Li Ning Company Limited

（李寧有限公司）

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2331)

WE DEFINE OUR GAMES

Interim Report 2008

Mission

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

Vision

A world's leading brand in the sports goods industry

Core Values

Athleticism, Integrity, Professionalism, Passion, Breakthroughs, Trust

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Contents

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 sport 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 brand retail outlets in congruence with the Group's marketing direction. The Group also directly manages its own LI-NING brand retail outlets and concessions. In addition, the Group has established a joint venture with AIGLE under which the joint venture has been given the exclusive right by AIGLE to manufacture, market, distribute and sell outdoor sports products under the AIGLE brand for 50 years in the PRC. In April 2007, the Group officially launched a new brand called Z-DO. Z-DO branded products include sports footwear, apparel and accessories, targeting hypermarkets as their sales channel.

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）
Mr. James Chun-Hsien WEI（韋俊賢）

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）

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*

AUTHORISED 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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Butterfield House
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISORS

Hong Kong law
Baker & McKenzie

PRC law
Beijing Guorui Law Firm
Beijing Haisi Law Firm

PRINCIPAL BANKERS

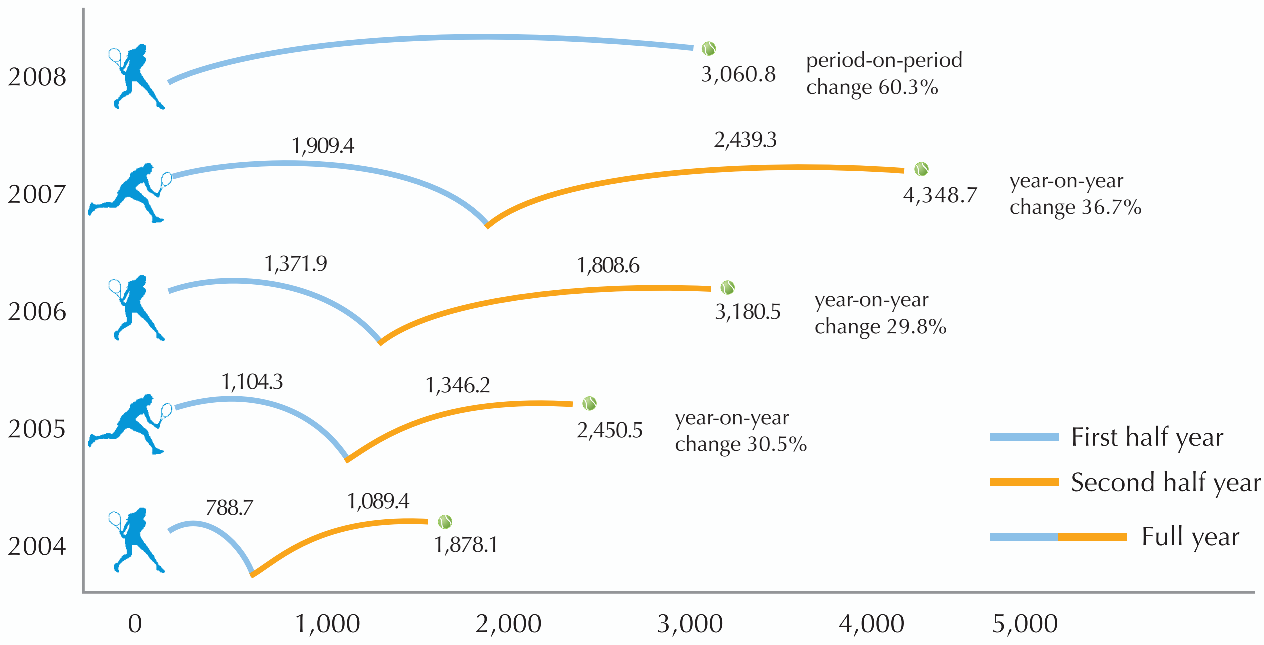
Hong Kong
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited

