



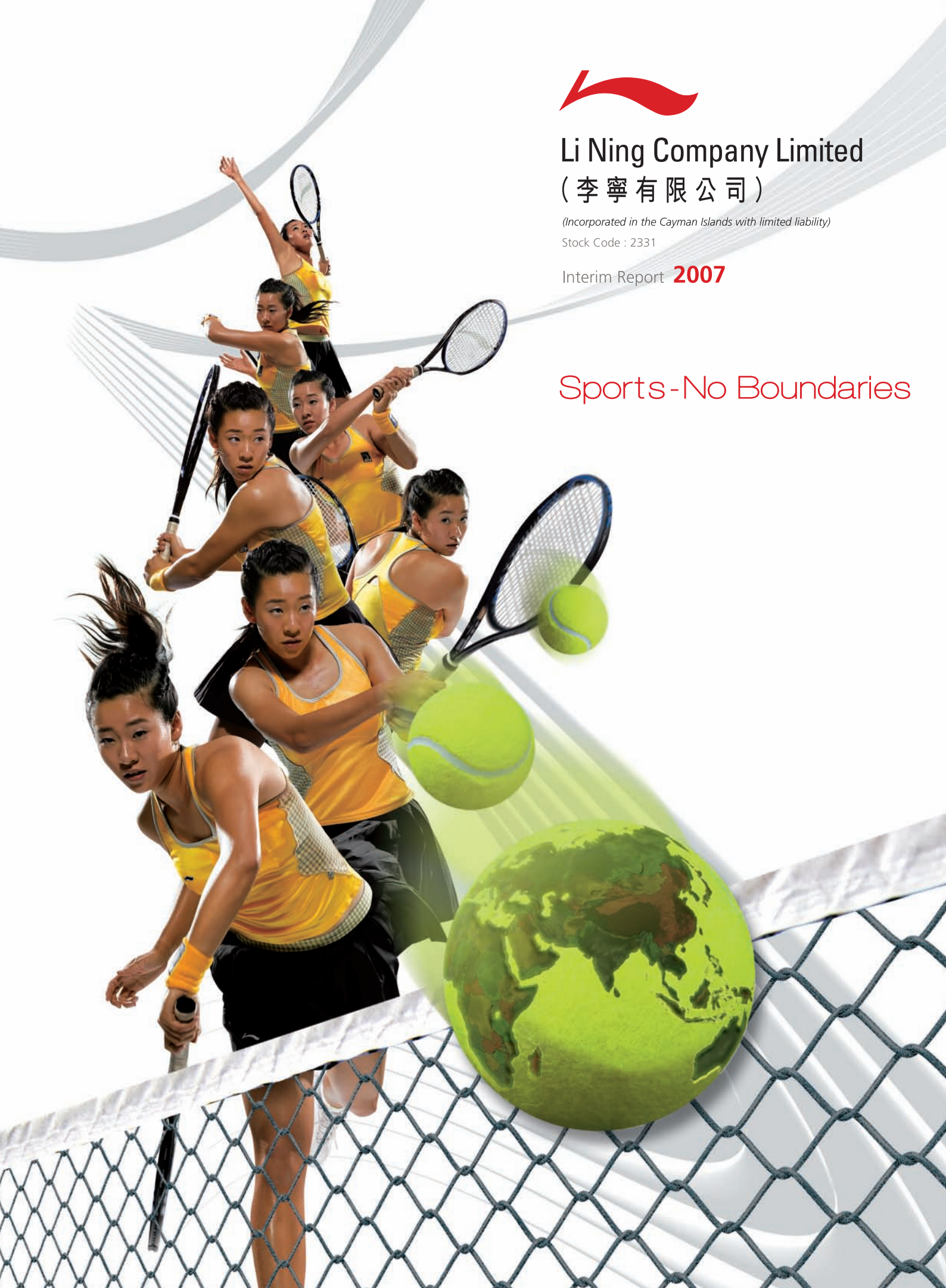
Li Ning Company Limited
(李寧有限公司)

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2331

Interim Report **2007**

Sports-No Boundaries



MISSION

Through sports, we inspire in people the desire and power to make breakthroughs

VISION

The world's leading brand in the sports goods industry

CORE VALUES

Athleticism, Integrity, Professionalism, Passion, Breakthroughs, Trust

CORPORATE PROFILE

Li Ning Company Limited is one of the leading sports brand enterprises in the PRC. It has its own branding, research and development, design, manufacturing, distribution and retail capabilities. The Group's products include footwear, apparel and accessories for sports and leisure use which are primarily sold under its own LI-NING brand. The Group has established an extensive distribution and retail network in the PRC, under which distributors manage the franchised LI-NING retail outlets in congruence with the Group's marketing direction. The Group also directly manages its own LI-NING retail outlets and concessions. In addition, the Group has established a joint venture with AIGLE which has been given the exclusive right by AIGLE to manufacture, market, distribute and sell AIGLE branded outdoor sports products for a term of 50 years in the PRC. In April 2007, the Group officially launched a new brand called Z-DO. Z-DO's products include sports footwear, apparel and accessories, and primarily target the hypermarkets as its sales channel.



This interim report is printed on environmentally friendly, totally chlorine-free paper.

The background features a series of light gray, wavy, ribbon-like lines that curve across the top and right sides of the page. On the right side, there is a grayscale photograph of a tennis player in mid-swing, wearing a white tank top and dark shorts, holding a tennis racket. The overall aesthetic is clean and modern, with a focus on motion and sport.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Ning (李寧) (*Chairman*)
Mr. ZHANG Zhi Yong (張志勇)
(*Chief Executive Officer*)
Mr. TAN Wee Seng (陳偉成)
(*Chief Financial Officer*)

Non-executive Directors

Mr. LIM Meng Ann (林明安)
Mr. Stuart SCHONBERGER
Mr. CHU Wah Hui (朱華煦)

Independent non-executive Directors

Mr. KOO Fook Sun, Louis (顧福身)
Ms. WANG Ya Fei, Jane (王亞非)
Mr. CHAN Chung Bun, Bunny (陳振彬)

EXECUTIVE COMMITTEE

Mr. ZHANG Zhi Yong (張志勇)
(*Committee Chairman*)
Mr. LI Ning (李寧)
Mr. TAN Wee Seng (陳偉成)
Mr. GUO Jian Xin (郭建新)
Mr. XU Wei Jun (徐偉軍)

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis (顧福身)
(*Committee Chairman*)
Mr. Stuart SCHONBERGER
Ms. WANG Ya Fei, Jane (王亞非)

REMUNERATION COMMITTEE

Ms. WANG Ya Fei, Jane (王亞非)
(*Committee Chairman*)
Mr. LIM Meng Ann (林明安)
Mr. KOO Fook Sun, Louis (顧福身)

NOMINATION COMMITTEE

Mr. LIM Meng Ann (林明安)
(*Committee Chairman*)
Mr. KOO Fook Sun, Louis (顧福身)
Ms. WANG Ya Fei, Jane (王亞非)
Mr. CHU Wah Hui (朱華煦)

COMPANY SECRETARY

Mr. TAN Wee Seng (陳偉成), *FCMA*

AUTHORIZED REPRESENTATIVES

Mr. LI Ning (李寧)
Mr. TAN Wee Seng (陳偉成)

QUALIFIED ACCOUNTANT

Mr. TAN Wee Seng (陳偉成), *FCMA*

REGISTERED OFFICE

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Cayman Islands

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Corporate Information (cont'd)

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3B Chong Wen Men Wai Street
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Telephone: +8610 6708 1108
Fax: +8610 6708 5140

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISORS

Hong Kong law
Baker & McKenzie

PRC law
Beijing Guorui Law Firm
Beijing Haisi Law Firm

PRINCIPAL BANKERS

Hong Kong
DBS Bank Ltd., Hong Kong Branch

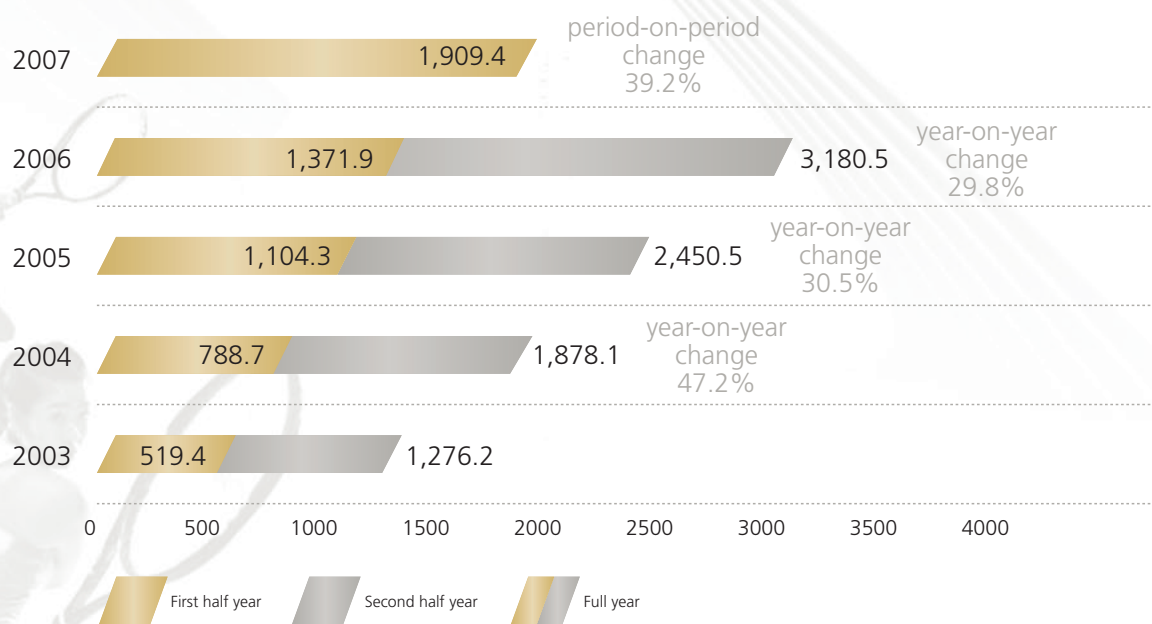
PRC
China Construction Bank
Industrial & Commercial Bank of China
China Merchants Bank
Bank of Beijing



