six months ended 30 June 2009, the Group's profit attributable to equity holders amounted to RMB472,540,000 (2008: RMB333,732,000), representing an increase of 41.6% as compared to the corresponding period last year. Margin of profit attributable to equity holders for the period was 11.7% (2008: 10.9%), representing an increase of 0.8 percentage points as compared to the corresponding period last year.

During the period, the Group's return on equity was 22.5% (2008: 18.3%), representing an increase of 4.2 percentage points as compared to the corresponding period last year. The Group's relatively higher return on equity recorded was a result of the management's goal of maximizing the benefits for shareholders through full utilization of the Group's resources, professional management and operation and reasonable cost control.

Provision for Inventories

The Group's policy in respect of provision for inventories for the first half of 2009 was the same as that in 2008. Inventories 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 provision for inventories.

As at 30 June 2009, accumulated provision for inventories was RMB74,486,000 (31 December 2008: RMB68,151,000).

Provision for Doubtful Debts

The Group's policy in respect of provision for doubtful debts for the first half of 2009 was the same as that in 2008.

As at 30 June 2009, the accumulated provision for doubtful debts was RMB2,243,000 (31 December 2008: RMB5,305,000).

Liquidity and Financial Resources

The Group's net cash inflow from operating activities for the six months ended 30 June 2009 amounted to RMB723,323,000 (2008: RMB574,986,000). As at 30 June 2009, cash and cash equivalents (including cash at banks and cash in hand, and fixed deposits held at banks with original maturity of no more than three months) amounted to RMB1,041,597,000, representing a net increase of RMB253,557,000 as compared with the position as at 31 December 2008. The increase was brought about by the following items:

Items	Six months ended 30 June 2009 *RMB'000*
Net cash inflow generated from operating activities	**723,323**
Net capital expenditure*	**(77,803)**
Payment for acquisition of Kason	**(79,080)**
Dividends paid	**(114,508)**
Net proceeds from bank borrowings	**(296,030)**
Net decrease of restricted bank deposits	**99,227**
Other net cash outflow	**(1,572)**
Net increase in cash and cash equivalents	**253,557**

* *Net capital expenditure has deducted the amount of government grant received for purchase of a land use right.*

The Group has always pursued a prudent treasury management policy. The Group places strong emphasis on the safety and liquidity of funds and is in a strong liquidity position. Through effective finance management, bank borrowings as at the end of the period decreased to RMB311,410,000 from RMB607,480,000 at the beginning of the period, which reduced the interest expense of bank borrowings. The outstanding bank borrowings to equity holders' equity ratio was 13.6% (31 December 2008: 32.0%).

The Group also has sufficient standby bank credit facilities to cope with the funding needs arising from daily operations and future developments. As at 30 June 2009, the Group's standby banking facilities amounted to RMB1,510,560,000, including the outstanding bank borrowings of RMB311,410,000.

As at 30 June 2009, the Group did not hedge its exposure to interest rate risks.

Foreign Exchange Risk

The operation of the Group is mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. During the period, the Group established a subsidiary in Singapore for expansion of international business and Singapore Dollars is used as the local functional currency. As international business continues to develop, the number of transactions settled in Singapore Dollars will increase gradually. A small amount of the Group's cash and bank deposits are denominated in Hong Kong Dollars, United States Dollars, Euros and Singapore Dollars. The Company pays dividends in Hong Kong Dollars when dividends are declared. In addition, the Group pays certain license fees and sponsorship fees in United States Dollars or Euros, and repays part of bank borrowings in Hong Kong Dollars.

The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the period. Any significant exchange rate fluctuations of foreign currencies against Renminbi may have a financial impact on the Group.

Pledge of Assets

As at 30 June 2009, buildings with net book value of RMB42,410,000 (31 December 2008: RMB45,469,000) and land use rights with net book value of RMB78,600,000 (31 December 2008: RMB79,525,000) of the Group were pledged to secure certain bank borrowings of the Group.

Contingent Liabilities

During the period, the Group terminated a financial guarantee for the benefit of an affiliated company in respect of a banking facility. As at 30 June 2009, the Group had no significant contingent liabilities.