PRC
China Construction Bank
Industrial & Commercial Bank of China
China Merchants Bank
Bank of Beijing
Hang Seng Bank (China) Limited

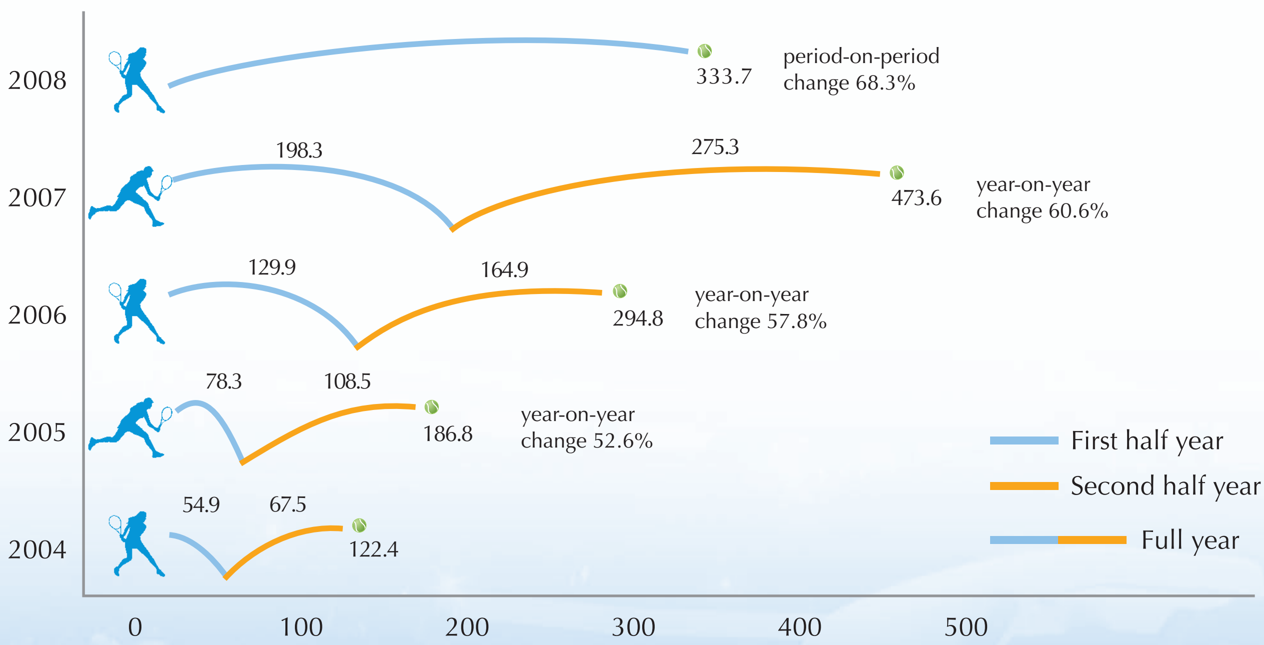
Five-year Financial Highlights

(All amounts in RMB millions)

REVENUE



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



Highlights of 2008 Interim Results

- Revenue rose by 60.3% to RMB3,060.8 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 65.5% to RMB495.3 million
- Profit attributable to equity holders grew by 68.3% to RMB333.7 million
- Margin of profit attributable to equity holders increased by 0.5 percentage points to 10.9%
- Basic earnings per share increased by 67.8% to RMB32.24 cents
- Declared an interim dividend of RMB9.63 cents per Share, an increase of 67.2%
- Number of retail stores reached 6,393, a net increase of 717 stores (of which 5,853 were LI-NING brand stores, a net increase of 620 stores)

Management Discussion and Analysis

The Group's business objectives for the year 2008 are to continue to strengthen the consistent and rapid growth of its core business under the LI-NING brand, while building a multi-brand operating structure around this core business, in a bid to achieve steady growth of profit and continuous creation of value.

