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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 2010

INTERIM RESULTS HIGHLIGHTS

- Revenue rose by 11.2% to RMB4,505 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18.0% to RMB913 million
- Profit attributable to equity holders grew by 23.1% to RMB582 million
- Margin of profit attributable to equity holders increased by 1.2 percentage points to 12.9%
- Basic earnings per share increased by 22.1% to RMB55.58 cents
- Declared an interim dividend of RMB22.15 cents per ordinary share, an increase of 63.1%
- Number of LI-NING brand retail stores reached 7,478, a net increase of 229 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 2010, together with comparative figures, as follows:

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 30 June 2010** *RMB'000*	Audited As at 31 December 2009 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**627,179**	638,181
Land use rights		**385,061**	386,705
Intangible assets		**834,570**	869,911
Deferred income tax assets		**175,331**	193,109
Available-for-sale financial assets		**12,000**	–
Other receivables and prepayments		**126,642**	127,989
Total non-current assets		**2,160,783**	2,215,895
Current assets			
Inventories		**610,779**	631,528
Trade receivables	*4*	**1,332,503**	1,069,404
Other receivables and prepayments – current portion		**232,670**	194,446
Term deposit with initial term of over three months		**2,500**	–
Restricted bank deposits		**1,542**	2,254
Cash and cash equivalents		**1,436,574**	1,264,343
Total current assets		**3,616,568**	3,161,975
Total assets		**5,777,351**	5,377,870

	Note	Unaudited As at 30 June 2010 *RMB'000*	Audited As at 31 December 2009 *RMB'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**111,158**	110,898
Share premium		**272,190**	243,553
Shares held for Restricted Share Award Scheme		**(53,125)**	(53,239)
Other reserves		**351,275**	332,378
Retained profits			
– Dividend declared/proposed	*11*	**232,626**	236,049
– Others		**2,153,963**	1,804,869
		3,068,087	2,674,508
Non-controlling interests		**199,652**	187,603
Total equity		**3,267,739**	2,862,111
LIABILITIES			
Non-current liabilities			
License fees payable		**491,471**	496,812
Deferred income tax liabilities		**93,509**	90,401
Deferred income		**62,971**	63,618
Total non-current liabilities		**647,951**	650,831
Current liabilities			
Trade payables	*5*	**976,480**	826,433
Other payables and accruals		**565,256**	570,780
License fees payable – current portion		**71,651**	59,330
Current income tax liabilities		**16,386**	148,415
Borrowings		**231,888**	259,970
Total current liabilities		**1,861,661**	1,864,928
Total liabilities		**2,509,612**	2,515,759
Total equity and liabilities		**5,777,351**	5,377,870
Net current assets		**1,754,907**	1,297,047
Total assets less current liabilities		**3,915,690**	3,512,942

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June **2010** ***RMB'000***	 2009 *RMB'000*
Revenue	*3*	**4,504,565**	4,051,855
Cost of sales	*6*	**(2,346,125)**	(2,115,295)
Gross profit		**2,158,440**	1,936,560
Distribution costs	*6*	**(1,107,963)**	(1,038,764)
Administrative expenses	*6*	**(324,508)**	(281,165)
Other income	*7*	**87,288**	69,212
Operating profit		**813,257**	685,843
Finance income	*8*	**4,042**	3,340
Finance costs	*8*	**(26,518)**	(38,927)
Finance costs – net		**(22,476)**	(35,587)
Profit before income tax		**790,781**	650,256
Income tax expense	*9*	**(197,700)**	(165,221)
Profit for the period		**593,081**	485,035
Attributable to:			
Equity holders of the Company		**581,566**	472,540
Non-controlling interests		**11,515**	12,495
		593,081	485,035
Earnings per share for profit attributable to equity holders of the Company ***(RMB cents)***			
– basic	*10*	**55.58**	45.53
– diluted	*10*	**54.68**	44.98
Dividends	*11*	**232,626**	141,761

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit for the period	**593,081**	485,035
Other comprehensive income:		
Currency translation differences	**331**	(41)
Total comprehensive income for the period	**593,412**	484,994
Attributable to:		
Equity holders of the Company	**581,897**	472,499
Non-controlling interests	**11,515**	12,495
	593,412	484,994

Notes to Condensed Consolidated Interim Financial Information

1. General information

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

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

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated, and was approved for issue on 25 August 2010 by the Board.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standard 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 2009, which have been prepared in accordance with International Financial Reporting Standards.

The adoption of the revised standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 January 2010, does not have any significant impact to the results and financial position of the Group for the six months ended 30 June 2010.

3. Revenue and segment information

The management of the Company ("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 this financial information.

Revenue consists of sales from LI-NING brand, Double Happiness brand, Lotto brand and all other brands, which are RMB4,133,855,000, RMB236,202,000, RMB47,336,000 and RMB87,172,000 for the six months ended 30 June 2010 and RMB3,736,874,000, RMB219,037,000, RMB15,436,000 and RMB80,508,000 for the six months ended 30 June 2009 respectively.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to Management is measured in a manner consistent with that in the condensed consolidated 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 2010					
Total revenue	**4,133,855**	**236,474**	**83,112**	**103,911**	**4,557,352**
Inter-segment revenue	**–**	**(272)**	**(35,776)**	**(16,739)**	**(52,787)**
Revenue from external customers	**4,133,855**	**236,202**	**47,336**	**87,172**	**4,504,565**
Operating profit/(loss)	**833,092**	**35,757**	**(52,719)**	**(2,873)**	**813,257**
Distribution costs and administrative expenses	**1,269,857**	**55,654**	**73,379**	**33,581**	**1,432,471**
Include:					
– depreciation and amortisation	**59,453**	**9,255**	**10,051**	**3,388**	**82,147**
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

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

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Operating profit	**813,257**	685,843
Finance income	**4,042**	3,340
Finance costs	**(26,518)**	(38,927)
Profit before income tax	**790,781**	650,256

Geographical information of revenue

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
The PRC (including the Hong Kong Special Administrative Region)	**4,433,096**	3,996,669
Other regions	**71,469**	55,186
Total	**4,504,565**	4,051,855

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

The Group has a large number of customers. For the six months ended 30 June 2010 and 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 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
Accounts receivable	**1,315,887**	1,028,017
Notes receivable	**22,050**	42,571
	1,337,937	1,070,588
Less: provision for impairment of receivables	**(5,434)**	(1,184)
	1,332,503	1,069,404

Customers are normally granted credit terms within 90 days. As at 30 June 2010, trade receivables that were neither past due nor impaired amounted to RMB1,264,461,000 (31 December 2009: RMB1,027,215,000). Trade receivables that were past due but not impaired amounted to RMB68,042,000 (31 December 2009: RMB42,189,000) 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 2010.

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

	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000*
0 – 30 days	**615,602**	506,049
31 – 60 days	**348,016**	314,897
61 – 90 days	**300,843**	206,269
91 – 180 days	**68,042**	42,189
181 – 365 days	**5,157**	1,000
Over 365 days	**277**	184
	1,337,937	1,070,588

As at 30 June 2010, trade receivables of RMB5,434,000 (31 December 2009: RMB1,184,000) 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	
	2010	2009
	RMB'000	*RMB'000*
As at 1 January	**1,184**	5,305
Provision for impairment/(reversal of provision) of receivables	**4,266**	(1,953)
Receivables written off during the period as uncollectible	**(16)**	(1,109)
As at 30 June	**5,434**	2,243

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
	2010	2009
	RMB'000	*RMB'000*
0 – 30 days	**726,340**	786,082
31 – 60 days	**214,916**	9,340
61 – 90 days	**18,393**	18,851
91 – 180 days	**6,735**	9,726
181 – 365 days	**9,096**	1,053
Over 365 days	**1,000**	1,381
	976,480	826,433

6. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses included in cost of sales	**2,213,226**	1,987,945
Depreciation on property, plant and equipment	**49,861**	46,390
Amortisation of land use rights and intangible assets	**49,486**	41,023
Advertising and marketing expenses	**595,394**	622,697
Director and employee benefit expenses	**344,957**	314,776
Operating lease rentals in respect of land and buildings	**163,248**	118,739
Research and product development expenses	**111,353**	94,089
Transportation and logistics expenses	**76,595**	56,327
Provision/(reversal of provision) for impairment charge of receivables	**4,266**	(1,953)
Write-down of inventories to net realisable value	**43,463**	6,335
Auditor's remuneration	**2,205**	2,032
Management consulting expenses	**32,360**	42,065
Travelling and entertainment expenses	**59,504**	50,813
Other expenses	**32,678**	53,946
Total of cost of sales, distribution costs and administrative expenses	**3,778,596**	3,435,224

7. **Other income**

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Government grants *(Note a)*	**87,288**	69,212

Note:

(a) This represented subsidies received from various local governments in the PRC during the period.