Operation Review

During the first half of 2009, the effect of the economic environment as well as the inventory pressure from the previous year resulted in constant aggressive discounting by major competing brands. In addition, higher rainfalls and temperatures during the first half of the year also affected customer flow. Amidst the unfavourable market conditions, the Group proactively managed the challenges and achieved sustained and stable business growth through adopting measures in integrated brand marketing and promotion, product design, research and development, sales channel expansion and management and supply chain management.

While maintaining the healthy growth of the core LI-NING brand, the Group continued to develop new business opportunities and tap into new market segments in order to add additional dimensions to the Group's long-term development.

LI-NING Brand

Brand Promotion and Marketing

Brand building is the focus of the Group's business and reflects the Group's core competencies. In August 2009, together with other well-known brands in China, LI-NING brand was elected by the "60th Anniversary of the Founding of New China – 60 Brands Promoting China's Economy and with Impact on People's Live" (新中國成立60周年 – 推動中國經濟‧影響民眾生活的60個品牌), an activity organized by the CCTV, demonstrating the far-reaching influence and the good brand image of LI-NING brand.

The Group's long established sports marketing resources and the growing integrated marketing capabilities continued to enhance the brand image and brand equity of the LI-NING brand following the Beijing Olympics. In March 2009, the Group announced the sponsorship of Elena Isinbayeva, a Russian pole vault athlete, who is a two-time Olympics gold medalist, three-time winner of the International Association of Athletics Federations' World Athlete of the Year and 26-time world record holder. The Group's other top-class sports marketing resources, including China's five national gold medal-winning teams, namely, Badminton, Table Tennis, Diving, Gymnastics and Shooting teams, the Spanish Basketball Team and Argentina Basketball Team, are expected to build on their brilliant performances and strike new heights in the 2012 London Olympics.

During the period, the Group implemented the following key marketing initiatives for the different sports categories:

Badminton
In April 2009, the Group officially signed up the Chinese National Badminton Team. In conjunction with this sponsorship, the Group carried out a series of activities which integrated marketing, product and retail as a whole.

In April this year, the Group held a press conference in Beijing to announce the signing of the Chinese National Badminton Team. A ceremony to announce the participation of the Chinese National Badminton Team in the Sudirman Cup as well as the launch of new badminton gear was held in Tian He City, Guangzhou in May. Together with consumer interaction activities organized with participation of the badminton stars and the outdoor and media advertisements featuring the Chinese National Badminton Team, consumers' impression of LI-NING brand's badminton products and the association of the LI-NING brand with badminton were significantly enhanced.

Apart from providing full professional gear to the Chinese National Badminton Team, the Group also tailor-made the gear for key sports stars such as Lin Dan (林丹) and Cai Yun (蔡贇). The Chinese National Badminton Team participated in the Sudirman Cup tournament with the full LI-NING gear in May this year, winning the championship for the 3rd consecutive year and 7th time overall. LI-NING brand badminton rackets, apparel and shoes made a glowing debut on the international badminton tournament scene.

Badminton is now at its golden stage of development in China. There is an enormous level of badminton participation in China and it is one of the country's fastest growing sporting activities. Television coverage and the audience for badminton increased rapidly during the previous three Olympic Games, and reached new heights at the Beijing Olympics. Tapping into this vibrant market segment is one of the Group's important strategies in sports category differentiation and badminton products will be a key focus of the Group's future strategic plan.

During the period, LI-NING brand badminton products began their entry into Southeast Asia, one of the world's biggest badminton markets. The Group announced the sponsorship of the Singapore National Badminton Team and Singapore Open in June this year, and established the first badminton flagship store in ION Orchard mall in Singapore in July. This symbolizes an important step of the Group's brand internationalization and lays a solid foundation in support of the Group's development in overseas markets.

Running
Running is also a sport that enjoys high popularity in China. The Group's ongoing promotion and sponsorship in running are aimed at building maximum awareness and coverage.

- The Group's first interactive platform for running in China, LI-NING iRUN running club, has been established for almost three years. This club organizes its members to participate in a number of competitions across the nation and has established a multi-function website (www.irun.cn), with information including professional knowledge of running, members' community and forum, introduction of running products, entertainment and events, providing an integrated resources platform for the development of running products.

- With the debut of the sixth generation of superlight series of running shoes, "Cicada's Shadow" (蟬影), the Group launched the theme "Fun Run" (撒開跑、就快活) during the period and cooperated with Sina to strengthen consumers' knowledge of running. In May this year, a "night run" themed activity "LI-NING FUN RUN Super Night" (李寧FUNRUN超級晚) was held in Beijing. Approximately 5,000 participants experienced the pleasure of running at the 6km night run and concert, which enhanced the trendiness and consumers' positive impression of the brand.