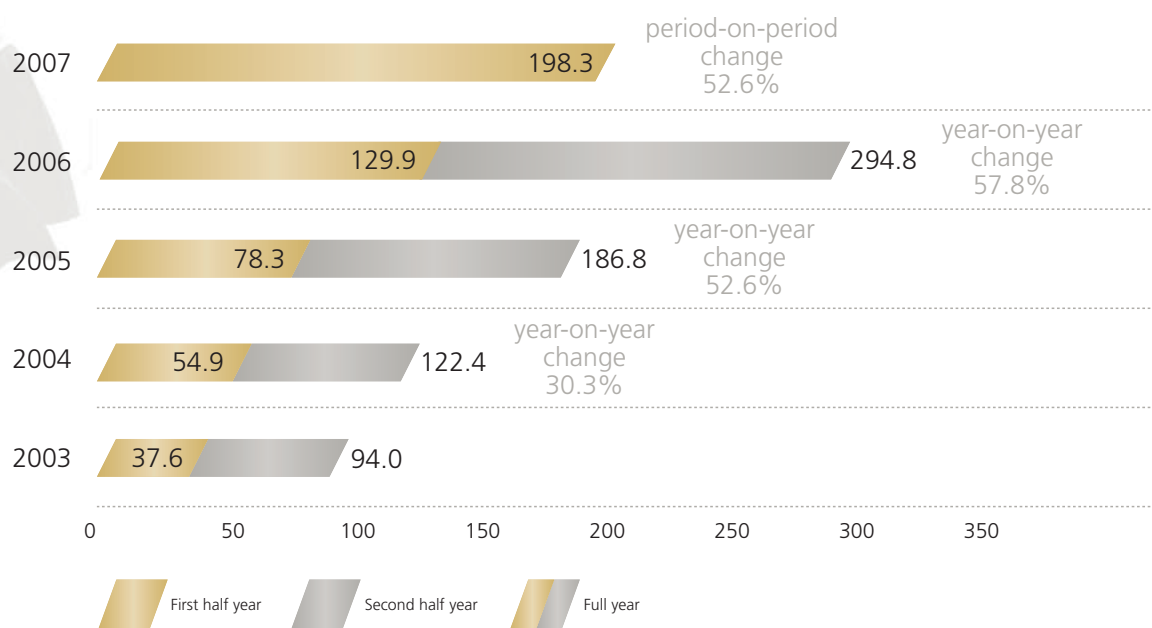
Five-year Financial Highlights

(All amounts in RMB millions)

REVENUE



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



Highlights of 2007 Interim Results

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

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

Management Discussion and Analysis

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

FINANCIAL REVIEW

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

Key Indicators

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

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

Management Discussion and Analysis (cont'd)

	Unaudited		Change (%)
	Six months ended 30 June 2007	2006 (Reclassified)	
Expense ratios			
Advertising and marketing expenses as a percentage of revenue (%)	17.1	17.5	
Director and employee benefit expenses as a percentage of revenue (%)	7.8	8.7	
Research and development expenses as a percentage of cost of sales (%)	5.2	5.1	
	Unaudited 30 June 2007	Audited 31 December 2006	
Asset ratios			
Debt to equity ratio (%) (Note 5)	51.2	53.5	
Net asset value per share (RMB cents)	148.77	137.38	

Notes:

1. The calculation of basic earnings per share is based on the profit attributable to equity holders for the six months ended 30 June 2007 of RMB198,273,000 (2006: RMB129,939,000) and the weighted average of 1,032,012,000 Shares in issue less Shares held for the Restricted Share Award Scheme during the period (2006: 1,026,737,000 Shares).
2. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances divided by the cost of sales and multiplied by number of days of the relevant period.
3. The calculation of average trade receivables turnover (days) is based on the average of opening and closing balances of trade receivables divided by revenue and multiplied by number of days of the relevant period.
4. The calculation of average trade payables turnover (days) is based on the average of opening and closing balances of trade payables divided by total purchases and multiplied by number of days of the relevant period.
5. The debt to equity ratio is based on total liabilities divided by capital and reserves attributable to equity holders of the Company at the end of the period.

Management Discussion and Analysis (cont'd)

Revenue

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

Breakdown of revenue by brand and product category

	Six months ended 30 June 2007		2006		Change (%)
	RMB'000	% of total revenue	RMB'000	% of total revenue	
LI-NING brand					
Footwear	761,569	39.9	527,166	38.4	44.5
Apparel	993,643	52.0	728,912	53.2	36.3
Accessories	119,958	6.3	107,657	7.8	11.4
Total	1,875,170	98.2	1,363,735	99.4	37.5
Z-DO brand					
Footwear	10,601	0.6	—	—	—
Apparel	15,865	0.8	—	—	—
Accessories	1,556	0.1	—	—	—
Total	28,022	1.5	—	—	—
AIGLE brand					
Footwear	1,366	0.1	876	0.1	55.9
Apparel	4,756	0.2	7,243	0.5	-34.3
Accessories	117	0.0	75	0.0	56.0
Total	6,239	0.3	8,194	0.6	-23.9
OVERALL					
Footwear	773,536	40.6	528,042	38.5	46.5
Apparel	1,014,264	53.0	736,155	53.7	37.8
Accessories	121,631	6.4	107,732	7.8	12.9
Total	1,909,431	100.0	1,371,929	100.0	39.2

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

Management Discussion and Analysis (cont'd)

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

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

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

Breakdown of revenue by sales channel

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

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

Management Discussion and Analysis (cont'd)

Breakdown of revenue by geographical location

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

Notes:

1. Central region includes Hubei, Hunan and Jiangxi.
2. Eastern region includes Zhejiang, Jiangsu and Anhui.
3. Southern region includes Guangdong, Guangxi, Fujian and Hainan.
4. Southwestern region includes Sichuan, Chongqing, Guizhou, Yunnan and Tibet.
5. Northern region includes Shandong, Hebei, Henan, Tianjin, Shanxi and Inner Mongolia.
6. Northeastern region includes Liaoning, Jilin and Heilongjiang.
7. Northwestern region includes Shaanxi, Xinjiang, Gansu, Qinghai and Ningxia.

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

Management Discussion and Analysis (cont'd)

Cost of Sales and Gross Profit

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

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

Distribution and Administrative Expenses

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

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

Operating Profit

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

Income Tax Expense

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

Management Discussion and Analysis (cont'd)

Provision for Inventories

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

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

Provision for Doubtful Debts

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

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

Liquidity and Capital Resources

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

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

Items	Six months ended 30 June 2007 RMB'000
Net cash inflow generated from operating activities	149,389
Net capital expenditure	(80,770)
Net cash outflow from acquisition of additional interests in a subsidiary	(17,817)
Interest income received	5,409
Dividends paid	(78,922)
Other net cash outflow	(102)
Exchange loss on cash and cash equivalents	(5,287)
Net decrease in cash and cash equivalents	(28,100)

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

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

Management Discussion and Analysis (cont'd)

Pledge of Assets

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

Contingent Liabilities

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

Foreign Exchange Risk

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

BUSINESS REVIEW

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

Marketing and Promotion

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

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

Management Discussion and Analysis (cont'd)

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

CCTV National Sports TV Channel

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

Argentina National Basketball Team

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

The Swedish Olympic Delegation

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

Tanzanian National Track and Field Team

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

Management Discussion and Analysis (cont'd)

Asian Indoor Games

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

The Spanish Olympic Delegation

The Group has become an official partner of the Spanish Olympic Committee and the official sportswear provider for the Spanish Olympic Delegation in the 2008 Beijing Olympics. This has been a collaboration between the Group with another overseas Olympic delegation in the 2008 Beijing Olympics since its partnership with the Argentina Basketball Federation and the Swedish Olympic Committee. This agreement has cemented another breakthrough for the Group's efforts in international expansion and sports marketing.

Product Research and Development

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

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

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

Management Discussion and Analysis (cont'd)

Sales Channel Management

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

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

Number of franchised and directly-managed retail stores

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

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

Management Discussion and Analysis (cont'd)

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

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

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

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

Supply Chain Management

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

- Five large-scale sales fairs for distributors were organized to shorten the cycle time between product development and order placements, of which, two were hosted for the LI-NING brand, two for the Z-DO brand and one for the AIGLE brand;
- Improved sophistication of the Group's inventory management system shortened the average inventory turnover to 71 days, as compared to 75 days for the corresponding period last year;
- Improved credit management shortened the average trade receivables turnover to 55 days, as compared to 58 days for the corresponding period last year; and
- Average trade payables turnover was 69 days, as compared to 66 days for the corresponding period last year.