8. **Finance income and costs**

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Finance income – interest income on bank balances and deposits	**4,042**	3,340
Amortisation of discount – license fees payable	**(20,558)**	(20,019)
Interest expense on bank borrowings	**(1,727)**	(14,458)
Net foreign currency exchange loss	**(1,579)**	(1,548)
Others	**(2,654)**	(2,902)
Finance costs	**(26,518)**	(38,927)
Finance costs – net	**(22,476)**	(35,587)

9. **Income taxes**

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax *(Note b)*	**850**	786
– The PRC corporate income tax *(Note c)*	**173,964**	172,416
– Withholding income tax on dividends distributed from subsidiaries in PRC *(Note d)*	**2,000**	–
	176,814	173,202
Deferred income tax		
– Withholding income tax on undistributed profits from subsidiaries in PRC *(Note d)*	**5,270**	–
– Origination and reversal of other temporary differences	**15,616**	(7,981)
	20,886	(7,981)
	197,700	165,221

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 2010 (30 June 2009: 16.5%).

(c) Provision for the PRC corporate income tax is calculated based on the statutory tax rate of 25% (30 June 2009: 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 22% (30 June 2009: 20%) under the relevant PRC tax rules and regulations.

(d) Dividends derived from the Company's subsidiaries in the PRC earned after 1 January 2008 are subject to withholding tax at the rate of 5%. During the six months ended 30 June 2010, the Group reassessed its needs to make distributions out of its subsidiaries in the PRC. As a result, withholding income tax has been provided for the dividends already distributed during the period and undistributed profits to the extent they are expected to be distributed in future.

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 the Restricted Share Award Scheme during the period.

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**581,566**	472,540
Weighted average number of ordinary shares in issue less shares held for the Restricted Share Award Scheme *(in thousands)*	**1,046,364**	1,037,926
Basic earnings per share *(RMB cents)*	**55.58**	45.53

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 the 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	
	2010	2009
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	**581,566**	472,540
Weighted average number of ordinary shares in issue less shares held for the Restricted Share Award Scheme *(in thousands)*	**1,046,364**	1,037,926
Adjustment for share options and awarded shares *(in thousands)*	**17,236**	12,641
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**1,063,600**	1,050,567
Diluted earnings per share *(RMB cents)*	**54.68**	44.98

11. Dividends

The final dividend for the year ended 31 December 2009 amounting to RMB235,895,000 (31 December 2008: RMB114,508,000) was paid in May 2010.

In addition, an interim dividend of RMB22.15 cents per ordinary share for the six months ended 30 June 2010 (30 June 2009: RMB13.58 cents) was declared by the Board on 25 August 2010. It is payable on or around 24 September 2010 to shareholders whose names appear on the Company's register of members on 17 September 2010. This interim dividend, amounting to RMB232,626,000 (30 June 2009: RMB141,761,000), 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 2010.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB22.15 cents per ordinary share for the six months ended 30 June 2010 (2009: RMB13.58 cents), representing an increase of 63.1% over the corresponding period last year. The dividend will be paid in Hong Kong Dollars based on the rate of HK$1.00 = RMB0.87448, being the middle exchange rate of Hong Kong Dollars against Renminbi as quoted by the People's Bank of China as at the date of this announcement. The dividend will be paid on or around 24 September 2010 to shareholders whose names appear on the register of members of the Company on 17 September 2010.

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, 16 September 2010 to Friday, 17 September 2010 (both days inclusive), during which period no transfer of shares of the Company 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, 15 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Continuing the economic rebound in 2009, China's macroeconomic environment maintained its growth momentum during the first half of 2010. However, uncertainties remained as we witnessed the outbreak of the Euro debt crisis on the international front and the ongoing re-adjustment of China's economy. China's economic growth is still driven mainly through investments, while export growth remained sluggish. Consumption recovered mainly in industries supported by government policies such as automotive and home appliances. China's sporting goods industry continued its growth, however, the pace has slowed down. Price slashing and fierce challenges over channel distribution resources further fueled competition in the industry.

Notwithstanding the unstable and challenging external environment, the Group, through sound and effective management measures, maintained satisfactory performance in various key financial indicators and achieved strong results in profit and return on equity during the first half of 2010, thereby continuing to create value for shareholders and investors.

In addition to promoting short-term growth, the Group also attached importance to its long-term development. During the period, the Group embarked on the brand revitalisation strategy for the LI-NING brand and continued to put strong focus on brand innovation and product innovation, with an aim to laying a solid foundation for the Group's long-term stable growth. This reflects the Group's confidence in the future of the sporting goods industry in China.

FINANCIAL REVIEW

Key operating and financial indicators of the Group for the six months ended 30 June 2010 are set out below:

	Unaudited Six months ended 30 June 2010	2009	Change (%)
Items of income statement			
(All amounts in RMB thousands unless otherwise stated)			
Revenue	**4,504,565**	4,051,855	**11.2**
Gross profit	**2,158,440**	1,936,560	**11.5**
Operating profit	**813,257**	685,843	**18.6**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**912,604**	773,256	**18.0**
Profit attributable to equity holders	**581,566**	472,540	**23.1**
Basic earnings per share *(RMB cents) (Note 1)*	**55.58**	45.53	**22.1**
Key financial ratios			
Profitability ratios			
Gross profit margin *(%)*	**47.9**	47.8	
Operating profit margin *(%)*	**18.1**	16.9	
Effective tax rate *(%)*	**25.0**	25.4	
Margin of profit attributable to equity holders *(%)*	**12.9**	11.7	
Return on equity holders' equity – half year *(%)*	**20.3**	22.5	
Expenses as a % of revenue			
Director and employee benefits expenses *(%)*	**7.7**	7.8	
Advertising and marketing expenses *(%)*	**13.2**	15.4	
Research and product development expenses *(%)*	**2.5**	2.3	
Asset efficiency			
Average inventory turnover *(days) (Note 2)*	**48**	56	
Average trade receivables turnover *(days) (Note 3)*	**48**	47	
Average trade payables turnover *(days) (Note 4)*	**70**	68	

	As at 30 June 2010	As at 31 December 2009
Asset ratios		
Debt-to-equity ratio *(%) (Note 5)*	**81.8**	94.1
Interest-bearing debt-to-equity ratio (%) *(Note 6)*	**7.6**	9.7
Net asset value per share *(RMB cents)*	**311.85**	273.92

Notes:

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

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

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

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

6. The calculation of the interest-bearing debt-to-equity ratio is based on the total interest-bearing bank borrowings divided by the share capital and reserves 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 2010 amounted to RMB4,504,565,000, representing a growth of 11.2% as compared to the corresponding period last year.