- The Group sponsored 17 provincial track and field teams in China and has conducted the design, research and development of products especially for a number of track and field sports such as short-, medium- and long-distance running, throwing events, 400m hurdles and marathons. LI-NING brand products will gain exposure in a number of events during the upcoming 11th National Games.

Fitness

- The Group strived to highlight brand differentiation and brand personality in the promotion of fitness. With special emphasis on the unique beauty of oriental women, the Group launched the theme "Inner Shine" during the period. Promotional media, such as television, internet and outdoor were used to highlight the oriental beauty and the LI-NING brand personality under the theme "Inner Shine", which has resulted in extensive positive feedback from female consumers.

- Following the partnership with Beijing's Nirvana Yoga (北京青鳥瑜伽), the Group entered into a cooperation agreement with Beijing CSI Fitness Investment Management Limited (北京中體健身投資管理有限公司) ("CSI") in June 2009. CSI is established by China Sports Industry Group Co. Ltd. (中體產業集團股份有限公司), the first listed sporting company in China. This cooperation includes two club brands of CSI, namely, "CSI Fitness Club" (中體健身會) (community fitness club) and "CSI Bally Total Fitness Club" (中體倍力健身俱樂部) (commercial fitness club). The Group will collaborate with CSI's clubs in various cities across the nation for staff uniforms, professional equipment, professional courses, marketing activities, fitness events and coach training.

Basketball

The Group has currently signed up a total of three NBA stars, Shaquille O'Neal, Baron Davis and Jose Calderon. A series of promotion activities was carried out during the period, such as the limited sale of O'Neal's All-star MVP Shoes at flagship stores and the first quarter brand marketing activity titled "Fearless" which attracted a large number of consumers. These represent the Group's valuable marketing resources in basketball and the fruitful outcome of the Group's strategies of internationalization and professionalization.

Tennis

In February 2009, the Group announced the sponsorship of Yan Zi (晏紫), one of the champions in the women's doubles finals of the 2006 Australian Tennis Open and the 2006 Wimbledon Tennis Open as well as the bronze medalist in the women's tennis doubles finals of the 2008 Beijing Olympics. Chinese contestant Yang Tsung-hua (楊宗樺), champion in the junior men's tennis single finals of the French Open, participated in that tournament with LI-NING brand gear. In addition, as an official partner of the Association of Tennis Professionals (ATP) in China, the Group has sponsored about 20 ATP players under the "Apparel Sponsorship Plan for ATP Players" for the current year tournaments. They included Ivan Ljubicic and Wesley Moodie, the silver medalist in the men's tennis doubles finals of the 2009 French Open. Such sponsorship and promotion of tennis events actively accelerated the development of the Group's tennis products and the overall development of the LI-NING brand.

Community Marketing Events

The Group also held marketing activities targeting the mass population through sponsorship and organization of various events targeting sports enthusiasts and young people. These included the Chinese University Football League (CUFL) and nation-wide basketball events. The Group's meticulously planned programme, "LI-NING Hero Vans" (李寧英雄大篷車), aimed at encouraging sports enthusiasts to participate in sports activities and enjoy the pleasure of sports, will travel across China for 175 days during the year, covering 70 cities with over 250,000 participants. In addition, the "LI-NING Sports World" (李寧運動天地) web was also put online on the sports section of the official website of CCTV. These marketing and promotion activities, targeting our primary group of existing and potential consumers of sports products, have a far-reaching positive impact on brand-building and the Group's long-term development.

In order to better define its target customer segments and establish its unique brand positioning and personality, the Group continued the preparation works for the LI-NING brand revamp programme during the period. With the preparatory work of brand strategy formulation and product planning now basically completed, the Group will focus on developing the communication strategy with retail consumers as the next step.

Product Design, Research and Development

As a leading brand in the sporting goods industry in China, the Group places strong emphasis on product research and development as well as enhancement of the technological content of products with a view to offering consumers the most professional products that cater to their needs.