The macroeconomic environment has proven to be complex in 2008. China has enjoyed continued increase in per capita income and the sporting goods industry has been the beneficiary of a strong boost from the Beijing Olympic Games. Nonetheless, consumer confidence was impacted by several factors, including a rising Consumer Price Index and the catastrophic natural disasters that occurred during the period. In dealing with this challenging and rapidly changing climate, the Group focused on strengthening its capabilities and enhancing its core competencies, while remaining vigilant of emerging opportunities and the increasing awareness of sports and health generated by the Beijing Olympic Games, to ensure sustainable and long term growth of the Group.

FINANCIAL REVIEW

Key results and financial indicators of the Group for the six months ended 30 June 2008 are as follows:

	Unaudited Six months ended 30 June		Change
	2008	2007	(%)
Items of income statement			
(All amounts in RMB thousands unless otherwise stated)			
Revenue	**3,060,768**	1,909,431	60.3
Gross profit	**1,482,194**	930,433	59.3
Operating profit	**452,556**	266,612	69.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**495,270**	299,192	65.5
Profit attributable to equity holders	**333,732**	198,273	68.3
Basic earnings per share (RMB cents) (Note 1)	**32.24**	19.21	67.8
Key financial ratios			
Profitability ratios			
Gross profit margin (%)	**48.4**	48.7	
Operating profit margin (%)	**14.8**	14.0	
Effective tax rate (%)	**25.4**	25.5	
Margin of profit attributable to equity holders (%)	**10.9**	10.4	
Return on equity holders' equity — half year (%)	**18.3**	13.5	
Asset efficiency ratios			
Average inventory turnover (days) (Note 2)	**61**	71	
Average trade receivables turnover (days) (Note 3)	**47**	55	
Average trade payables turnover (days) (Note 4)	**71**	69	

	Unaudited 30 June 2008	Audited 31 December 2007
Asset and debt ratios		
Borrowing-to-equity ratio (%) (Note 5)	**30.3**	5.7
Debt-to-asset ratio (%)	**51.4**	37.3
Net asset value per share (RMB cents)	**183.28**	168.53

Notes:

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

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 the number of days in 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 total revenue and multiplied by the number of days in 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 the number of days in the relevant period.

5. The calculation of borrowing-to-equity ratio is based on total borrowings divided by capital and reserves attributable to equity holders of the Company at the end of the period.

Revenue

For the six months ended 30 June 2008, the Group's revenue continued to grow rapidly, reaching RMB3,060,768,000 and representing a growth of 60.3% as compared to the corresponding period last year.

Breakdown of revenue by brand and product category

	Six months ended 30 June				
	2008		2007		**Revenue**
		% of total		% of total	**growth rate**
	RMB'000	**revenue**	RMB'000	revenue	**(%)**
LI-NING brand					
Footwear	**1,385,329**	**45.3**	761,569	39.9	81.9
Apparel	**1,448,690**	**47.3**	993,643	52.0	45.8
Accessories	**168,402**	**5.5**	119,958	6.3	40.4
Total	**3,002,421**	**98.1**	1,875,170	98.2	60.1
Other brands*					
Footwear	**18,973**	**0.6**	11,967	0.6	58.5
Apparel	**37,358**	**1.2**	20,621	1.1	81.2
Accessories	**2,016**	**0.1**	1,673	0.1	20.5
Total	**58,347**	**1.9**	34,261	1.8	70.3
Overall					
Footwear	**1,404,302**	**45.9**	773,536	40.5	81.5
Apparel	**1,486,048**	**48.5**	1,014,264	53.1	46.5
Accessories	**170,418**	**5.6**	121,631	6.4	40.1
Total	**3,060,768**	**100.0**	1,909,431	100.0	60.3