Breakdown of revenue by brand and product category

	Six months ended 30 June				
	2010		2009		**Revenue**
		% of total		% of total	**Growth**
	RMB'000	**revenue**	*RMB'000*	revenue	**(%)**
LI-NING brand					
Footwear	**1,843,504**	**40.9**	1,716,824	42.4	**7.4**
Apparel	**2,036,036**	**45.3**	1,812,696	44.7	**12.3**
Equipment/accessories	**254,315**	**5.6**	207,354	5.1	**22.6**
Total	**4,133,855**	**91.8**	3,736,874	92.2	**10.6**
Double Happiness brand					
Equipment/accessories	**236,202**	**5.2**	219,037	5.4	**7.8**
Total	**236,202**	**5.2**	219,037	5.4	**7.8**
Lotto brand					
Footwear	**12,662**	**0.3**	6,153	0.2	**105.8**
Apparel	**33,168**	**0.7**	8,939	0.2	**271.0**
Equipment/accessories	**1,506**	**0.1**	344	0.0	**337.8**
Total	**47,336**	**1.1**	15,436	0.4	**206.7**
Other brands*					
Footwear	**28,005**	**0.6**	24,947	0.6	**12.3**
Apparel	**41,784**	**0.9**	46,826	1.2	**(10.8)**
Equipment/accessories	**17,383**	**0.4**	8,735	0.2	**99.0**
Total	**87,172**	**1.9**	80,508	2.0	**8.3**
Total					
Footwear	**1,884,171**	**41.8**	1,747,924	43.2	**7.8**
Apparel	**2,110,988**	**46.9**	1,868,461	46.1	**13.0**
Equipment/accessories	**509,406**	**11.3**	435,470	10.7	**17.0**
Total	**4,504,565**	**100.0**	4,051,855	100.0	**11.2**

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

The Group's core brand, the LI-NING brand, generated revenue of RMB4,133,855,000, which accounted for 91.8% of the Group's total revenue, representing an increase of 10.6% as compared to the corresponding period last year.

In order to safeguard the healthy and stable long-term development of the LI-NING brand and maintain its competitiveness in the complex economic environment, additional efforts have been stepped up for the LI-NING brand during the period to: (i) reinforce the establishment of the retail management system so as to enable rapid response and solution to problems of the retail terminals and safeguard the effective operation of the retail management system; (ii) formulate regional marketing plans to enable the effective implementation of brand marketing activities appropriate for the region; and (iii) promote the establishment of a demand-driven, flexible and effective supply chain system so as to upgrade the operational efficiency on a persistent basis.

The Group adheres to the strategy of developing multiple brands. Following continuous marketing efforts, recognition from more consumers of the product characteristics has been received.

Percentage of revenue of the respective brands by sales channel

	Six months ended 30 June		
	2010	2009	
	% of revenue of the respective brands	% of revenue of the respective brands	**Change (%)**
LI-NING brand			
PRC market			
Sales to franchised distributors	**85.2**	88.1	**(2.9)**
Sales by directly-managed retail stores	**13.7**	11.0	**2.7**
International market	**1.1**	0.9	**0.2**
Total	**100.0**	100.0	
Double Happiness brand			
PRC market	**89.6**	89.0	**0.6**
International market	**10.4**	11.0	**(0.6)**
Total	**100.0**	100.0	
Lotto brand			
PRC market	**100.0**	100.0	
Total	**100.0**	100.0	
Other brands*			
PRC market	**100.0**	100.0	
Total	**100.0**	100.0	

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

Breakdown of revenue by geographical location

		Six months ended 30 June				
		2010		2009		**Revenue**
			% of total		% of total	**Growth**
	Note	***RMB'000***	**revenue**	*RMB'000*	revenue	**(%)**
LI-NING brand						
PRC market						
Eastern region	*1*	**1,545,160**	**34.4**	1,460,464	36.0	**5.8**
Northern region	*2*	**1,808,186**	**40.1**	1,574,544	38.9	**14.8**
Southern region	*3*	**733,671**	**16.3**	670,678	16.5	**9.4**
International market		**46,838**	**1.0**	31,188	0.8	**50.2**
Double Happiness brand						
PRC market		**211,571**	**4.7**	195,039	4.8	**8.5**
International market		**24,631**	**0.5**	23,998	0.6	**2.6**
Lotto brand						
PRC market		**47,336**	**1.1**	15,436	0.4	**206.7**
Other brands*						
PRC market		**87,172**	**1.9**	80,508	2.0	**8.3**
Total		**4,504,565**	**100.0**	4,051,855	100.0	**11.2**

* *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, the Group continued to reinforce the retail operation and management system, thereby ensuring the persistent and stable growth in revenue of different regions. At the same time, the Group has further explored the Southeast Asian markets, especially Singapore and other new international market channels, leading to an increase of 50.2% in revenue from LI-NING brand in the international market compared to the same period last year.

Cost of Sales and Gross Profit

For the six months ended 30 June 2010, the cost of sales for the Group amounted to RMB2,346,125,000 (2009: RMB2,115,295,000), and its overall gross profit margin was 47.9% (2009: 47.8%), which remained stable and continued to run within the Group's optimal gross profit margins.

Cost of sales of LI-NING brand amounted to RMB2,117,886,000 (2009: RMB1,915,445,000), and its gross profit margin was 48.8% (2009: 48.7%). During the period, despite the challenges from the rising costs of raw materials and labour of the upstream suppliers in the industry, the Group managed to maintain its 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 RMB145,099,000 (2009: RMB129,754,000), and its gross profit margin was 38.6% (2009: 40.8%). The slight decrease in the gross profit margin of Double Happiness brand during the period was primarily attributable to the rising labour costs and raw materials prices. The gross profit margin of Double Happiness brand was in line with its brand positioning.

Cost of sales of Lotto brand amounted to RMB26,675,000 (2009: RMB15,881,000), and its gross profit margin was 43.6% (2009: -2.9%). With the Group's expansion of sales channels and continuous investment for the brand, the sales revenue of Lotto brand increased steadily and the impact of the research and development expenses on costs has decreased such that the gross profit margin rose substantially during the period.

Distribution Costs

For the six months ended 30 June 2010, the Group's distribution costs amounted to RMB1,107,963,000 (2009: RMB1,038,764,000), accounting for 24.6% of the Group's total revenue (2009: 25.6%).

Distribution costs of LI-NING brand amounted to RMB978,713,000 (2009: RMB969,028,000), which accounted for 23.7% of LI-NING brand's revenue and represented a decrease of 2.2 percentage points from 25.9% in the corresponding period last year. During the period, the Group's advertising expenses were lower than those in the corresponding period last year, which was mainly due to the fact that there were no major sports events in the first half of the year. The Group will strategically commit major resources to the second half of the year, such as the marketing expenses for the LI-NING brand revitalisation and the marketing activities for events such as the Guangzhou Asian Games. Salaries and benefits for sales staff, depreciation, amortisation and logistics costs recorded a steady increase. As a result, the overall percentage of distribution costs to total revenue decreased as compared to that of the corresponding period last year.

Distribution costs of Double Happiness brand amounted to RMB31,216,000 (2009: RMB18,207,000), which accounted for 13.2% of Double Happiness brand's revenue and represented an increase of 4.9 percentage points from 8.3% in the corresponding period last year. These costs mainly comprised advertising expenses, sponsorship fees and other marketing expenses, as well as salaries and other benefits for sales staff. The rise in the rate of distribution costs was a result of increased sponsorships of major events during the period.

Distribution costs of Lotto brand amounted to RMB71,101,000 (2009: RMB32,285,000), which mainly included fee of license rights, marketing expenses, salaries and other benefits for sales staff as well as operating lease rentals, of which the amortisation fee of license rights for the period in relation to the 20-year license relating to Lotto trademarks (the "Lotto License") amounted to RMB9,845,000 (2009: RMB9,845,000).

According to International Accounting Standards, the Lotto License carrying a present value of RMB393,798,000 has been recognised as "Intangible assets – license rights" and amortised in each relevant period using straight-line method and included in the distribution costs starting from the year 2009. In addition, unrecognised finance costs of RMB555,102,000 was recognised and has been amortised in each relevant period using the effective interest rate method and included in the finance costs starting from the year 2009. During the period, the amortised license rights amounted to RMB9,845,000 and the amortised finance costs was RMB16,196,000. The combined effect of these two costs on profit before tax for the period was RMB-26,041,000.