The Group has design, research and development centres in mainland China, Hong Kong and Portland, Oregon in the United States, each staffed by an excellent team of professionals. The Group has also worked on an ongoing basis with reputable education institutions and professional bodies in conducting research and development. Established in November 2008, the Li Ning Sports Science Research and Development Centre specializes in sports science research, product testing, research and development of core technology and enhancement of product functionality, which helps take the Group's technological standard to a higher level and contribute to the technological innovation of China sporting products.

The Group's local and international sports marketing resources are grounded on solid strength in product design, research and development:

- The Group signed up the Chinese National Badminton Team during the period. Badminton has a high technological requirement on its sports gear. With in-depth knowledge of the latest trends in badminton technology and in light of the characteristics of the sport, the Group's research and development team has used special techniques in tailor-making a comprehensive range of professional products for athletes. In terms of footwear products, the Group completed the design, research and development as well as production of a special rubber formula and improvement in slip prevention and durability within six months — saving 50% in time as compared to traditional workflow. On apparel products, the Group used seamless fit and weaving technologies as well as the advanced four-needle, six-thread sewing method. The four different categories of badminton rackets, namely "Wind" (風), "Fire" (火), "Hill" (山) and "Woodland" (林) epitomize the blend of Chinese traditional art of war and modern technology. The Chinese National Badminton Team, with the full LI-NING brand gear, won the Sudirman Cup held in May 2009. The technological performance and practical experience of the LI-NING brand badminton gear, including the handle grip and attacking power of rackets, comfort and protection of footwear products, as well as fitness, moisture-absorption and quick-dry ability of apparel products, have all met the professional needs of the Chinese National Badminton Team.

- The Group designed and developed the competition shoes worn by the leading pole vault athlete Elena Isinbayeva who gave strong praise for the footwear product and the accompanying apparel. The competition gear worn by NBA star Shaquille O'Neal, Ivan Ljubicic in the Australian Tennis Open, Yan Zi (晏紫) in the French Tennis Open as well as the professional products worn by the China Football Stars Premier League, all displaying the Group's strengths in design, research and development.

Super lightweight series of running shoes is one of the Group's popular products, which includes the stylish and comfortable "Superlight" series and the "Functionlight" series with emphasis on functionality. Efforts have been made on product segmentation to highlight the product positioning, enrich the product offering and enhance the professionalism of running shoes, while enabling consumers to choose the running shoes that best fit their needs. During the period, the Group launched the sixth generation of the "Superlight" series, known as "Cicada's Shadow" (蟬影), which employs the principle of bionics in design that places strong emphasis on reducing the weight of shoes and ensuring superior ventilation, while maintaining maximum support and protection in the shoe front as well as a powerful grip capability in the sole. This series was well-received by consumers. Launched at the same time, the "Functionlight" series of running shoes features a simple and practical structure with high technological content. Ever since the first generation of super lightweight series of running shoes, "Runfree", to the sixth generation of "Cicada's Shadow" (蟬影), each generation of the lightweight LI-NING running shoes has provided consumers the experience of comfort, while attaining professional standards in lightweight and stability, demonstrating the Group's innovation and competence in research and development.

Quality products need strong research and development support. The Group continued its in-depth development in the core patented "LI-NING BOW" (李寧弓) anti-shock technology, the "LI-NING Shoe Tree" (李寧楦) technology used in developing the shoe tree that best fits the foot shape of most Chinese consumers, as well as the development and improvements in shoe sole technology. On the apparel technology front, the Group continued to collaborate with core suppliers for the development of a series of functional products applying the AT DRY SMART technology to improve moisture-absorption and ventilation, bringing comfortable wearing experience to consumers.

The Group also places great emphasis on improving the efficiency of product design, research and development and streamlining the research and development flow. The Group made use of the Product Lifecycle Management System to establish various databases, including the product sample database and weaving technology database, enabling various departments to share the information on a common platform, and hence making the workflow more professional and efficient. The Group has also set up a library of apparel materials in Beijing, Foshan and Hong Kong with the aim of sharing the latest technology information and industry trends.

Sales Channel Expansion and Management

During the period, the number of LI-NING brand retail outlets continued to grow steadily. As at 30 June 2009, there were 6,809 LI-NING brand retail stores in China, a net increase of 564 stores for the period and the distribution and retail networks comprised:

- 130 distributors operating a total of 6,464 LI-NING brand franchised retail stores across China; and
- a total of 345 directly-managed LI-NING brand retail stores in Beijing, Shanghai and 15 provinces in China.