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

Management Discussion and Analysis (cont'd)

New Business Development

AIGLE Brand

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

Z-DO Brand

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

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

HUMAN RESOURCES

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

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

Management Discussion and Analysis (cont'd)

OUTLOOK

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

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

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

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

Consolidated Condensed Interim Financial Information

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET As at 30 June 2007

	Note	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	223,986	156,887
Land use rights	7	25,297	25,583
Intangible assets	8	78,866	81,551
Deferred income tax assets	9	16,975	12,455
Other non-current assets	13	34,704	—
Total non-current assets		379,828	276,476
Current assets			
Inventories	11	422,041	350,544
Trade receivables	12	594,663	579,143
Other receivables and prepayments	13	104,546	109,951
Fixed deposits held at banks	14	10,321	10,304
Cash and cash equivalents	14	810,767	838,867
Total current assets		1,942,338	1,888,809
Total assets		2,322,166	2,165,285

Consolidated Condensed Interim Financial Information (cont'd)

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (cont'd) As at 30 June 2007

	<i>Note</i>	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Ordinary shares	18	109,614	109,503
Share premium	18	389,770	462,911
Shares held for Restricted Share Award Scheme	18	(7,288)	(6,367)
Other reserves	19	194,782	182,484
Retained earnings	19	849,232	650,959
		1,536,110	1,399,490
Minority interest		—	17,589
Total equity		1,536,110	1,417,079
LIABILITIES			
Non-current liability			
License fees payable	17	56,249	59,754
Current liabilities			
Trade payables	15	382,586	424,460
Other payables and accruals	16	313,991	207,281
Current income tax liabilities		20,361	45,725
License fees payable — current portion	17	12,869	10,986
Total current liabilities		729,807	688,452
Total liabilities		786,056	748,206
Total equity and liabilities		2,322,166	2,165,285
Net current assets		1,212,531	1,200,357
Total assets less current liabilities		1,592,359	1,476,833

The notes on pages 25 to 52 form an integral part of this consolidated condensed interim financial information.

Consolidated Condensed Interim Financial Information (cont'd)

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT For the six months ended 30 June 2007

	Note	Unaudited	
		Six months ended 30 June 2007	2006 <i>(Reclassified – Note 3)</i>
		RMB'000	RMB'000
Revenue	5	1,909,431	1,371,929
Cost of sales	22	(978,998)	(703,484)
Gross profit		930,433	668,445
Distribution expenses	22	(546,128)	(398,623)
Administrative expenses	22	(148,159)	(123,180)
Other gains	21	30,466	25,871
Operating profit		266,612	172,513
Finance costs, net	23	(72)	815
Profit before income tax		266,540	173,328
Income tax expense	24	(67,876)	(43,362)
Profit for the period		198,664	129,966
Attributable to:			
— equity holders of the Company		198,273	129,939
— minority interest		391	27
		198,664	129,966
Interim dividend	25	59,519	39,038
Earnings per share for profit attributable to the equity holders of the Company (RMB cents)			
— basic	26	19.21	12.66
— diluted	26	18.91	12.48

The notes on pages 25 to 52 form an integral part of this consolidated condensed interim financial information.

Consolidated Condensed Interim Financial Information (cont'd)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY For the six months ended 30 June 2007

	Note	Attributable to equity holders of the Company RMB'000	Unaudited	
			Minority interest RMB'000	Total equity RMB'000
Balance as at 1 January 2006		1,160,924	17,372	1,178,296
Profit for the period		129,939	27	129,966
Dividends	18	(51,166)	—	(51,166)
Employee share option schemes				
— value of services provided	19	9,840	—	9,840
— proceeds from shares issued	18	2,167	—	2,167
Balance as at 30 June 2006		1,251,704	17,399	1,269,103
Balance as at 1 January 2007		1,399,490	17,589	1,417,079
Profit for the period		198,273	391	198,664
Dividends	18	(78,922)	—	(78,922)
Acquisition of additional interests in a subsidiary		—	(17,980)	(17,980)
Employee share option schemes				
— value of services provided	19	15,046	—	15,046
— proceeds from shares issued	18	3,144	—	3,144
Shares purchased for Restricted Share Award Scheme	18	(921)	—	(921)
Balance as at 30 June 2007		1,536,110	—	1,536,110

The notes on pages 25 to 52 form an integral part of this consolidated condensed interim financial information.

Consolidated Condensed Interim Financial Information (cont'd)

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT For the six months ended 30 June 2007

	Note	Unaudited	
		Six months ended 30 June 2007	2006
		RMB'000	RMB'000
Cash flows from operating activities:			
— Continuing operations		149,389	106,998
Cash flows from investing activities:			
— Purchases of property, plant and equipment		(76,063)	(10,613)
— Purchases of intangible assets		(5,605)	(2,363)
— Proceeds from disposal of property, plant and equipment		898	1,475
— Acquisition of additional interests in a subsidiary		(17,817)	—
— Others		5,391	172,847
Cash flows from investing activities (net)		(93,196)	161,346
Cash flows from financing activities:			
— Dividends paid		(78,922)	(50,685)
— Proceeds from issuance of ordinary shares	18	3,144	2,167
— Purchase of shares for Restricted Share Award Scheme	18	(921)	—
— Others		(2,307)	—
Cash flows from financing activities (net)		(79,006)	(48,518)
Net (decrease)/increase in cash and cash equivalents		(22,813)	219,826
Cash and cash equivalents at start of period		838,867	378,368
Exchange loss on cash and cash equivalents		(5,287)	(534)
Cash and cash equivalents at end of period		810,767	597,660

The notes on pages 25 to 52 form an integral part of this consolidated condensed interim financial information.

Selected Notes to the Consolidated Condensed Interim Financial Information

1. GENERAL INFORMATION

Li Ning Company Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in brand development, design, manufacturing, sale and distribution of sports-related footwear, apparel and accessories in the People’s Republic of China (the “PRC”).

The Company was incorporated on 26 February 2004 in the Cayman Islands as an exempted company with limited liability under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

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

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

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

2. BASIS OF PREPARATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

- IFRIC Int.7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economics, effective for annual periods beginning on or after 1 March 2006. This interpretation is not relevant for the Group’s operations;
- IFRIC Int.8 Scope of IFRS 2, effective for annual periods beginning on or after 1 May 2006. IFRIC Int.8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on this unaudited consolidated condensed interim financial information;

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- IFRIC Int.9 Reassessment of Embedded Derivatives, effective for annual periods beginning on or after 1 June 2006. IFRIC Int. 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the Group entities have changed the terms of their contracts, IFRIC Int. 9 is not relevant to the Group's operations;
- IFRIC Int.10 Interim Financial Reporting and Impairment, effective for annual periods beginning on or after 1 November 2006. IFRIC Int.10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on this unaudited consolidated condensed interim financial information; and
- IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2007. IAS 1, Amendments to Capital Disclosures, effective for annual periods beginning on or after 1 January 2007. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. IFRS 7 and amendments to IAS 1 do not have any impact on disclosure requirements of this unaudited consolidated condensed interim financial information. The Group will apply new disclosure requirements in IFRS 7 and amendments to IAS 1 in its financial statements for the year ending 31 December 2007.

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

- IFRIC Int.11 IFRS 2 — Group and Treasury Share Transactions, effective for annual periods beginning on or after 1 March 2007. IFRIC Int.11 addresses how to apply IFRS 2 Share-based Payments to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. Management is in the process of assessing the impact of this interpretation on the Group's consolidated financial statements;
- IFRIC Int.12 Service Concession Arrangements, effective for annual periods beginning on or after 1 January 2008. IFRIC Int.12 provides guidance on the accounting by operators in public-to-private service concession arrangements. As the Group does not participate in service concession arrangements, IFRIC Int.12 is not relevant to the Group's operations;

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- IFRIC Int.13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 July 2008. IFRIC Int.13 requires award credits granted to customers to be accounted for as a separately identifiable component at fair value and deferred in recognition of revenue. Management is currently assessing the impact of this interpretation on the Group's consolidated financial statements;
- IFRS 8 Operating Segments, effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 Segment Reporting and specifies how an entity should report information about its operating segments in annual financial statements and , as a consequential amendment to IAS 34 Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial information. This standard also sets out requirements for related disclosures about products and services, geographical areas and major customers. Management is currently assessing the impact of this standard on the Group's consolidated financial statements; and
- IAS 23 (revised 2007) Borrowing Costs, effective for annual periods beginning on or after 1 January 2009. IAS 23 (revised 2007) removes the option of expensing the borrowing costs and requires an entity to capitalize borrowing costs attributable to qualifying assets. This revised standard does not have any impact on the Group's consolidated financial statements.

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Foreign exchange risk

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

Certain of the Group's cash and bank deposits are denominated in Hong Kong Dollars (HK\$) or United States Dollars (US\$) (Note 14). In addition, the Company pays dividends in HK\$ when dividends are declared.