Being the new focus for the Group's business development, the Group continued to step up channel expansion and brand promotion for Lotto brand during the period, resulting in a 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 2010, the Group's administrative expenses amounted to RMB324,508,000 (2009: RMB281,165,000), which accounted for 7.2% of the Group's total revenue (2009: 6.9%).

Administrative expenses of LI-NING brand amounted to RMB291,144,000 (2009: RMB245,053,000), 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 7.0% of LI-NING brand's revenue, representing an increase of 0.4 percentage points as compared to 6.6% in the corresponding period last year. Given the special emphasis the Group has placed on product research and development, basic research and development expenses and their percentage to revenue increased during the period. Moreover, the Group has adopted corresponding treatment for the inventories bearing the LI-NING brand classic trademark in line with the brand revitalisation. Taking into account the stock clearance discounts offered in the wholesale segment, the Group made a reasonable special provision for the inventories bearing the classic trademark in the wholesale segment according to its prudent accounting principles, and such provision was included in the administrative expenses for the period, resulting in an increase in such expenses. The relevant treatment adopted by the Group will ensure that these inventories bearing the classic trademark are processed in an orderly manner.

Administrative expenses of Double Happiness brand amounted to RMB24,438,000 (2009: RMB29,879,000), which accounted for 10.3% of Double Happiness brand's revenue and represented a decrease of 3.3 percentage points from 13.6% in the corresponding period last year. Such expenses mainly comprised staff costs, depreciation and amortisation charges and other sundry expenses.

Administrative expenses of Lotto brand amounted to RMB2,278,000 (2009: RMB2,744,000), which accounted for 4.8% of Lotto brand's revenue. Such expenses mainly comprised staff costs, basic research and development expenses, depreciation and amortisation charges and other sundry expenses. During the period, sundry expenses and staff costs basically remained stable as a result of the reasonable cost control. As the products were still in their basic research and development stage during the corresponding period last year, the basic research and development expenses committed were relatively higher, and accordingly the overall administrative expenses declined during the period.

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

For the six months ended 30 June 2010, the Group's EBITDA amounted to RMB912,604,000 (2009: RMB773,256,000), representing an increase of 18.0% as compared to the corresponding period last year.

EBITDA of LI-NING brand amounted to RMB906,972,000 (2009: RMB740,447,000), representing an increase of 22.5% as compared to the corresponding period last year. This was mainly attributable to stable gross profit margin and the significant reduction of the ratio of distribution costs.

EBITDA of Double Happiness brand amounted to RMB47,570,000 (2009: RMB53,256,000), representing a decrease as compared to the corresponding period last year. Such decrease was mainly attributable to the rising distribution costs.

Lotto brand was at its preliminary stage of development and promotion, which involved relatively higher advertising and channel support expenses. As a result, EBITDA of Lotto brand during the period was RMB-42,668,000 (2009: RMB-25,218,000).

Finance Costs

For the six months ended 30 June 2010, the Group's finance costs amounted to RMB22,476,000 (2009: RMB35,587,000), accounting for 0.5% of the Group's total revenue. Of the finance costs, an interest expense of RMB16,196,000 was recognised for the discounted license fees payable for the Lotto License during the period using the effective interest method in accordance with International Accounting Standards.

Income Tax Expense

For the six months ended 30 June 2010, income tax expense of the Group amounted to RMB197,700,000 (2009: RMB165,221,000). The effective tax rate was 25.0% (2009: 25.4%).

Overall Profitability

For the six months ended 30 June 2010, the Group's profit attributable to equity holders amounted to RMB581,566,000 (2009: RMB472,540,000), representing an increase of 23.1% as compared to the corresponding period last year. Margin of profit attributable to equity holders for the period was 12.9% (2009: 11.7%), representing an increase of 1.2 percentage points as compared to the corresponding period last year.

During the period, the Group's return on equity was 20.3% (2009: 22.5%). The Group continued to record a relatively high return on equity as a result of the Management adhering to the objective of maximising the interests of shareholders through full utilisation 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 2010 was the same as that in 2009. Inventories are stated at the lower of cost and net realisable value. In the event that net realisable value falls below cost, the difference is taken as provision for inventories.

As at 30 June 2010, accumulated provision for inventories was RMB115,989,000 (31 December 2009: RMB72,526,000), which included the special provision for inventories in respect of the products bearing the classic trademark of the LI-NING brand in the wholesale segment during the period.

Provision for Doubtful Debts

The Group's policy in respect of provision for doubtful debts for the first half of 2010 was the same as that in 2009.

As at 30 June 2010, the accumulated provision for doubtful debts was RMB5,434,000 (31 December 2009: RMB1,184,000).

Liquidity and Financial Resources

The Group's net cash inflow from operating activities for the six months ended 30 June 2010 amounted to RMB529,033,000 (2009: RMB723,323,000). As at 30 June 2010, 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 RMB1,436,574,000, representing a net increase of RMB172,231,000 as compared with the position as at 31 December 2009. The increase was brought about by the following items:

Items	**Six months ended 30 June 2010** *RMB'000*
Net cash inflow generated from operating activities	**529,033**
Net capital expenditure	**(73,992)**
Settlement for acquisition of subsidiaries and payment for investment in a company	**(28,273)**
Dividends paid to equity holders of the Company	**(235,895)**
Dividends paid to non-controlling interests of a subsidiary	**(9,036)**
Bank borrowings – net	**(28,082)**
Other net cash inflow	**18,476**
Net increase in cash and cash equivalents	**172,231**

The Group always pursues 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 RMB231,888,000 from RMB259,970,000 at the beginning of the period, which reduced the interest expense of bank borrowings.

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 2010, the Group's available banking facilities amounted to RMB946,000,000, which included the outstanding bank borrowings of RMB231,888,000. The outstanding bank borrowings to equity holders' equity ratio (i.e., the gearing ratio) was 7.6% (31 December 2009: 9.7%).

During the period, 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. Moreover, the Group established subsidiaries in Singapore and the US for the expansion of its international business, and Singapore and US Dollars are used as the local functional currencies respectively. A small amount of the Group's cash and bank deposits are denominated in Hong Kong Dollars, US Dollars, Euros and Singapore Dollars. The Company pays dividends in Hong Kong Dollars. In addition, the Group pays certain license fees and sponsorship fees in US Dollars or Euros, and repays part of the 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 2010, buildings with a net book value of RMB33,843,000 (31 December 2009: RMB33,851,000) and land use rights with a net book value of RMB38,768,000 (31 December 2009: RMB39,324,000) of the Group were pledged to secure certain bank borrowings of companies of the Group.

Contingent Liabilities

As at 30 June 2010, the Group had no significant contingent liabilities.

BUSINESS REVIEW

During the first half of 2010, against the backdrop of a complex macro-economic environment and the increasing competition in the sporting goods industry, the Group proactively coped with the challenges through a combination of strategic measures and tactics as well as a fine-tuned coordination between long-term strategies and short-term execution plans. Thanks to the continuous efforts in enhancing the development of the Group's capabilities in brand marketing and promotion, product design, research and development, sales channel expansion and management, as well as supply chain management, the Group has strengthened its competitiveness in key areas such as brand awareness and product performance, thus achieving stable and sustainable business development.

LI-NING Brand

Brand Revitalisation

Brand building is the focus of the Group's business and reflects the Group's core competence. After several years of preparation, the Group unveiled the brand revitalisation strategy for the LI-NING brand on 30 June 2010 at its Beijing headquarters to mark the 20th anniversary of the LI-NING brand.

After two decades of rapid development, the LI-NING brand is well aware of the evolution of the sporting culture and the upward trend of the sporting goods industry in China. Taking reference from in-depth research of the maturity cycle of the market, industry development analysis, competition landscape analysis and positioning and understanding of the consumption trends, the Group sought to reconfigure the LI-NING brand's DNA to clearly define its brand positioning and target consumer groups. This helped give birth to a new personality and attitude for the LI-NING brand – a brand essence that best encapsulates the "inspiring sportsmanship", with a view to further strengthening brand loyalty.