Number of franchised and directly-managed retail stores

LI-LING brand stores	**30 June 2009**	31 December 2008	**Change** *(%)*
Franchised retail stores	**6,464**	5,935	8.9
Directly-managed retail stores	**345**	310	11.3
Total	**6,809**	6,245	9.0

The Group considers second- and third-tier cities the market segments in China with the highest growth potential. More than 80% of the newly opened LI-NING brand stores during the period are in such market tiers. In addition to this strategic channel penetration focusing on second- and third-tier cities, LI-NING brand products are sold through a national distribution and retail network covering all provinces and municipalities in China.

Number of stores by geographical location

LI-NING brand stores	**30 June 2009**	31 December 2008	**Change** *(%)*
Eastern region *(Note 1)*	**2,918**	2,587	12.8
Northern region *(Note 2)*	**2,373**	2,204	7.7
Southern region *(Note 3)*	**1,518**	1,454	4.4
Total	**6,809**	6,245	9.0

Notes:

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

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

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

During the first half of 2009, the Group implemented the following measures to expand and manage sales channels for the LI-NING brand:

- Actively expanded sales channel coverage, with the total number of stores growing satisfactorily;

- Identified prime locations to open flagship stores. Spacious, pleasantly refurbished and comprehensively-stocked LI-NING brand flagship stores were opened in major metropolitans and most first-tier cities to increase influence of the LI-NING brand and drive sales. As at 30 June 2009, there were a total of 11 LI-NING brand flagship stores operating in China;

- Continued to upgrade existing stores with latest trends and styles, highlighting the professionalism of sports with the addition of an oriental ambience so as to better communicate LI-NING's brand personality, values and spirit and to promote the sporting and consumption experience of consumers; and

- Focused on strengthening the Group's capabilities of managing the sales channel covering distributors, sub-distributors and retail outlets in order to improve store efficiency.

Supply Chain Management

The Group endeavours to transform its traditional supply chain system into a demand-driven, flexible and effective one. During the first half of 2009, the Group undertook the following measures in respect of supply chain management:

- Hosted two large-scale order fairs of new products of LI-NING brand for distributors;

- Continued to optimize supply chain planning that regulates output based on demand, and purchases based on outputs, in an effort to further reduce the minimum required inventory level and warehousing time. The Group also stepped up the implementation of direct delivery to alleviate the gridlock built up in logistics operations. Purchase order-taking mechanism was also optimized to smooth the entire supply chain process;

- Adopted a delivery logistics model to cater for different retail demands and merchandise varieties, and integrated logistics resources to enhance efficiency, reduce costs and shorten warehousing and transit time;

- Established a supplier information database to enable monitoring of order statistics by delivery dates, accumulated output of finished goods, unfinished goods and goods in the pipeline, and to provide support for future demand shifts;

- Optimized procurement system and cost management, established procurement centers, integrated resources to improve the procurement efficiency and reduce procurement costs;

- Invited a number of core suppliers to set up production facilities in Jingmen Industrial City, Hubei in order to ensure that the supply chain can adapt to the needs of the market in a timely manner while mitigating the pressure from increasing costs. The Group is also setting up a "LI-NING Logistics Centre" (李寧物流中心) in the City, which will be developed into a base that brings together manufacturing and distribution;

- Continued to optimize supply chain and inventory management, which resulted in shortening of the inventory turnover cycle to 56 days from 61 days of the corresponding period last year, underscoring the improvements in asset turnover capability; and

- Exercised prudent credit control and effective management of receivables, conducive to maintenance of the average trade receivables turnover cycle of 47 days, which is equal to the corresponding period last year.

In future, the Group will continue to optimize the supply chain so as to better accommodate business growth.

Double Happiness Brand

The Group completed its acquisition of a 57.5% equity interest in Shanghai Double Happiness Co., Ltd. in July 2008. Shanghai Double Happiness Co., Ltd. and its subsidiaries (together, "Double Happiness") are principally engaged in the manufacture, research and development, marketing and sales of table tennis, badminton and other sports equipment. Its brands include the Double Happiness brand, which is best-known internationally for its high quality table tennis products.

For the six months ended 30 June 2009, Double Happiness recorded revenue of RMB219,037,000, which was below expectation due to the impact of the economic downturn.