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

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

4. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Financial risk factors (cont'd)

(ii) Interest rate risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(b) Capital risk management

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

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

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

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

(c) Fair value estimation

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

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

5. REVENUE AND SEGMENT INFORMATION

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

Primary reporting format — business segment

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

Secondary reporting format — geographical segment

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

6. PROPERTY, PLANT AND EQUIPMENT

	Unaudited						Total RMB'000
	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Motor vehicles and office equipment RMB'000	Construction in progress RMB'000	
Six months ended							
30 June 2006							
Opening net book amount	39,926	12,673	—	7,647	30,504	5,046	95,796
Addition	—	4,776	—	5,975	5,041	—	15,792
Disposal	—	(1,470)	—	(89)	(1,034)	—	(2,593)
Reclassification	—	—	—	—	2,517	(2,517)	—
Depreciation charge	(1,214)	(4,485)	—	(785)	(4,557)	—	(11,041)
Closing net book amount	38,712	11,494	—	12,748	32,471	2,529	97,954
Six months ended							
30 June 2007							
Opening net book amount	37,497	13,213	16,932	12,857	40,352	36,036	156,887
Addition	—	4,479	10,389	833	4,443	71,368	91,512
Disposal	—	(370)	—	(33)	(443)	—	(846)
Reclassification	(724)	724	369	—	(369)	—	—
Depreciation charge	(1,116)	(6,263)	(5,747)	(1,076)	(9,365)	—	(23,567)
Closing net book amount	35,657	11,783	21,943	12,581	34,618	107,404	223,986

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Construction in progress with net book value of RMB107,404,000 (31 December 2006: RMB36,036,000) as at 30 June 2007 located in the PRC are built on land with respect to which the Group is in the process of applying for the formal legal title to its land use right.

Depreciation expenses of approximately RMB16,855,000 (2006: RMB10,200,000) have been charged to operating expenses and approximately RMB6,712,000 (2006: RMB841,000) to cost of sales.

7. LAND USE RIGHTS

	Unaudited RMB'000
Six months ended 30 June 2006	
Opening net book amount	3,857
Amortisation charge	(65)
Closing net book amount	3,792
Six months ended 30 June 2007	
Opening net book amount	25,583
Amortisation charge	(286)
Closing net book amount	25,297

Land use rights comprise prepaid lease payments for land for period varying from 20 to 50 years.

The Group is in the process of applying for formal legal title to its land use rights amounting to net book value of RMB21,634,000 (31 December 2006: RMB 21,855,000) as at 30 June 2007.

Amortisation charge of approximately RMB286,000 (2006: RMB65,000) has been charged to operating expenses.

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

8. INTANGIBLE ASSETS

	Unaudited			Total RMB'000
	Trademarks RMB'000	Computer software RMB'000	Licence rights RMB'000	
Six months ended 30 June 2006				
Opening net book amount	2,668	7,292	—	9,960
Additions	3	2,360	—	2,363
Disposals	—	(227)	—	(227)
Amortisation charge	(118)	(1,192)	—	(1,310)
Closing net book amount	2,553	8,233	—	10,786
Six months ended 30 June 2007				
Opening net book amount	2,069	11,886	67,596	81,551
Additions	416	2,036	3,643	6,095
Disposals	—	(53)	—	(53)
Amortisation charge	(136)	(1,841)	(6,750)	(8,727)
Closing net book amount	2,349	12,028	64,489	78,866

Amortisation charge of approximately RMB8,727,000 (2006: RMB1,310,000) has been charged to operating expenses.

9. DEFERRED INCOME TAX ASSETS

The movement in deferred income tax assets is as follows:

	Impairment loss of assets RMB'000	Unaudited Share options not exercised RMB'000	Total RMB'000
	As at 1 January and 30 June 2006	—	—
As at 1 January 2007	4,492	7,963	12,455
Credited to income statement	2,695	1,825	4,520
As at 30 June 2007	7,187	9,788	16,975

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

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

10. INTEREST IN JOINTLY CONTROLLED ENTITIES

The Group has a 50% equity interest in Li-Ning Agile Ventures Limited ("Li-Ning Agile Ventures"), a company jointly controlled by the Group and Aigle International S.A.. Li-Ning Agile Ventures and its subsidiary are principally engaged in the manufacturing, marketing and distribution of AIGLE brand apparel and footwear products in the PRC.

The following financial information reflects the Group's 50% share of the consolidated assets and liabilities, and consolidated revenue and results of Li-Ning Agile Ventures and its subsidiary as at and for the six months ended 30 June 2007, which have been included in this unaudited consolidated condensed interim financial information.

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Assets		
Non-current assets		
— Property, plant and equipment	477	937
— Intangible assets	34	46
Current assets		
— Inventories	10,952	12,571
— Trade and other receivables	3,125	3,314
— Cash at banks and in hand	10,930	16,934
Total assets	25,518	33,802
Liabilities		
Non-current liabilities		
— Borrowings from shareholders	12,180	12,559
Current liabilities		
— Trade and other payables	1,356	5,406
Total liabilities	13,536	17,965
Net assets	11,982	15,837

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

10. INTEREST IN JOINTLY CONTROLLED ENTITIES (cont'd)

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Revenue	6,328	1,164
Cost of sales	(3,630)	(610)
Gross profit	2,698	554
Distribution expenses	(5,744)	(2,386)
Administrative expenses	(1,685)	(295)
Finance income, net	244	49
Net loss	(4,487)	(2,078)

As at 30 June 2007 and 31 December 2006, the Group did not have any contingent liabilities in respect of its interest in the jointly controlled entities.

11. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB'000	RMB'000
Raw materials	6,855	4,937
Work in progress	4,317	3,200
Finished goods	458,638	369,276
	469,810	377,413
Less: provision for write-down to net realizable value	(47,769)	(26,869)
	422,041	350,544

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

12. TRADE RECEIVABLES

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

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

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

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

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

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

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

13. OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Advances to suppliers	14,045	10,182
Prepayment for advertisement	25,503	29,478
Rental and other deposits	24,608	19,613
Prepaid rental	52,562	21,686
Others	22,532	28,992
	139,250	109,951
Less: non-current portion of prepaid rental and deposits	(34,704)	—
Current portion	104,546	109,951

14. CASH, CASH EQUIVALENTS AND BANK DEPOSITS

As at 30 June 2007, the Group had the following cash, cash equivalents and bank deposits held with banks in the PRC (including Hong Kong Special Administrative Region):

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Cash at banks and in hand	792,267	736,123
Short-term bank deposits	18,500	102,744
Fixed deposits held at banks with maturity of more than three months	10,321	10,304
	821,088	849,171

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

14. CASH, CASH EQUIVALENTS AND BANK DEPOSITS (cont'd)

The effective interest rate on the fixed deposits was 5.4% per annum (31 December 2006: 5.2%). These deposits have an average maturity of 137 days (31 December 2006: 134 days).

Any analysis of cash, cash equivalents and bank deposits by denominated currency is as follows:

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Denominated in RMB	779,363	703,253
Denominated in HK Dollars	39,443	129,570
Denominated in US Dollars	2,282	16,348
	821,088	849,171

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

15. TRADE PAYABLES

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

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

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

16. OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Accrued sales and marketing expenses	115,458	29,347
Other accrued expenses	29,542	17,440
Advances from customers	24,448	14,782
Wages payable	39,554	44,842
Welfare payable	40,270	39,140
VAT and other taxes payable	18,297	34,231
Payable for property, plant and equipment	15,449	—
Payable for the land use rights	12,000	12,000
Other payables	18,973	15,499
	313,991	207,281

17. LICENSE FEES PAYABLE

	Unaudited 2007 RMB'000	2006 RMB'000
As at 1 January	70,740	—
Acquisition of license rights	2,285	—
Payment of license fees	(4,101)	—
Unwinding of discount	2,307	—
Adjustment for exchange difference	(2,113)	—
As at 30 June	69,118	—

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Analysis of license fees payable:		
Non-current, after the fifth year	3,707	3,801
Non-current, the second to fifth year	52,542	55,953
Current	12,869	10,986
	69,118	70,740

The Group has entered into several license right agreements with sports organization and athletes to obtain exclusive product development and marketing opportunities. Pursuant to the agreements, considerations will be paid by the Group in tranches during the life of license rights.

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

18. ORDINARY SHARES, SHARE PREMIUM AND SHARES HELD FOR RESTRICTED SHARE AWARD SCHEME

	Number of shares (Thousands)	Approximate amount HK\$'000
Authorised at HK\$0.10 each		
As at 31 December 2006 and 30 June 2007	10,000,000	1,000,000

Issued and fully paid

	Number of shares of HK\$0.10 each (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
As at 1 January 2006	1,026,167	108,889	516,381	—	625,270
Proceeds from shares issued pursuant to share option schemes (note a)	1,140	118	2,049	—	2,167
Transfer of fair value of share options exercised to share premium	—	—	9,110	—	9,110
Dividends paid	—	—	(51,166)	—	(51,166)
As at 30 June 2006	1,027,307	109,007	476,374	—	585,381
As at 1 January 2007	1,031,488	109,503	462,911	(6,367)	566,047
Proceeds from shares issued pursuant to share option schemes (note a)	1,117	111	3,033	—	3,144
Transfer of fair value of share options exercised to share premium	—	—	2,748	—	2,748
Shares purchased for Restricted Share Award Scheme (note b)	(70)	—	—	(921)	(921)
Dividends paid	—	—	(78,922)	—	(78,922)
As at 30 June 2007	1,032,535	109,614	389,770	(7,288)	492,096

Notes:

- (a) During the six months ended 30 June 2007, the Company issued 1,117,000 shares (2006: 1,140,000 shares) of HK\$0.10 each to directors and employees of the Group at weighted-average issued price of HK\$2.8485 (2006: HK\$1.8275) per share pursuant to the Company's share option schemes (Note 20).
- (b) During the six months ended 30 June 2007, the Li Ning Company Limited Restricted Share Award Scheme Trust, a trust established in Hong Kong purchased 70,000 (2006: Nil) shares of the Company.