The brand revitalisation strategy has integrated communications, product and retail experience to convey the brand's DNA to consumers in a continuous and consistent manner, and hence bringing consumers an authentic, meaningful, refreshing and innovative experience:

- Unveiled a new logo and a new slogan together with the "Post 90s LI-NING" (90後李寧) themed advertising campaign to express the brand's new proposition and positioning. The new logo of the LI-NING brand gives a new interpretation of the iconic attributes of the original logo in a modern design language. Not only does the new logo convey the rich visual heritage of the classic "LN" symbol, it also subtly outlines the "Li Ning Cross" gymnastic posture introduced by Mr. Li Ning. The new logo effectively conveys the brand's sports values using the resemblance of its shape to the Chinese character "人" meaning people, encouraging everybody to express themselves and achieve self-actualization through sports. The new slogan "Make the change" is adapted from a new brand manifesto that naturally transforms the evolution from "dare to think" to "dare to do", encouraging people to embrace change and achieve breakthroughs;

- The brand revitalisation campaign goes beyond upgrading the visual impact. Behind this facelift, the Group carried out a number of organisational revitalisation initiatives, including systemic upgrading of its sporting goods categorisation, division of business regions, product research and development and design. As part of the brand revitalisation process, the LI-NING brand also unveiled new product collections that carry rich new features: the "Athletic Pro" collection of top-notch sports gear for professional athletes, the multi-function "Urban Sports" collection for light urban sports, the all-orange "Brand Heritage" collection that illustrates the brand equity, and the "Crossover" collection that collaborates local and foreign design talents; and

- Innovation was also introduced at the retail level to offer consumers an authentic and meaningful brand retail experience.

This significant brand revitalisation campaign symbolises the efforts by the LI-NING brand to upgrade both brand innovation and product innovation.

In July 2010, the LI-NING brand was ranked 19th in the "Forbes 2010 Most Valuable China Brands", up four places from the same list released in 2007, and the second fastest growing in terms of the growth of brand value of the brands on the list. The list's adjudication panel considered that the gap between the LI-NING brand and international brands has been narrowed significantly through the brand's strategy in benchmark sports, its ongoing efforts in creating differentiation, its establishment of overseas research and development centres and its in-depth involvement in 2008 Beijing Olympics and 2010 Shanghai World Expo. The position that the LI-NING brand earned on Forbes' list is a result of the Group's ongoing efforts in brand building. It encourages us to work even harder towards our goal of becoming an international brand.

Brand Marketing and Promotion

In addition to the brand revitalisation, the Group also launched the following major marketing and promotion activities in relation to the respective sports categories during the period:

Continued Optimisation of Sports Sponsorship Resources

In February 2010, the Group signed up Espanyol, a strong team in Spain La Primera, which is the first European football team sponsored by the Group.

In March 2010, the Group announced the sponsorship for the top Norwegian javelin thrower, Andreas Thorkildsen, also known as the "Prince of Javelin". The Group will provide high quality professional gear to Thorkildsen, who is the first javelin thrower in history to have been crowned champion in all three major international tournaments, including the European Athletics Championships, the World Athletics Championships and the Olympics. Similar to the Russian female pole vault champion sponsored by the Group, Elena Isinbayeva, the spectacular performances by these two world-class field athletes, and their incessant pursuit of excellence, perfectly epitomise LI-NING's brand essence – "inspiring sportsmanship".

In the basketball and track and field sectors, the Group will continue beefing up its arsenal of sports sponsorship resources by signing up world-class and up-and-coming atheletes in the second half of the year. The Group's excellent resources of international sports sponsorship, including the Spanish Basketball Team and the Argentina Basketball Team, have staged spectacular performances in various major sports tournaments, effectively raising the professional image and profile of the LI-NING brand and are well-prepared for the LI-NING brand's promotion opportunities afforded by the 2012 London Olympics.

Badminton

Badminton enjoys a high level of participation in China and is one of the country's fastest growing sports. It is a key focus of the Group and represents an important part of the Group's sports category differentiation strategy.

In May 2010, the Chinese National Badminton Team sponsored by the Group was crowned champion for the eighth time in the "Thomas Cup". This triumph was the first time in badminton history that the Chinese team has won the "Thomas Cup" four times in succession. In June, the "BWF Super Series – LI-NING Singapore Open 2010" was successfully concluded. As the equipment provider and the title sponsor for the games, the Group provided all-round professional services as well as carried out a series of integrated marketing activities. During the period, the Group was also named the official equipment sponsor for the "China Badminton Super League" and provided full series of professional equipment and services to the games. All these demonstrated that the LI-NING brand badminton products stood the test of major tournaments, and won high regard and recognition from the industry.

In addition, the Group continuously placed badminton product advertisements in CCTV sports channel (CCTV-5) and print sports media, developed the large sports community on Sina.com, deepened its cooperation with professional badminton websites and provided detailed online coverage of major badminton tournaments. Through a series of activities integrating the marketing, product and retailing efforts, the Group has significantly enhanced consumers' recognition of the LI-NING brand badminton products and the association of the LI-NING brand with badminton.

Running

Running is another sport that enjoys high popularity in China. The Group's promotion and sponsorship activities in this sector also focus on high exposure among the general public.

- The Group's interactive platform for running in China, the "LI-NING iRUN" running club, has established the "RUN Fans Club" in 10 cities in China, which provides various running activities regularly for running fans as well as encourages its members to actively participate in domestic competitions. In addition, iRUN teamed up with Sina.com in the development of a multi-function website (http://www.irun.cn), which provides information such as professional knowledge on running, members' community and forum, introduction of running products, entertainment and events, hence becoming an integrated resources platform for the development of running products.

- In May this year, a "night run" themed running event "LI-NING FUNRUN Super Night" was held again by the Group in Beijing to coincide with the launch of "Light Bow" (輕弓), the LI-NING brand's new generation of running shoes. Promoting the "Fun Run" concept, the activity attracted over 6,000 participants in the 6km night run, which further enhanced the trendiness of the brand and the positive impression of consumers to the brand.

Basketball

The Group has signed up a total of four NBA stars, namely, Shaquille O'Neal, Baron Davis, Jose Calderon and Hasheem Thabeet. During the period, with such valuable international basketball sports marketing resources, the Group carried out an integrated marketing and promotion campaign titled "Signature Movement" (獨門絕招). The campaign fully brought out the individual charms of each sponsored player and effectively combined the unique selling points of the Group's products, which can be used on and off the court, and in other daily life situations, gaining sound media exposure and word-of-mouth impact while fulfilling the functional and emotional needs of target consumers.

During the period, the Group sealed the top strategic official partnership with the National Basketball League ("NBL"). NBL currently covers 18 second-tier cities in China. The sponsorship of NBL will help promote the expansion of the LI-NING brand in the second- and third-tier cities in China. In 2010, the NBL has, for the first time, allowed university students and foreign aid to participate, which significantly raises the standards and attractiveness of the competition, while gaining increasing attention and influence from media and basketball fans. The partnership with NBL enriches LI-NING brand's marketing resources in the basketball sector and broadens the scope of development of LI-NING brand basketball products.

Fitness

The Group strives to highlight brand differentiation and personality in the promotion of fitness products. Centering on the concept of "Inner Shine" – pursuit of fashionable and healthy female charm, the Group made a strong push in women's fitness products such as yoga, jogging and dancing. During the period, the Group joined forces with Beijing Nirvana Yoga and successfully launched the "LI-NING · Nirvana Yoga 2010 Yoga Workshop" in Beijing, Shanghai and Shenyang. The workshop aims at developing into a scalable and professional interaction platform and has aroused enormous attention from female consumers.

Following the cooperation agreement with Beijing CSI Bally Total Fitness Investment Management Limited ("CSI") established by the first listed sporting group in China, the Group entered into an agreement with Lesmills China in January 2010 with respect to in-depth joint brand collaboration on a nationwide basis. Lesmills is a leading provider of fitness products for the international fitness industry. Lesmills China has over 200 franchise clubs in China and is a mainstream provider of fitness programmes in the country.