During the period under review, Double Happiness continued to adopt sponsorship of sports stars and sports events as its core marketing and promotion strategy. Double Happiness signed up leading table tennis players in China including Wang Hao (王皓), Ma Lin (馬琳), Wang Liqin (王勵勤) and Ma Long (馬龍) as well as various table tennis teams such as the Spanish Table Tennis Team. Double Happiness also actively sponsored various professional tournaments in China and around the world. These included the Table Tennis World Tour (with 17 stops), World Cup (Male and Female), China Table Tennis Super League as well as the Youth World Weightlifting Championships and China National Youth Weightlifting Championships. Early in the year, Double Happiness and the International Table Tennis Federation finalized a collaboration agreement for the provision of professional table tennis equipment for over 10 major tournaments, including the 2010 Singapore Youth Olympics and 2012 London Olympics.

Double Happiness maintains a strong product research, development and design capability. In line with the reform stipulated by the International Table Tennis Federation, Double Happiness commenced research and development in inorganic glue in 2007 and, in two years, has made remarkable breakthroughs in the development of a new generation of inorganic glue and related personal equipment. These products have passed the examination of the International Table Tennis Federation and become one of the first batches of professional gear to be used in international tournaments. The gear was also tried and tested in the 50th World Table Tennis Championships held in Yokohama this year where it earned glowing praise from the Chinese National Table Tennis Team. In addition to professional gear, Double Happiness also rolled out various new products of personal equipment in 2009 in keeping with the inorganic generation, thus helping to fill the gaps in the inorganic glue market.

Double Happiness also pays much attention to the reform of its product appearance. Building on the foundation of its "Rainbow" table tennis tables, it has launched a new series called "Golden Rainbow", which was used in the China Table Tennis Open held in June this year.

Double Happiness brand products are distributed mainly via wholesale and integrated sporting goods stores channels. It has adopted a wholesale model with a relatively stable clientele across 30 provinces and cities in China, and employs an agency model for its international business.

To cater for market demand and to establish a competitive supply chain, Double Happiness embraced the following strategies:

- Implemented the SAP-R/3 software system to streamline business operations and shorten the product supply cycle;

- Improved inventory management to ensure sufficient product supply and satisfy customers' needs;

- Adjusted the business model using OEMs to outsource the manufacturing of low value-added products in order to lower production costs; and

- Rolled out new products in the annual sporting goods exhibitions to increase market share.

Indoor sports enjoy immense popularity in China, with many players reaching top-notch international standards. Given its superiority in table tennis, the Group believes that Double Happiness helps strengthen the Group's position in the table tennis sector in China. LI-NING and Double Happiness brands will continue to enjoy the synergies in areas such as brand marketing and promotion, sports tournament sponsorships and sales channel expansion.

Lotto Brand

In July 2008, a wholly-owned subsidiary of the Company entered into a license agreement with Lotto Sport H.K. Limited ("Lotto Sport"), which is ultimately beneficially owned by Lotto Sport Italia S.p.A. Pursuant to the agreement, Lotto Sport has granted the subsidiary an exclusive license of 20 years to use specified Lotto trademarks in China in connection with the development, manufacture, marketing, distribution and sale of licensed products.

Lotto is one of the leading sports brands in Europe, with an impressive track record in soccer and tennis. Leveraging on the mutual strengths in identifying market trends and insights in developing innovative products, the Group has now finalized the market and brand positioning strategies for Lotto brand by injecting vitality to the brand through the rolling out of a series of fashionable products that blend taste and sensuality.

During the first half of 2009, the Group adopted a multi-directional marketing strategy to promote the Lotto brand debut, including the brand launch press conference around the theme of "Live it up" (which stands for stylish, personality, innovative and energetic), internet warm-up activities and follow-up reports via print, TV and internet. The Group also arranged product sponsorships for TV programmes, pop stars and events to successfully enhance the awareness and influence of Lotto brand.

Given the brand positioning, Lotto brand's store expansion focuses on shop-in-shop in major shopping malls located in metropolitan and first-tier cities, complemented by stores located at key commercial streets.

For the six months ended 30 June 2009, Lotto brand recorded better than expected revenue of RMB15,436,000. Order status in the order fairs held during the period was satisfactory. As at 30 June 2009, Lotto brand had a total of 55 stores, 49 of which were added during the period. This fell short of target due to the delay in store expansion in shopping malls affected mainly by the economic downturn.