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

19. RESERVES

	Capital reserves (a)	Statutory reserve fund (b)	Statutory public welfare fund (b)	Share-based compensation reserve	Subtotal	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006	45,634	69,771	20,905	22,748	159,058	376,596	535,654
Profit for the period	—	—	—	—	—	129,939	129,939
Employee share option schemes for value of services provided	—	—	—	9,840	9,840	—	9,840
Transfer of fair value of the share option exercised to share premium	—	—	—	(9,110)	(9,110)	—	(9,110)
As at 30 June 2006	45,634	69,771	20,905	23,478	159,788	506,535	666,323

	Capital reserve (a)	Statutory reserve fund (b)	Share-based compensation reserve	Subtotal	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	45,634	111,159	25,691	182,484	650,959	833,443
Profit for the period	—	—	—	—	198,273	198,273
Employee share option schemes for value of services provided	—	—	15,046	15,046	—	15,046
Transfer of fair value of the share option exercised to share premium	—	—	(2,748)	(2,748)	—	(2,748)
As at 30 June 2007	45,634	111,159	37,989	194,782	849,232	1,044,014

Notes:

(a) Capital reserves

Capital reserves comprised the aggregate of contribution by the then shareholders of the Group and the merger reserve arose during the reorganization in preparation for listing of the Company's shares on The Stock Exchange of Hong Kong Limited during 2004.

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

19. RESERVES (cont'd)

Notes: (cont'd)

(b) Statutory reserves

Under the relevant PRC laws and regulations, the Company's certain subsidiaries in the PRC (the "PRC Companies") are required to appropriate portion of their respective net profit to statutory funds before profit distribution to investors.

(i) Statutory reserve fund

Statutory reserve fund include Statutory Surplus Reserve and Reserve Fund.

PRC Companies incorporated under the "Company Law of the PRC" are required to allocate at least 10% of the companies' net profit to the Statutory Surplus Reserve until such fund reaches 50% of the companies' registered capital. The Statutory Surplus Reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the company, provided that such fund be maintained at a minimum of 25% of the companies' registered capital.

Pursuant to applicable PRC laws and regulations, PRC Companies incorporated under the "Law of the PRC on Joint Ventures Using Chinese and Foreign Investment" may appropriate a percentage of net profit to Reserve Fund after offsetting accumulated losses from prior years. The percentage of appropriation is determined by the board of directors of the companies.

Pursuant to applicable PRC laws and regulations, PRC Companies incorporated under the "Law of the PRC on Enterprise Operated Exclusively with Foreign Capital" are required to allocate at least 10% of the companies' net profit to the Reserve Fund until such fund reaches 50% of the companies' registered capital. The Reserve Fund, upon approval by relevant authorities, to offset accumulated losses or to increase registered capital of the Company.

(ii) Statutory public welfare fund

Until 31 December 2005, PRC Companies incorporated under the "Company Law of the PRC" are required to transfer 5% to 10% of the companies' net profit to the fund. This fund can only use to provide welfare facilities and other collective benefits to the companies' employees.

Pursuant to the revised "Company Law of the PRC" and regulation which are effective from 1 January 2006, relevant PRC Companies have ceased to provide for statutory public welfare fund from net profit. The balances of statutory public welfare fund as at 31 December 2005 have been transferred to relevant PRC Companies' Statutory Surplus Reserve.

(c) Distributable reserves

Under the Company Law (revised) of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to its equity holders provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

20. SHARE-BASED COMPENSATION

(a) Share Purchase Scheme

Alpha Talent Management Limited (“Alpha Talent”) was set up in 2004 by Mr. Li Ning, a substantial shareholder and Chairman of the Company, to hold 35,250,000 of the Company’s shares beneficially owned by Mr. Li Ning. The Share Purchase Scheme (the “Alpha Talent Option”) was adopted by Alpha Talent on 5 June 2004 and is effective for a period of 10 years from that date.

Currently granted options vest gradually after the individuals complete certain periods of service in the Group ranging from 6 to 36 months.

Movement in the number of share options outstanding and their related weighted average exercise price are as follows:

	2007		2006	
	Weighted average exercise price (per share)	Outstanding options	Weighted average exercise price (per share)	Outstanding options
	HK\$	(Thousands)	HK\$	(Thousands)
As at 1 January	0.66	12,627	0.65	20,370
Granted	0.86	300	—	—
Exercised	0.61	(1,229)	0.84	(5,552)
As at 30 June	0.67	11,698	0.58	14,818
Exercisable as at 30 June	0.48	7,498	0.53	11,191

Share options outstanding as at 30 June 2007 and 31 December 2006 have the following expiry date and weighted average exercise price:

Expiry date	30 June 2007		31 December 2006	
	Weighted average exercise price (per share)	Share options	Weighted average exercise price (per share)	Share options
	HK\$	(Thousands)	HK\$	(Thousands)
8 June 2010	0.55	7,203	0.55	8,332
11 November 2011	0.86	295	0.86	395
5 July 2012	0.86	3,700	0.86	3,700
30 August 2012	0.86	200	0.86	200
1 January 2013	0.86	300	—	—
		11,698		12,627

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

20. SHARE-BASED COMPENSATION (cont'd)

(b) Pre-IPO Share Option Scheme

The Company has adopted a pre-IPO share option scheme (the "Pre-IPO Option") on 5 June 2004. Total number of share options subject to the Pre-IPO Option is 16,219,000 shares and they were granted on 5 June 2004. No further share options will be granted under the Pre-IPO Option. Options granted under the Pre-IPO Option vest gradually after the individuals complete certain periods of service in the Group ranging from 12 to 36 months starting from the date of grant (5 June 2004).

Movement in the number of share options outstanding and their exercise prices are as follows:

	2007		2006	
	Exercise price (per share) HK\$	Outstanding options (Thousands)	Exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	1.8275	7,245	1.8275	11,512
Exercised	1.8275	(503)	1.8275	(1,140)
Lapsed	1.8275	—	1.8275	(286)
As at 30 June	1.8275	6,742	1.8275	10,086
Exercisable as at 30 June	1.8275	6,742	1.8275	5,748

Share options outstanding as at 30 June 2007 and 31 December 2006 have the following expiry date and exercise price:

Expiry date	30 June 2007		31 December 2006	
	Exercise price (per share) HK\$	Share options (Thousands)	Exercise price (per share) HK\$	Share options (Thousands)
5 June 2010	1.8275	6,742	1.8275	7,245

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

20. SHARE-BASED COMPENSATION (cont'd)

(c) Share Option Scheme

Pursuant to a shareholders' resolution passed on 5 June 2004, the Company adopted a share option scheme (the "Post-IPO Option"). The Post-IPO Option will remain in force for a period of 10 years commencing from 5 June 2004.

Options granted under the Post-IPO Option vest gradually after the participants to the scheme complete certain periods of service in the Group ranging from 6 to 36 months.

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	4.951	15,295	3.685	15,505
Granted	—	—	5.500	360
Exercised	3.685	(614)	—	—
Lapsed	5.754	(65)	3.685	(500)
Cancelled	6.377	(172)	—	—
As at 30 June	4.985	14,444	3.728	15,365
Exercisable as at 30 June	3.785	2,175	—	—

Share options outstanding as at 30 June 2007 and 31 December 2006 have the following expiry date and exercise price:

Expiry date	30 June 2007		31 December 2006	
	Exercise price (per share) HK\$	Share options (Thousands)	Exercise price (per share) HK\$	Share options (Thousands)
4 July 2011	3.685	10,914	3.685	11,649
3 January 2012	5.500	360	5.500	360
4 September 2012	8.830	2,780	8.830	2,896
11 October 2012	8.950	90	8.950	90
20 November 2012	9.840	300	9.840	300
		14,444		15,295

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

20. SHARE-BASED COMPENSATION (cont'd)

(d) Fair value of share options

The fair values of the options granted under the above schemes during the six months ended 30 June 2007 and 2006 determined using Black-Scholes valuation model were as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Alpha Talent Option	3,144	N/A
Post-IPO Option	N/A	681

The fair values of granted share options are charged to the income statement over the vesting period. The amount charged in the six months ended 30 June 2007 was RMB13,042,000 (2006: RMB9,840,000), including fair value of share options granted in prior periods.

Significant inputs into the model were as follows:

	Six months ended 30 June	
	2007	2006
Alpha Talent Option		
Share price (HK\$)	12.46	N/A
Exercise price (HK\$)	0.86	N/A
Expected volatility	44.4%	N/A
Expected option life (years)	4.00	N/A
Weighted average annual risk free interest rate	3.64%	N/A
Expected dividend yield	2.0%	N/A

	Six months ended 30 June	
	2007	2006
Post-IPO Option		
Weighted average share price (HK\$)	N/A	5.4
Weighted average exercise price (HK\$)	N/A	5.5
Expected volatility	N/A	45.0%
Expected option life (years)	N/A	4.0
Weighted average annual risk free interest rate	N/A	4.09%
Expected dividend yield	N/A	2.0%

The expected volatility is estimated based on the daily trading prices of the Company's shares since its date of listing (28 June 2004).

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

20. SHARE-BASED COMPENSATION (cont'd)

(e) Restricted Share Award Scheme

The Company adopted the Li Ning Company Limited Restricted Share Award Scheme ("Restricted Share Award Scheme") on 14 July 2006 with a duration of 10 years commencing from the adoption date. The objective of the Restricted Share Award Scheme is to encourage and retain selected participants which include directors, employees, officers, agents and consultants of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals. Restricted shares vest gradually after selected participants complete a period of service in the Group of 12 to 36 months from the date of grant.