The collaboration with Beijing Nirvana Yoga, CSI and Lesmills China has established a solid foundation for LI-NING brand in the fitness industry.

Tennis

Tennis enjoys growing popularity among teenagers in China. During the period, in addition to the continuous sponsorship of the qualifying round of the "LI-NING Prince Cup – International Junior Tennis Championships", the Group maintained its cooperation with the Association of Tennis Professionals (ATP). The Group sponsored about 20 ATP players out of the top 200 singles players and top 20 doubles players under the "Apparel Sponsorship Plan for ATP Players". These included Ivan Ljubicic, who captured the title of the 2010 ATP World Tour Masters 1000 – Indian Wells and Wesley Moodie, a runner-up in the men's tennis doubles finals of the 2009 French Open.

In the beginning of 2010, the Group signed up Peng Shuai (彭帥), a famous tennis player in China, who has won or shared four golden medals in the 11th National Games, namely female singles, female doubles, mixed doubles and female team event, being the first player making a clean sweep of the gold medals of all the female tennis events in the history of the National Games. In April, Peng Shuai (彭帥) and another renowned female tennis player sponsored by the Group, Yan Zi (晏紫), won the gold and silver medals in the "WTA World Tour – MPS Championships" with their respective partners.

Community Marketing Events

Anchoring the Group's marketing activities on the important pool of existing and potential consumers of sports products will have a positive impact on brand-building and the Group's long-term development. During the period, the Group also extensively sponsored and organised various sports events targeting sports enthusiasts and young people. These included:

- Sponsorship of the "Chinese University Football League" (CUFL) and organisation of the "LI-NING China Basketball Draft Camp";

- The Group's meticulously-planned "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, was launched for the third successive year in China. The programme had already staged events on 128 separate days as at the end of June and travelled to 51 medium to large cities across the country, attracting well over 130,000 participants. It is expected that the programme will cover 120 cities by year end. Supported by public relations, digital marketing and advertising activities, the event significantly enhanced the brand image while driving retail sales growth. Meanwhile, most of the places where the NBL competitions took place were also covered by the programme, which maximised the utilisation of the Group's resources in basketball competitions;

- The LI-NING brand has also seen its presence in mainstream online media in the country, including "LI-NING Sports World" which went live on the sports section of the official website of CCTV, and the introduction of the LI-NING online store on the website of CCTV, further creating a positive impact for the LI-NING brand; and

- "The LI-NING Sports Theme Park in Beijing Chaoyang Park" (北京朝陽公園李寧體育園) built by the LI-NING brand has entered its third anniversary. With urban multi-purpose stadiums as its platform, the LI-NING brand continued to communicate with sports lovers through venue advertising, mini matches and brand outlets. During the period, various activities such as running, tennis and football games were held and attracted thousands of participants, who experienced a memorable and lasting impression of the brand.

Product Design, Research and Development

The Group is committed to product design and innovation in research and development. We have established design, research and development centres in mainland China, Hong Kong and Portland of Oregon in the United States, each staffed by an excellent team of professionals. The Group has also worked on an ongoing basis with reputable academic institutions and professional bodies in conducting research and development, aiming at raising the functionality of product technology, realising breakthroughs in technology and enhancing product standards. Situated in the Group's headquarters in Beijing, the Li Ning Sports Science Research and Development Centre specialises in sports science research, product testing, research and development of core technology and enhancement of product functionality, all of which are conducive to further raising the bar of the Group's research and development.

Products for Professional Sponsorships

The Group's domestic and international sports sponsorship resources are grounded on our solid strengths in product design, research and development:

- Badminton has a high technological requirement on its sports gear. With in-depth understanding 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 developing a comprehensive range of specialised professional products for the Chinese National Badminton Team. The technological performance and practical experience of the LI-NING badminton gear, including the handle grip and attacking power of rackets, comfort and protection of footwear products, as well as fitting, moisture-absorption ability of apparel products, have all met the professional needs of the Chinese National Badminton Team.

The Chinese National Badminton Team is the fifth gold medal-winning national team sponsored by the Group, joining national teams in table tennis, diving, gymnastics and shooting. The LI-NING Brand has been the long-term sponsor of professional gear for these five gold medal-winning national teams, strengthening its brand position as the No. 1 in China in terms of professionalism and the sports competition.

- Specialising in the development of superior sports gear for professional athletes, Athletic Pro is LI-NING brand's top end series which provides over 35 sports gear items covering various sports categories such as track and field, football, basketball, tennis and badminton. The products include:

    - The professional badminton shoes, "Champion" (奪帥), for famous men's single badminton player, Lin Dan (林丹), which fully meet Lin's specific needs in terms of product functionality, aesthetics and other personalised needs;

    - The sports shoes and apparel which heaped praise from the world's No. 1 pole vault athlete, Elena Isinbayeva;

    - The sports shoes developed for NBA stars, including the "BD Doom" shoes for Baron Davis, "G-Shark" (年輪) shoes for Shaquille O'Neal and "Master V" (馭帥V) shoes for Jose Calderon, all of which were given recognition from these leading players in the world's champions league;

    - Professional LI-NING branded javelin shoes, apparel and accessories tailor-made for the "Prince of Javelin", Andreas Thorkildsen. The competition gear not only excels in functionality, but also perfectly blends Norway's unique culture and Chinese characteristics in the design; and

    - The "Fish Fin" (奇魚) sports shoes for tennis star Ivan Ljubicic and the tennis gear for Yan Zi (晏紫) have all won strong recognition and appreciation.

  Athletic Pro, the top-end professional sports gear series of the LI-NING brand, employs the latest sports theory, bringing immense possibilities to the athletes to break new ground time and again. The series symbolises that LI-NING brand's efforts in sports science and research have met international standards, demonstrating the Group's prowess in design, research and development.

Footwear Products

In addition to developing professional products for athletes, the Group also offers wide variety for general sports lovers. During the period, the Group launched its superlight series of running shoes, "Light Bow" (輕弓), which inherits the "lightweight" heritage of the LI-NING brand footwear. This series uses the newly developed shoe last which better fits the foot shape of Chinese consumers while featuring various advanced techniques and materials, including the patented "LI-NING BOW" (李寧弓) shock absorbent cushioning technology, PavTRAC anti-abrasion rubber, FoamRBlite lightweight EVA rubber and Insole-cushion shock absorbent sock-liner. The combination of lightness, stability, comfort and durability demonstrates the Group's innovative concepts and competence in research and development and has been well received by customers.

Apparel Products

On the design, research and development of apparel products, the Group's professional design and R&D teams in mainland China and Hong Kong collaborated with reputable local and overseas academic institutions and professional organisations to bring added-value to LI-NING brand products:

- The establishment and operation of the apparel R&D laboratory at the Li Ning Sports Science Research and Development Centre promotes new functions of apparel material and new R&D technology, providing full guarantee for product innovation and quality;

- Innovative product R&D centre develops the basic block while focusing on the application of product technology. This helps further refine the Group's product categories and raise the product professionalism, hence offering more comfortable apparel products for individual consumers;

- Introduced crossover collaboration with high-calibre design talents to add versatility to the LI-NING brand products and broaden the choices for consumers;

- Raising the brand's competence and attractiveness by achieving technological innovation while applying research results on apparel products through joint projects with reputable local and overseas academic institutions and research organisations;

- Collaborating with China's reputable sports institutions in the research of physiological characteristics of the human body in order to provide scientific data for sports and apparel products. Findings through data collation and analysis were successfully applied to the material, garment blocks and design, laying a scientific basis for the LI-NING brand's professional gear;

- On the apparel material R&D front, the Group upgraded the AT DRY SMART platform and developed and applied AT Cool material in functional products. The enhanced moisture absorption and quick-dry function, complementing the garment block technology and fashion technology, have provided consumers with improved comfort; and

- Extended the green Eco-Circle series which embodied the Group's environmental protection efforts and its full support for the vitality, low-carbon green apparel concept.