The Group commenced the Lotto brand business in 2009 and will continue to improve the product structure and design in order to establish the unique brand personality of Lotto. The sports lifestyle market in China has experienced rapid growth in recent years as consumers continue to lead a more versatile and leisure-filled lifestyle. The Group believes that the macro-economic downturn will only have a short-term effect. Leveraging on the Group's solid distribution platform as well as its deep understanding of the China market, the Group targets to achieve significant development of the Lotto brand within the next 2–3 years.

Other Brands

Kason Brand

The Group has completed the acquisition of the entire issued capital of Kason Sports (Hong Kong) Limited for a consideration of RMB165 million. Kason Sports (Hong Kong) Limited and its subsidiary (together, "Kason"), which were consolidated in the Company's accounts since May 2009, are principally engaged in the research and development, manufacture and sales of professional badminton equipment under the Kason brand, including rackets, strings, shuttlecocks, badminton apparel, footwear and accessories. Kason brand was established in 1991 and is one of the major badminton equipment brands in China. Its sponsorships include the Chinese National Youth Badminton Team and some other provincial badminton teams.

The acquisition forms an integral part of the Group's badminton strategy. It not only combines Kason's leading manufacturing techniques and research and development capabilities with the Group's core competencies, but also fully utilizes the mutual advantages in sports marketing resources, enabling the Group to gain market share in the badminton sector.

At present, the Group has completed the integration and streamlining of Kason's business, including the integration of staff function, organization restructuring and staff reallocation, while retaining Kason's key professional management and technical team. The Group will establish a research and development and production centre for LI-NING brand badminton products with Kason's existing technology research and development centre and manufacturing facilities as a foundation. The Group will also continue to formulate comprehensive plans to integrate Kason's brand positioning, product structure, research and development as well as sales channel.

Z-DO Brand

Z-DO is a subsidiary brand of LI-NING, which utilizes hypermarkets as its sales channel. Z-DO brand's business shares resources with the LI-NING brand to achieve economies of scale; however, there are large differences in terms of sales model, sales network and product portfolio between the two brands. Z-DO brand's operation model is maturing and major strategies implemented during the period include:

- Shifting the sales mode from solely the shop-in-shop in hypermarkets established by distributors to gradually expanding into the shelves of hypermarkets to better match with the demand characteristics and the consumption mode of hypermarkets, while enabling gathering of first-hand sales intelligence to ensure swift response;

- Achieving cost savings through distributor selection and direct selling on shelves of hypermarkets to ensure competitive pricing for hypermarket channel; and

- Complementing the LI-NING brand by developing a product portfolio that caters to the needs of hypermarket channel.

Z-DO brand's business leverages on the existing resources of the LI-NING brand, with limited investment from the Group, hence it is a low risk business venture for the Group.

AIGLE Brand

AIGLE brand specializes in high-end outdoor sports and casual apparel and footwear products. It serves as the Group's attempt to explore the outdoor sporting goods sector. During the period, AIGLE brand adopted the following strategies:

- Building a competitive edge by developing functional yet casual products with stylish appearance;
- Enhancing brand image and awareness by continual placement of print advertisements in travel and other outdoor magazines;
- Launch of membership system to develop core customer group and making use of promotional offers and product mix to drive sales;
- Opening of outlets and organizing membership activities to manage inventory;
- Collaboration with AIGLE France and AIGLE Hong Kong to enhance product mix and to lower cost as well as working with suppliers in France and Hong Kong to implement a localized supply chain; and
- Replicated the management style and experience of the directly-managed retail stores and key strategic stores in metropolitan cities to stores established by distributors in order to drive channel and market expansion.

A satisfactory consumption trend for high-end outdoor sporting goods takes longer to establish. Single-store growth of AIGLE brand is starting to improve gradually as its business model gradually matures. The Group will continue to strengthen AIGLE brand's unique positioning and competitive edge to enhance brand awareness and to improve product quality while reducing cost and stepping up channel expansion and management, with a view to making AIGLE brand a complement to the LI-NING brand.

Human Resources

As at 30 June 2009, the Group had 4,409 employees (31 December 2008: 4,001), of whom 289 were from the newly acquired Kason. Apart from the increase of manpower in product and sales systems, the number of other employees remained stable during the period.