The Group has set up the Li Ning Company Limited Restricted Share Award Scheme Trust ("Restricted Share Trust") to administer and hold the Company's shares before they are vested and transferred to selected participants. As the financial and operational policies of the Restricted Share Trust are governed by the Group, and Group benefits from the Restricted Share Trust's activities, the Restricted Share Trust is consolidated in the Group's financial statements as a special purpose entity.

The fair value of restricted shares awarded was based on the market value of the Company's shares at the grant date.

The movement in the number of restricted shares granted and related fair value are as follows:

	2007		2006	
	Weighted average fair value (per share) HK\$	Number of restricted shares granted (Thousands)	Weighted average fair value (per share) HK\$	Number of restricted shares granted (Thousands)
As at 1 January	9.10	757	—	—
Granted	11.90	6	—	—
Lapsed	9.01	(15)	—	—
As at 30 June	9.12	748	—	—
Vested as at 30 June	—	—	—	—

The fair value of restricted shares charged to the income statement was RMB2,004,000 during the six months ended 30 June 2007 (2006: Nil).

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

21. OTHER GAINS

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

Notes:

- (a) The Group received subsidies from various local governments in the PRC amounting to RMB30,303,000 for the six months ended 30 June 2007 (2006: RMB20,901,000).
- (b) During the six months ended 30 June 2006, the Group disposed of Hangzhou Edosports Goods Sales Co., Ltd., a company incorporated in the PRC which is principally engaged in sales of sports goods, to two individuals unrelated to the Group, and recognized gain on disposal of RMB4,970,000.

22. EXPENSES BY NATURE

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

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

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

23. FINANCE COSTS, NET

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

24. INCOME TAX EXPENSE

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

Notes:

- (a) The Company was incorporated in the Cayman Islands. Under the current laws of Cayman Islands, the Company is not subject to any Cayman Islands tax. The Company's subsidiary, RealSports Pte Ltd., was established under the International Business Companies Acts of the British Virgin Islands and is exempted from British Virgin Islands income taxes.
- (b) Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2007 (2006: 17.5%).
- (c) Provision for the PRC corporate income tax is calculated based on the statutory tax rate of 33% on the assessable income of each of the group companies, except that certain subsidiaries of the Company are taxed at preferential tax rate of 15% based on the relevant PRC tax rules and regulations.

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

24. INCOME TAX EXPENSE (cont'd)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 33% as follows:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Profit before income tax	266,540	173,328
Tax calculated at a tax rate of 33%	87,958	57,198
Effects of different tax rate in Hong Kong	(370)	(1,344)
Preferential tax rate on the income of certain subsidiaries	(30,131)	(20,592)
Tax losses not recognized	3,341	6,547
Expenses not deductible for tax purposes	7,078	20,321
Income not subject to tax	—	(12,772)
Tax credit granted to a subsidiary	—	(5,996)
Tax charge	67,876	43,362

For the six months ended 30 June 2007, the weighed average applicable tax rate is 25.5% (2006: 25.0%).

25. INTERIM DIVIDEND

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

Note:

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

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

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

26. EARNINGS PER SHARE

Basic

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

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares to be issued under its share option schemes and shares held for Restricted Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the payout of the shares held for Restricted Share Award Scheme, with the difference being adjusted in arriving at the weighted average number of ordinary shares for diluted earnings per shares, of which details are as follows:

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

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

27. COMMITMENTS

(a) Capital commitments

Capital expenditure authorized but not contracted and contracted but not paid at the balance sheet date is as follows:

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Property, plant and equipment		
— authorised but not contracted	—	5,243
— contracted but not paid	50,381	102,601
	50,381	107,844

(b) Operating lease commitments — where Group companies are the lessee

The Group has commitments to make the following aggregate minimum payments under non-cancellable operating leases in respect of its office premises and shops:

	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
Not later than 1 year	68,719	47,933
Later than 1 year and not later than 5 years	133,237	157,183
Later than 5 years	—	6,413
	201,956	211,529

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

28. SIGNIFICANT RELATED PARTY TRANSACTION

(a) The Group has following significant related party transaction:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Sponsorship fee paid to:		
— 北京一動體育發展有限公司 (Beijing Edo Sports Development Company Limited), a company controlled by 上海寧晟企業管理有限公司 (Shanghai Ning Sheng Corporate Management Co., Ltd.), a company controlled by the family members of Mr. Li Ning, chairman of the Company.	1,549	1,850

In the opinion of the directors, this transaction was entered into at terms as agreed with the related party in the ordinary course of business.

(b) Key management compensation

Details of compensation paid to key management of the Group (all being directors of the Company) are as follows:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Salaries and other benefits	5,491	5,266
Contribution to retirement benefit scheme	199	286
Employee share option schemes for value of services provided	1,186	1,948
	6,876	7,500

Selected Notes to the Consolidated Condensed Interim Financial Information (cont'd)

29. SUBSEQUENT EVENTS

- (a) On 6 July 2007, the Group established 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd.), a wholly-owned subsidiary in the PRC, with a registered capital of RMB50,000,000.
- (b) On 2 July and 16 July 2007, 1,206,600 and 18,000 restricted shares of the Company were granted to certain directors and employees of the Group pursuant to the Restricted Share Award Scheme respectively.
- (c) On 2 July 2007, options to purchase 19,400 shares of the Company held by Alpha Talent Management Limited, a company owned by Mr. Li Ning who is the Chairman and a substantial shareholder of the Company, were granted to certain employees of the Group at an exercise price of HK\$0.86 per share pursuant to the share purchase scheme of Alpha Talent Management Limited.
- (d) On 19 July 2007, options to purchase 350,000 shares of the Company at an exercise price of HK\$19.68 per share were granted to certain participant under Post-IPO Option Scheme.



Other Information

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

SHARE SCHEMES

Share Purchase Scheme

Details of the Share Purchase Scheme of Alpha Talent and the movements of share options and valuation of the share options granted under the Share Purchase Scheme for the six months ended 30 June 2007 are set out in note 20 to the consolidated condensed interim financial information.

Other Information (cont'd)

Pre-IPO Share Option Scheme

Details of the Pre-IPO Share Option Scheme are set out in note 20 to the consolidated condensed interim financial information. Movements of the share options under the Pre-IPO Share Option Scheme for the six months ended 30 June 2007 are as follows:

	Date of grant	Exercise price per Share HK\$	as at 01/01/2007	Number of share options exercised during the period	lapsed during the period	as at 30/06/2007	Exercise period (Note 4)
Executive Directors							
Zhang Zhi Yong	05/06/2004	1.8275	1,267,000	(54,000) (Note 1)	—	1,213,000	28/06/2005 – 05/06/2010
Tan Wee Seng	05/06/2004	1.8275	677,000	(25,000) (Note 2)	—	652,000	28/06/2005 – 05/06/2010
Employees of the Group							
In aggregate	05/06/2004	1.8275	5,301,000	(424,000) (Note 3)	—	4,877,000	28/06/2005 – 05/06/2010
			<u>7,245,000</u>	<u>(503,000)</u>	<u>—</u>	<u>6,742,000</u>	

Notes:

1. The weighted average closing price per Share immediately before the dates of exercise of the options is HK\$13.91.
2. The closing price per Share immediately before the date of exercise of the options is HK\$12.34.
3. The weighted average closing price per Share immediately before the dates of exercise of the options is HK\$16.52.
4. Options granted are subject to a vesting scale in tranches of one-third each on every anniversary of 28 June 2004, being the date of the listing of the Shares on the Hong Kong Stock Exchange, starting from the first anniversary until the third.
5. No options granted were cancelled during the six months ended 30 June 2007.

Other Information (cont'd)

Post-IPO Share Option Scheme

Details of the Post-IPO Share Option Scheme are set out in note 20 to the consolidated condensed interim financial information. Movements of the share options under the Post-IPO Share Option Scheme for the six months ended 30 June 2007 are as follows:

	Date of grant	Exercise price per Share HK\$	as at 01/01/2007	Number of share options			as at 30/06/2007	Exercise period (Note 5)
				exercised during the period	lapsed during the period	cancelled during the period		
Executive Directors								
Zhang Zhi Yong	04/07/2005	3.685	782,000	(32,000) (Note 1)	—	—	750,000	04/07/2006 – 04/07/2011
	04/09/2006	8.83	312,000	—	—	—	312,000	04/09/2007 – 04/09/2012
Tan Wee Seng	04/07/2005	3.685	728,000	—	—	—	728,000	04/07/2006 – 04/07/2011
	04/09/2006	8.83	172,000	—	—	—	172,000	04/09/2007 – 04/09/2012
Non-executive Directors								
Lim Meng Ann	04/07/2005	3.685	246,000	—	—	(82,000)	164,000	04/07/2006 – 04/07/2011
	04/09/2006	8.83	90,000	—	—	(90,000)	—	04/09/2007 – 04/09/2012
Stuart Schonberger	04/07/2005	3.685	246,000	—	—	—	246,000	04/07/2006 – 04/07/2011
	04/09/2006	8.83	90,000	—	—	—	90,000	04/09/2007 – 04/09/2012
Independent non-executive Directors								
Koo Fook Sun, Louis	04/07/2005	3.685	246,000	(82,000) (Note 2)	—	—	164,000	04/07/2006 – 04/07/2011
	04/09/2006	8.83	90,000	—	—	—	90,000	04/09/2007 – 04/09/2012
Wang Ya Fei, Jane	04/07/2005	3.685	246,000	(82,000) (Note 3)	—	—	164,000	04/07/2006 – 04/07/2011
	04/09/2006	8.83	90,000	—	—	—	90,000	04/09/2007 – 04/09/2012
Chan Chung Bun, Bunny	04/09/2006	8.83	90,000	—	—	—	90,000	04/09/2007 – 04/09/2012