In line with the LI-NING brand revitalisation, the Group also upgraded its product design, research and development to convey the brand's DNA to consumers through product innovation. The Group will continue to invest in world-class R&D teams, facilities, process and organisational structure integration to enhance the product innovation and benefits we provide to world-class athletes and consumers.

Sales Channel Expansion and Management

As at 30 June 2010, there were 7,478 LI-NING brand retail stores in China, representing a net increase of 229 stores for the period. The LI-NING brand has established a nationwide distribution and retail network covering all provinces and municipalities in China. As at 30 June 2010, the distribution and retail network of LI-NING brand comprised:

- 129 distributors operating a total of 7,004 LI-NING brand franchised retail stores across China; and

- a total of 474 directly-managed LI-NING brand retail stores in 18 provinces, regions and municipalities in China.

Number of franchised and directly-managed retail stores

	30 June 2010	31 December 2009	**Change (%)**
LI-NING brand stores			
Franchised retail stores	**7,004**	6,854	**2.2**
Directly-managed retail stores	**474**	395	**20.0**
Total	**7,478**	7,249	**3.2**

Number of retail stores by geographical location

	30 June 2010	31 December 2009	**Change (%)**
LI-NING brand stores			
Eastern region *(Note 1)*	**3,141**	3,071	**2.3**
Northern region *(Note 2)*	**2,658**	2,545	**4.4**
Southern region *(Note 3)*	**1,679**	1,633	**2.8**
Total	**7,478**	7,249	**3.2**

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.

The Group is of the view that with further development of the industry, sales channel coverage is becoming more mature and the growth of single-store will be the most important component for future brand growth. During the period, the following measures were implemented to expand and manage the sales channels for the LI-NING brand:

- Placed emphasis on strengthening the development and management of sales channels in shopping centres and sports towns in metropolitan and first-tier cities, thereby reinforced the LI-NING brand's leading position among domestic players in these more competitive channels;

- Continued to expand the sales channel coverage in which second- and third-tier cities were the major markets for sales channel expansion as over 70% of the newly opened stores and retail floor area during the period were attributable to these cities;

- On top of the aforementioned integrated retail outlets, the Group operated stores selling specialised products, such as fashion stores and category stores to attempt the niche markets;

- Promoted sales channel reform in order to increase the influence on the sales channel, such as the management capability and service quality of the distributors, sub-distributors and retail stores, with a view to enhance store efficiency and retail market share;

- Implemented organisational reform in the sales division to establish an infrastructure consisting of three major sales regions, namely northern, eastern and southern China in order to strengthen the Group's ability to respond to the needs of customers as well as the quality of management of different sales regions. Emphasis was placed on management of product lifecycles based on sales regions to improve management efficiency; and

- Continued to upgrade the store image. The trendy and stylish decor of the six-generation stores highlighted the characteristics and values of the LI-NING brand and helped promote the sporting and consumption experience of consumers. As at 30 June 2010, there were 41 sixth-generation LI-NING brand stores.

With the growing popularity of the internet, online distribution emerges as a new fast-growing sales channel. In recent years, the Group has been expanding its e-sales network. An official online shop for the LI-NING brand (www.e-lining.com) has been established. Online flagship shops for the LI-NING brand have been opened on reputable e-commerce platforms in China such as Taobao.com and Paipai.com and famous e-shops in China such as Joyo Amazon and 360buy.com have specific web pages for purchasing LI-NING brand products. More than 80 online shops for the LI-NING brand have been established, which facilitated the promotion and enhancement of the brand image, communication and interaction with target consumers as well as business growth. Apart from the LI-NING brand, the Group has also established online distribution channels for Lotto, Double Happiness and Z-Do brands, sharing the e-commerce resources and experience.

Supply Chain Management

The Group endeavours to establish a demand-driven, flexible and effective supply chain system to cope with its business growth effectively. During the period, the Group undertook the following measures in respect of LI-NING brand's supply chain management:

- Hosted two large-scale order fairs of new products of LI-NING brand for distributors;
- Continued to improve supply chain planning that regulates output based on demand, and purchases based on output, in an effort to further reduce the minimum required inventory level and warehousing time. The Group also stepped up the implementation of direct delivery and streamlined the whole process to alleviate the gridlock built up in logistics operations and speed up the supply chain response time;
- Optimised the procurement system and cost management on an on-going basis, and integrated resources to improve the procurement efficiency and reduce procurement costs;
- Developed the retail logistics, launched the direct delivery project and integrated the logistics operations of subsidiaries to enhance efficiency in retail logistics operations; and
- Invited a number of core suppliers to set up production facilities in the 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 first phase of the industrial city has already commenced commercial production while construction of the second phase is in progress. The Group has also started the architectural design for its planned "LI-NING Logistics Centre" in the industrial city. Upon completion, this logistics centre will enable the industrial city to serve as an integrated base for both manufacturing and distribution, so as to enhance the response of the supply chain.

The Group's ongoing efforts in optimising its supply chain and inventory management resulted in the average inventory turnover cycle shortening to 48 days from 56 days of the corresponding period last year, demonstrating the continuous enhancement in asset turnover.

Double Happiness Brand

The Group holds a 57.5% equity interest in Shanghai Double Happiness Co., Ltd. ("Shanghai Double Happiness"), which together with its subsidiaries (collectively, "Double Happiness") is principally engaged in the manufacture, research and development, marketing and sales of table tennis and other sports equipment. Its brands include the Double Happiness brand, which is internationally known for its high quality table tennis equipment.

Double Happiness continued to adopt sponsorship of sports stars and sports events as its core marketing and promotion strategy. In 2010, Double Happiness continued its sponsorship of the leading table tennis players in China, including Wang Hao (王皓), Wang Liqin (王勵勤), Ma Long (馬龍), Ding Ning (丁寧) and Li Xiaoxia (李曉霞), as spokespersons for its table tennis equipment. In addition, during the first half of 2010, Double Happiness also actively sponsored various professional tournaments and provided professional equipment for events in China and around the world, including the Table Tennis World Tour (with 6 stops), the 50th Table Tennis World Cup held in Moscow, the 23rd Asian Table Tennis Championships, China Table Tennis Super League as well as National Women Weight-lifting Championship.

Double Happiness maintains a strong product research, development and design capability. In line with the reform trend of inorganic glue stipulated by the International Table Tennis Federation, Double Happiness introduced its "NEO" equipment series which quickly became the preferred equipment for the Chinese National Table Tennis Team with up to 80% of the team members preferring NEO racket rubber covers. During the year 2010, in addition to professional gear, Double Happiness also launched more than 100 new products that represent breakthroughs in design and appearance. Innovations adopted in this new batch of products include patented technologies in its racket rubber cover products and rackets that feature handles with grips customised to suit individual users' styles. These new products complement Double Happiness' product range and showcase Double Happiness' strong research and development capabilities and design strengths.

Double Happiness brand products are mainly distributed via wholesale and integrated sporting goods stores. It has adopted a wholesale model with a relatively stable clientele across 30 provinces and municipalities in China. During the period, Double Happiness stepped up its customer management efforts and implemented detailed management of customer behaviour and sales policies. It established "product display walls" to exhibit the full range of Double Happiness brand products in about 400 professional equipment stores. These "product display walls" occupied dedicated retail space in the stores and were managed by dedicated salesmen with appropriate retail promotional strategy.

Indoor sports enjoy immense popularity in China, with many players reaching top-notch international standards. LI-NING and Double Happiness brands will continue to enjoy synergies in respect of brand marketing and promotion, sports tournament sponsorships and sales channel development, further solidifying the Group's position in the table tennis sector in China.

Lotto Brand

The Group started its Italian Lotto brand sports lifestyle business in China in 2009. Building on Lotto's positioning as a brand of taste and sensuality, the brand was immersed in an extensive programme of branding and product promotion events and has successfully achieved recognition among consumers for its characteristics and product design themes.