The Group views its workforce as an important asset and has placed special emphasis in the hiring, nurturing, motivation and retention of staff. During the period, to tie up with the Group's strategic development needs, the Group went to great lengths to build its organization structure and organization efficiency monitoring system, staff recruitment system, talent development and incentive systems, human resources database system and professionalism and leadership skills of staff. The Group has strived to be a dependable employer that meets the professional career development needs of its staff.

The Group adopts a quantitative-based key performance indicators appraisal system by linking its strategic goals in quantifiable terms to individual levels. Remuneration packages for individual staff members are an effective integration of corporate performance, departmental objectives and individual merit. This system serves to reward outstanding achievers by motivating staff to become passionate and creative in their work while aligning individual goals to the Group's strategic objectives. In addition to a basic salary, key employees with outstanding performance will be rewarded by way of cash, restricted shares, share options, individual awards, or a combination of these, with a view to best aligns the interests of the employees to that of the Company.

Outlook

The year 2009 marks the first year of the Group's new five-year plan. During the second half of 2009, the Group will continue to implement the following strategies:

- Proceed with the preparatory work for the LI-NING brand revamp in order to better focus on its target consumer groups and to enhance the core competencies of the brand;

- Improve store performance through effective measures and continue to expand the retail network so as to strengthen and enhance market position;

- Establish a flexible and effective supply chain system to better support business growth; and

- Pursue development of new businesses to create more growth drivers.

From the macroeconomic perspective, China's economy continued to experience a slowdown in growth in the first quarter of 2009. However, the various economic measures promulgated by the Central Government delivered their preliminary objective of averting further downturns. Nonetheless, in light of the lingering global financial crisis and the structural changes of the China's economy, the macroeconomic environment is still clouded with uncertainties.

The fast-moving consumer goods sector that the Group operates in is very vulnerable to the direct impact from the economic crises. Based on the Group's assessments of the macro economy and industry growth, there are still substantial obstacles inhibiting the growth of the sporting goods industry in 2009. As competition among brands continues to intensify, price competition will persist throughout the year. The order values for the third and fourth quarters, as gathered during the order fairs hosted in the first half, respectively grew 12.7% and 14.5% as compared to the corresponding period last year, indicating weak sentiment among distributors in response to the economic crisis.

In the medium to long term, with the intensifying urbanization and the steady growth in urban populations, disposable income of the urban population rises accordingly. Consumption power of Chinese nationals strengthens and the demand for sports and leisure increases. All of these are expected to sustain the medium to long term growth of the sporting goods industry. The success in hosting the Beijing Olympics has strengthened the Central Government's determination in grooming the country into a sports superpower, a policy direction that virtually guarantees the development of sports brands. The enthusiasm will continue after the 2008 Beijing Olympics with a flurry of major events now in the pipeline, including the 11th National Games in Shandong, the East Asian Games in Hong Kong later in 2009 and the Asian Games in Guangzhou in 2010. China's sporting goods industry is still in a rapid-growth trend with rich growth potential.

Brand operations possess a competitive edge in the industry value chain and are helping to lead the industry's development. While stronger participants are pooling more resources into this promising sector, there is increasing concentration among a few major brands which are increasingly substitutive to one another, indicating intensifying competition. From a segmental development perspective, different market segments in China have experienced rapid growth in the last few years. Among these segments, second- and third-tier cities have the greatest potential and will evolve into major battlefields in the future.

Challenges breed opportunities. The adverse macroeconomic situation poses great challenge to those in the retail industry, including the Group. In light of the pressure surrounding China's and the world's economies, and the uncertain macroeconomic environment, the Group will continue to adopt proactive, yet cautious strategies with an aim to achieve sustainable growth and to create better value for shareholders and investors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company had not redeemed any of its shares during the six months ended 30 June 2009. Except for the Restricted Share Award Scheme Trust, neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

Throughout the period under review, the Company has complied with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 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 2008.

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 2009.

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the Group's interim financial information for the six months ended 30 June 2009 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

Hong Kong, 26 August 2009

As at the date of this announcement, the executive directors of the Company are Mr. Li Ning, Mr. Zhang Zhi Yong and Mr. Chong Yik Kay. The non-executive directors are Mr. Lim Meng Ann, Mr. Stuart Schonberger, Mr. Chu Wah Hui and Mr. James Chun-Hsien Wei. The independent non-executive directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei 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.