Other Information (cont'd)

	Date of grant	Exercise price per Share HK\$	as at 01/01/2007	Number of share options			as at 30/06/2007	Exercise period (Note 5)
				exercised during the period	lapsed during the period	cancelled during the period		
Employees of the Group								
In aggregate	04/07/2005	3.685	9,154,999	(418,633) (Note 4)	(38,665)	—	8,697,701	04/07/2006 – 04/07/2011
In aggregate	03/01/2006	5.50	360,000	—	—	—	360,000	03/01/2007 – 03/01/2012
In aggregate	04/09/2006	8.83	1,962,000	—	(26,000)	—	1,936,000	04/09/2007 – 04/09/2012
In aggregate	11/10/2006	8.95	90,000	—	—	—	90,000	(Note 6)
Other participants								
In aggregate	20/11/2006	9.84	300,000	—	—	—	300,000	(Note 7)
			15,294,999	(614,633)	(64,665)	(172,000)	14,443,701	

Notes:

- The weighted average closing price per Share immediately before the dates of exercise of the options is HK\$18.07.
- The closing price per Share immediately before the date of exercise of the options is HK\$15.42.
- The weighted average closing price per Share immediately before the dates of exercise of the options is HK\$14.07.
- The weighted average closing price per Share immediately before the dates of exercise of the options is HK\$14.99.
- Unless otherwise stated in notes 6 and 7, options granted are subject to a vesting scale in tranches of one-third each on every anniversary of the date of grant starting from the first anniversary until the third.
- The options are subject to vesting schedules and exercise periods as follows:

% of the options granted	Vesting date	Exercise period
1/3	22/03/2007	22/03/2007 – 11/10/2012
1/3	22/03/2008	22/03/2008 – 11/10/2012
1/3	22/03/2009	22/03/2009 – 11/10/2012

- The options are subject to vesting schedules and exercise periods as follows:

% of the options granted	Vesting date	Exercise period
1/3	26/07/2007	26/07/2007 – 20/11/2012
1/3	26/07/2008	26/07/2008 – 20/11/2012
1/3	26/07/2009	26/07/2009 – 20/11/2012

- No options were granted during the six months ended 30 June 2007 under the Post-IPO Share Option Scheme.

Other Information (cont'd)

Restricted Share Award Scheme

Details of the Restricted Share Award Scheme are set out in note 20 to the consolidated condensed interim financial information. During the six months ended 30 June 2007, the Board awarded 5,500 Shares pursuant to the Restricted Share Award Scheme to an eligible participant. The total payout during the period, including related expenses, amounted to RMB921,000. As at 30 June 2007, save for those lapsed under the scheme, there was a total number of 747,800 Shares awarded under the scheme. Details of the awarded Shares as at 30 June 2007 under the scheme are as follows:

Date of grant	Fair value per Share (Note 1) HK\$	Number of Shares			as at 30/06/2007	Vesting period
		as at 01/01/2007	granted during the period	lapsed during the period		
22/09/2006	9.01	703,200	—	(14,900)	688,300	22/09/2007 – 22/09/2009
04/12/2006	10.26	54,000	—	—	54,000	04/12/2007 – 04/12/2009
12/01/2007	11.90	—	5,500	—	5,500	12/01/2008 – 12/01/2010
		757,200	5,500	(14,900)	747,800	

Notes:

1. The fair value of the awarded Shares was based on the closing price per Share at the date of grant.
2. No Shares were vested during the six months ended 30 June 2007.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Other Information (cont'd)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, are as follows:

Name of Director	Number of Shares/ underlying Shares held	Note	Capacity	% of issued share capital*
Li Ning	367,058,250 (long position)	1	Interests of controlled corporations	35.522
	11,698,000 (short position)	1(c)	Interests of controlled corporation	1.132
Zhang Zhi Yong	7,551,000 (long position)	2	Personal	0.731
Tan Wee Seng	1,553,000 (long position)	3	Personal	0.150
Lim Meng Ann	164,000 (long position)	4	Personal	0.016
Stuart Schonberger	336,000 (long position)	5	Personal	0.033
Chu Wah Hui	30,000 (long position)		Family	0.003
Koo Fook Sun, Louis	254,000 (long position)	6	Personal	0.025
Wang Ya Fei, Jane	254,000 (long position)	6	Personal	0.025
Chan Chung Bun, Bunny	90,000 (long position)	7	Personal	0.009

* The percentages have been calculated based on 1,033,314,634 Shares in issue as at 30 June 2007.

Notes:

- Mr. Li Ning is deemed to be interested in an aggregate of 367,058,250 Shares held by Victory Mind Assets Limited ("Victory Mind"), Dragon City Management Limited ("Dragon City") and Alpha Talent, respectively, as follows:
 - 203,374,000 Shares are held by Victory Mind in which 57% is owned by Ace Leader Holdings Limited ("Ace Leader") and 38% is owned by Jumbo Top Group Limited ("Jumbo Top"). All shares of Ace Leader are held by Equity Trust Company (Cayman) Ltd. in its capacity as trustee of the Jun Tai Trust, the beneficiaries of which

Other Information (cont'd)

include the respective family members of Mr. Li Ning. Mr. Li Ning is the settlor of the Jun Tai Trust and therefore is deemed to be interested in the 203,374,000 Shares held by Victory Mind. Mr. Li Ning is also a director of Victory Mind and a beneficiary of the Jun Tai Trust;

- (b) 150,000,000 Shares are held by Dragon City in its capacity as trustee of the Three-River Unit Trust, which is a unit trust, the units of which are owned as to 60% by Cititrust (Cayman) Limited as trustee of the Palm Trust and as to 40% by Cititrust (Cayman) Limited as trustee of the Gingko Trust. Both of the Palm Trust and the Gingko Trust are irrevocable discretionary trusts, the beneficiaries of which include the respective family members of Mr. Li Ning and Mr. Li Chun. Mr. Li Ning is the settlor of the Palm Trust and therefore is deemed to be interested in the 150,000,000 Shares held by Dragon City. Mr. Li Ning is a director of Dragon City; and
- (c) 13,684,250 Shares are held by Alpha Talent, which is established and solely owned by Mr. Li Ning for the purpose of holding the relevant Shares under the Share Purchase Scheme. Mr. Li Ning is deemed to be interested in the 13,684,250 Shares held by Alpha Talent. Mr. Li Ning is a director of Alpha Talent.

Mr. Li Ning is deemed to have a short position in 11,698,000 Shares, among the total of 13,684,250 Shares held by Alpha Talent. When the Share Purchase Scheme was first set up in June 2004, 35,250,000 Shares were held by Alpha Talent. As at 30 June 2007, Alpha Talent had granted options to purchase 34,632,500 Shares pursuant to the Share Purchase Scheme, among which options to purchase for 1,368,750 Shares have been lapsed due to resignation of employees and options to purchase 21,565,750 Shares have been exercised. The total number of outstanding options as at 30 June 2007 is 11,698,000 Shares.

- 2. The Director is taken to be interested as a grantee of options to purchase 5,276,000 Shares at an exercise price of HK\$0.43 per Share under the Share Purchase Scheme; options to subscribe for 1,213,000 Shares at an exercise price of HK\$1.8275 per Share under the Pre-IPO Share Option Scheme; and options to subscribe for 750,000 Shares at an exercise price of HK\$3.685 per Share and 312,000 Shares at an exercise price of HK\$8.83 per Share under the Post-IPO Share Option Scheme.
- 3. The Director is interested in 1,000 Shares and is taken to be interested as a grantee of options to subscribe for 652,000 Shares at an exercise price of HK\$1.8275 per Share under the Pre-IPO Share Option Scheme; and options to subscribe for 728,000 Shares at an exercise price of HK\$3.685 per Share and 172,000 Shares at an exercise price of HK\$8.83 per Share under the Post-IPO Share Option Scheme.
- 4. The Director is taken to be interested as a grantee of options to subscribe for 164,000 Shares at an exercise price of HK\$3.685 per Share under the Post-IPO Share Option Scheme.
- 5. The Director is taken to be interested as a grantee of options to subscribe for 246,000 Shares at an exercise price of HK\$3.685 per Share and 90,000 Shares at an exercise price of HK\$8.83 per Share under the Post-IPO Share Option Scheme.
- 6. The respective Director is taken to be interested as a grantee of options to subscribe for 164,000 Shares at an exercise price of HK\$3.685 per Share and 90,000 Shares at an exercise price of HK\$8.83 per Share under the Post-IPO Share Option Scheme.
- 7. The Director is taken to be interested as a grantee of options to subscribe for 90,000 Shares at an exercise price of HK\$8.83 per Share under the Post-IPO Share Option Scheme.
- 8. No restricted shares were granted to the Directors under the Restricted Share Award Scheme during the six months ended 30 June 2007.