2010 marks an important year for the development of the Lotto brand in China. During the first half of the year, the Group implemented digital promotion campaigns, media placements, public relations-driven communication strategies, on-location events and a series of entertainment marketing events such as sponsorships of movies, TV programmes, TV drama series, events and appearances by celebrities, which enhanced the brand's influence and market awareness.

During the period, the Group completed defining the product design themes for the Lotto brand based on consumer preference studies and differentiation strategies decided upon for the brand, which form a basis for the Group to formulate product strategies and design for the brand. The Group will continue its product innovation efforts for the Lotto brand through crossover co-operation and the application of new technologies.

The sports lifestyle market in China has experienced rapid growth as consumers continue to lead a more versatile and leisurely lifestyle. The Lotto brand will continue its product innovation and explore crossover co-operation opportunities in order to establish a unique character for the brand and its products and to establish its competitive advantages. The brand will also proactively expand its sales channels, enhance store efficiency and implement integrated marketing strategies with a view to raise brand awareness and to acquire a higher market share.

Other Brands

Kason

Kason is a well-known badminton equipment brand in China. It forms an integral part of the Group's badminton strategy. Kason brand's professional badminton products include rackets, strings, shuttlecocks, apparel, footwear and accessories. Its sponsorships include the Chinese National Youth Badminton Team and various provincial badminton teams.

The Group has completed the integration and streamlining of the business of Kason brand and established a research and development and production centre for LI-NING brand badminton products based on Kason brand's existing technology research and development centre and manufacturing facilities. The Group will continue to rearrange and consolidate Kason's brand positioning, product mix, research and development and sales channel. It will also continue to combine Kason brand's leading manufacturing techniques and research and development capabilities with the Group's core competitive edges, and fully utilise the mutual advantages in sports marketing resources to increase the Group's market share in the badminton sector.

Z-DO

Z-DO brand adopts hypermarkets as its sales channel, and shares resources with the LI-NING brand to achieve economies of scale. However, there are main differences between the two brands in terms of sales model, sales network and product portfolio.

Z-DO brand's operation model is maturing. During the period, the major operation measures implemented included:

- Further shifted the sales model from solely the shop-in-shop in hypermarkets set up by distributors to gradually establishing direct cooperation with hypermarkets to take better advantage of the characteristics of the hypermarket channel;

- Continued to optimise the structure of suppliers and improve the supply chain system, while implementing reasonable cost control to enable suitable pricing for the hypermarket channel, thereby increasing the product competitiveness;

- Completed consolidation of the distributors, assisting in improving the distributors' operating system while attracting high quality distributors to establish a sizeable core distributor system; and

- Conducted in-depth research into the consumption behaviour and demands of core consumers so as to fine-tune Z-DO's brand positioning and personality and to increase the size of the Z-DO brand business based on this core consumer group.

AIGLE

AIGLE brand specialises in high-end outdoor sports and casual apparel and footwear products. It serves as the Group's stepping stone to the outdoor sporting goods sector. AIGLE brand products are sold mostly in metropolitan and first-tier cities, and will gradually penetrate into key second-tier cities.

AIGLE enjoys an increasingly clear brand positioning. Its core products have won customer recognition and over 50% of customers have made repeat purchases. AIGLE brand achieved satisfactory performance during the period, with substantial increases in same-store sales driving overall sales gains. The growth came in all aspects and exhibited a healthy rising trend.

During the period, the following operation measures for AIGLE brand were implemented:

- Defined a clear product position and built unique competitive edges by developing functional yet fashionable products;

- Enhanced brand image and awareness by appropriate marketing investment and continuous placement of print advertisements in travel and other outdoor magazines;

- Collaborated with Asia product lines of AIGLE France and AIGLE Hong Kong to enhance product mix and to lower the costs as well as worked with suppliers in France and Hong Kong to develop a localised production and supply chain;

- Replicated the management style and experience of the directly-managed retail stores and key strategic stores in metropolitan cities to the stores established by distributors in order to promote channel and market expansion; and

- Upgraded the quality of retail stores by adopting the international standards on store layout promulgated by the AIGLE brand.

The Group envisages a bright future for the high-end outdoor sporting goods market in China. The Group will continue to strengthen the product and retail management of the AIGLE brand while improving same store growth and to expand the sales channel so as to boost sales.

HUMAN RESOURCES

As at 30 June 2010, the Group had 4,373 employees (31 December 2009: 4,432), of whom 2,166 (31 December 2009: 2,248) were from the Group's headquarters and retail subsidiaries, and 2,207 (31 December 2009: 2,184) were from other subsidiaries. During the period, all business divisions continued to improve organisational performance and operation efficiency, and the core team remained stable.

The Group regards its workforce as an important asset for corporate development and has placed special emphasis in the recruitment, training, motivation and retention of staff. The Group adopts a comprehensive capability-based performance management system for its staff, which provides solid support for its pursuit of sustainable development and outstanding performance. With respect to remuneration, the compensation packages for individual staff members are an effective integration of corporate performance, departmental objectives and individual merit. This system serves to reward outstanding staff and motivate staff's passion and creativity in their work, while aligning individual goals to the overall strategic objectives. In addition to the base salary, key employees with outstanding performance will be rewarded by way of cash, restricted shares, share options, individual awards, or a combination of the above, with a view to effectively aligning the interests of the employees with that of the Company.

OUTLOOK

China's macroeconomic environment continues to improve. Against the backdrop where the driver of growth is gradually shifting from investment to domestic consumption, the fast-moving consumer goods industry in which the Group operates will be benefited. Coupled with the euphoria brought about by major sports events such as the Asian Games, the sporting goods industry is expected to continue its growth in the second half of 2010 and 2011. Based on orders from trade fairs that the Group hosted for the third and fourth quarters of 2010, which recorded an increase of 20.3% compared to the same period last year, the Group envisages stronger growth for the second half of 2010 over that of the first half.

While from a macroscopic perspective, the economy is improving, the recovery is still fragile and not without concerns. It also takes time for the economic re-adjustment to be successfully completed. Meanwhile, competition in the sporting goods industry has also been intensifying with industry players competing fiercely for channel, sports resources and media resources. Discrepancy between wholesale and the actual retail sales in the industry will continue for some time and discounted sales will still have an impact.

In light of the challenging environment, the Group will continue to implement its proactive yet prudent strategy to cope with its strategic objectives for 2009-2013 in the second half of 2010, focusing on the following key areas:

- To implement the LI-NING brand revitalisation strategy in full with a view to establish the unique position and character of the LI-NING brand and to enhance its core competences through effective integration of the brand, products and retail-level operations focusing on target consumer segments;

- To accelerate reforms in the sales channel system and boost retail management capabilities to promote same-store performances, while formulating effective channel policy to strengthen customers' confidence and profitability so as to speed up sales network expansion and penetration and to increase the market share of the LI-NING brand;

- To enhance the response, efficiency and flexibility of its supply chain through ongoing system optimisation to cope with the Group's development; and

- To continue to develop and expand strategic business lines. The Group will strive to increase its share in the badminton market by further leveraging its advantages in sales channel management, products and integrated marketing. It is also exploring a fast-growing, healthy and sustainable growth model for its sports lifestyle business.

The Group is confident in the outlook of the sporting goods industry. The Group endeavours to maintain its competitiveness through long-term brand building, with a view to promoting healthy and stable business growth on a long-term basis and creating better returns 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 2010. Apart from 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

During the period, the Company was awarded the "Class of 2010 The Best of Asia" by Corporate Governance Asia, one of the most authoritative publications on corporate governance in Asia. This award is a proof of the Group's continued efforts to ensure that its business is conducted in an ethical, transparent and responsible manner.

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 2009.

The Audit Committee of the Company, consisting of three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results for the six months ended 30 June 2010.

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 2010 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, 25 August 2010

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. 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 (www.lining.com and www.irasia.com/listco/hk/lining) and The Stock Exchange of Hong Kong Limited's website (www.hkex.com.hk).