Other Information (cont'd)

Save as disclosed above, so far as was known to any Director, as at 30 June 2007, none of the Directors had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

As at 30 June 2007, the register of substantial shareholders maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, representing 5% or more of the Company's issued share capital:

Name of shareholder	Number of Shares held	Note	Capacity	% of issued share capital*
Li Ning	367,058,250 (Long position)	1	Interest of controlled corporations	35.522
	11,698,000 (Short position)	2	Interest of controlled corporation	1.132
Li Chun	353,374,000 (Long position)	3	Interest of controlled corporations	34.198
Victory Mind Assets Limited	203,374,000 (Long position)	4	Beneficial owner	19.682
Dragon City Management Limited	150,000,000 (Long position)	5	Trustee	14.516
Cititrust (Cayman) Limited	150,000,000 (Long position)	6	Trustee	14.516
Ace Leader Holdings Limited	203,374,000 (Long position)	7	Interest of controlled corporation	19.682
Jumbo Top Group Limited	203,374,000 (Long position)	8	Interest of controlled corporation	19.682
Equity Trust Company (Cayman) Ltd.	203,374,000 (Long position)	9	Trustee	19.682
Chen Fang	203,374,000 (Long position)	10	Beneficiary of a trust	19.682

Other Information (cont'd)

Name of shareholder	Number of Shares held	Note	Capacity	% of issued share capital*
Michelle Li	203,374,000 (Long position)	10	Beneficiary of a trust	19.682
Dang Liuning	203,374,000 (Long position)	11	Beneficiary of a trust	19.682
Li Qilin	203,374,000 (Long position)	11	Beneficiary of a trust	19.682
Tetrad Ventures Pte. Ltd.	103,055,500 (Long position)	12	Beneficial owner	9.973
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	103,055,500 (Long position)	12	Interest of controlled corporation	9.973
GIC Special Investments Pte. Ltd.	103,055,500 (Long position)	12	Interest of controlled corporation	9.973
Government of Singapore Investment Corporation Pte. Ltd.	103,055,500 (Long position)	12	Interest of controlled corporation	9.973
Minister of Finance (Incorporated)	103,055,500 (Long position)	12	Interest of controlled corporation	9.973
Fidelity International Limited	62,449,500 (Long position)		Investment manager	6.044

* The percentages have been calculated based on 1,033,314,634 Shares in issue as at 30 June 2007.

Notes:

1. See note 1 under "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".
2. See note 1(c) under "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".
3. Mr. Li Chun is deemed to be interested in an aggregate of 353,374,000 Shares held by Victory Mind and Dragon City, respectively, as follows:
 - (a) 203,374,000 Shares are held by Victory Mind in which 57% is owned by Ace Leader and 38% is owned by Jumbo Top. All shares of Jumbo Top are held by Equity Trust Company (Cayman) Ltd. in its capacity as trustee of the Yuan Chang Trust, the beneficiaries of which include the respective family members of Mr. Li Chun. Mr. Li Chun is the settlor of the Yuan Chang Trust and therefore is taken to be interested in the 203,374,000 Shares held by Victory Mind. Mr. Li Chun is also a director of Jumbo Top and a beneficiary of the Yuan Chang Trust; and

Other Information (cont'd)

- (b) 150,000,000 Shares are held by Dragon City in its capacity as trustee of the Three-River Unit Trust, which is a unit trust, the units of which are owned as to 60% by Cititrust (Cayman) Limited as trustee of the Palm Trust and as to 40% by Cititrust (Cayman) Limited as trustee of the Gingko Trust. Both of the Palm Trust and the Gingko Trust are irrevocable discretionary trusts, the beneficiaries of which include the respective family members of Mr. Li Chun and Mr. Li Ning. Mr. Li Chun is the settlor of the Gingko Trust and therefore is deemed to be interested in the 150,000,000 Shares held by Dragon City.
4. See note 1(a) under "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(a) under "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares".
 5. See note 1(b) under "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(b) under "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares".
 6. See note 1(b) under "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(b) under "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares". Cititrust (Cayman) Limited is the trustee of Palm Trust and Gingko Trust and therefore is deemed to be interested in the 150,000,000 Shares held by Dragon City.
 7. See note 1(a) under "Directors' Interests and Short Positions in Shares and Underlying Shares". Ace Leader is deemed to be interested in the 203,374,000 Shares held by Victory Mind.
 8. See note 3(a) under "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares". Jumbo Top is deemed to be interested in the 203,374,000 Shares held by Victory Mind.
 9. See note 1(a) under "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(a) under "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares". Equity Trust Company (Cayman) Ltd. is the trustee of the Jun Tai Trust and the Yuan Chang Trust and therefore is deemed to be interested in the 203,374,000 Shares held by Victory Mind.
 10. See note 1(a) under "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures". The beneficiaries of the Jun Tai Trust include Ms. Chen Fang and Ms. Michelle Li and therefore each of them is deemed to be interested in the 203,374,000 Shares held by Victory Mind.
 11. See note 3(a) under "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares". The beneficiaries of the Yuan Chang Trust include Ms. Dang Liuning and Mr. Li Qilin and therefore each of them is deemed to be interested in the 203,374,000 Shares held by Victory Mind.
 12. 103,055,500 Shares are held by Tetrad Ventures Pte. Ltd., a wholly-owned subsidiary of Government of Singapore Investment Corporation (Ventures) Pte. Ltd., which in turn is a wholly-owned subsidiary of Minister of Finance (Incorporated). Tetrad Ventures Pte. Ltd. is also an investment vehicle managed by GIC Special Investments Pte. Ltd., the private equity investment arm of Government of Singapore Investment Corporation Pte. Ltd., which in turn is a wholly-owned subsidiary of Minister of Finance (Incorporated).

Save as disclosed above, as at 30 June 2007, the Company had not been notified by any person (other than a Director or chief executive of the Company or their respective associate(s)) of any interest and short position in the shares and underlying shares of the Company which were required to be recorded in the register kept under Section 336 of the SFO.

CONNECTED TRANSACTION

On 10 May 2007, 上海悅奧體育用品有限公司 (Shanghai Yue Ao Sports Goods Co., Ltd.) (“Shanghai Yue Ao”) (as the purchaser), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with 廣東健力寶集團有限公司 (Guangdong Jianlibao Group Co., Ltd.) (“Guangdong Jianlibao”) (as the vendor) in relation to the acquisition of the remaining 20% equity interest in 廣東李寧體育發展有限公司 (Guangdong Li Ning Sports Development Co., Ltd.) (“Guangdong Li Ning”) at a consideration of RMB17,817,000 (the “Acquisition”). As Guangdong Jianlibao had a 20% equity interest in Guangdong Li Ning which was a 80% indirectly-owned subsidiary of the Company before the Acquisition, Guangdong Jianlibao was a substantial shareholder of Guangdong Li Ning and hence, a connected person of the Company pursuant to the Listing Rules. The Acquisition therefore constituted a connected transaction of the Company under the Listing Rules and was subject to the reporting and announcement requirements under the Listing Rules.

The Directors considered that the Acquisition can accelerate the Group’s strategy in developing Guangdong Li Ning as the apparel product sample technology centre and the market-oriented supply chain centre of the Group which are essential for the further enhancement of the Group’s core competence for its continual business growth. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

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

CORPORATE GOVERNANCE

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

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code governing securities transactions of the Directors. Having made specific enquiry of all the Directors, during the six months ended 30 June 2007, all the Directors have complied with the required standard set out in the Model Code regarding their dealings in Shares.

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



Other Information (cont'd)

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 2007 in accordance with the International Standards on Auditing applicable to review engagements issued by the International Federation of Accountants. On the basis of their review, which does not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention which would cause them to believe that the interim financial information has not been properly prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" in all material aspects.

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

Hong Kong, 28 August 2007

Information for Investors

SHARE INFORMATION

Listing: the Main Board of the Hong Kong Stock Exchange since 28 June 2004
Stock code: 2331
Board lot: 2,000 Shares
Number of Shares outstanding as at 30 June 2007: 1,033,314,634 Shares
Market capitalization as at 30 June 2007: HK\$19,591,645,460.64
Interim dividend for 2007: RMB5.76 cents per Share

FINANCIAL CALENDAR

Annual General Meeting	11 May 2007
Announcement of interim results	28 August 2007
Book closing dates for interim dividend	18 September 2007 – 21 September 2007
Record date for interim dividend	21 September 2007
Payment date of interim dividend	on or about 28 September 2007
Announcement of annual results	March 2008

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE WEBSITES

To know more about the Group, please visit the following Company's websites:
<http://www.lining.com>
<http://www.li-ning.com>
<http://www.irasia.com/listco/hk/lining>

IR CONTACT

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Glossary

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

“AIGLE”	Aigle International S.A., a corporation organized under the laws of France
“Alpha Talent”	Alpha Talent Management Limited, a limited liability company incorporated in the British Virgin Islands and beneficially owned by Mr. Li Ning for the purpose of holding the relevant Shares under the Share Purchase Scheme
“Board”	the board of Directors
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Post-IPO Share Option Scheme”	the post-IPO share option scheme of the Company adopted on 5 June 2004
“PRC”	the People’s Republic of China
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of the Company adopted on 5 June 2004
“Restricted Share Award Scheme”	the restricted share award scheme adopted by the Company on 14 July 2006
“RMB”	Renminbi, the lawful currency of the PRC
“Share Purchase Scheme”	the share purchase scheme set up by Mr. Li Ning and adopted by Alpha Talent on 5 June 2004
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company