* Including Z-DO brand and AIGLE brand

As the Group's core brand, LI-NING branded products generated RMB3,002,421,000 in revenue, representing an increase of 60.1% as compared to the same period last year, and contributing 98.1% of total revenue. LI-NING branded footwear products recorded significant growth of 81.9% over the same period last year, while apparel and accessories products grew 45.8% and 40.4%, respectively. The sharp increase in revenue was primarily attributed to (i) strong and effective integrated sales and marketing strategies; (ii) concerted efforts to increase same-store sales growth across all market segments; (iii) continuous sales channel expansion, particularly in second- and third-tier cities in China with the biggest growth potential; (iv) improved product design and development that cater to different market segments and consumer preferences; and (v) enhanced efficiency of the supply chain, encompassing different aspects from the integration of product planning and design to distribution logistics. All of these initiatives, coupled with the strong demand generated by the Beijing Olympic Games, helped to boost sales across all product categories.

The Group's Z-DO brand and AIGLE brand generated revenue totaling RMB58,347,000, representing 1.9% of the total revenue.

Breakdown of revenue by sales channel

	Six months ended 30 June	
	2008	2007
	% of total revenue	% of total revenue
LI-NING brand		
PRC market		
Sales to franchised distributors	**84.5**	79.0
Sales by directly-managed retail stores and concession counters	**12.5**	18.1
International markets	**1.1**	1.1
Other brands*		
PRC market	**1.9**	1.8
Total	**100.0**	100.0

* Including Z-DO brand and AIGLE brand

The Group adopts a diversified retail model with its products mainly sold through franchised distributors. LI-NING and AIGLE branded products are also distributed through directly-managed retail stores and concession counters.

Breakdown of revenue by geographical location

		Six months ended 30 June				
		2008		2007		**Revenue**
			% of total		% of total	**growth rate**
	Note	**RMB'000**	**revenue**	RMB'000	revenue	**(%)**
LI-NING brand						
PRC market						
Eastern region	1	**1,191,725**	**38.9**	745,790	39.1	59.8
Northern region	2	**1,246,381**	**40.7**	708,828	37.1	75.8
Southern region	3	**531,464**	**17.4**	399,724	20.9	33.0
International markets		**32,851**	**1.1**	20,828	1.1	57.7
Other brands*						
PRC market		**58,347**	**1.9**	34,261	1.8	70.3
Total		**3,060,768**	**100.0**	1,909,431	100.0	60.3

* Including Z-DO brand and AIGLE brand

Notes:

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

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

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

Based on market research, the Group considers that second- and third-tier cities in China show the biggest promise for growth. During the period under review, the Group achieved significant improvement in sales channel expansion and same-store growth in these cities, resulting in an increased contribution from these markets to the Group's overall revenue.

Cost of Sales and Gross Profit

For the six months ended 30 June 2008, the cost of sales of the Group amounted to RMB1,578,574,000 (2007: RMB978,998,000). Overall gross profit margin of the Group was 48.4% (2007: 48.7%). During the period, against the backdrop of a surging price index and intensified competition, the Group maintained its gross profit margin by exercising disciplined cost control and implementing an appropriate pricing strategy to reflect the increasing competitiveness of its brands.

Distribution Costs and Administrative Expenses

For the six months ended 30 June 2008, distribution costs of the Group amounted to RMB898,410,000 (2007: RMB546,128,000), representing 29.4% of the Group's total revenue and an increase of 0.8 percentage points as compared to 28.6% for the corresponding period last year. During the period, the Group intensified its efforts on brand promotion and sales channel expansion, resulting in a higher increase in expenses relating to advertising, sponsorship and shop renovation, etc.. There was also a higher increase in shop rental expenses due to the opening of new flagship stores. In addition, transportation and logistics costs continued to increase in line with business growth and the rising market prices.

Administrative expenses of the Group for the six months ended 30 June 2008 amounted to RMB191,257,000 (2007: RMB148,159,000). These mainly comprised director and staff costs, management consulting expenses, basic research and development expenses, office rentals, provision for impairment of assets, depreciation and amortisation charges, and other sundry expenses. The Group increased its investment in human resources and management consultancy services in order to cater for ongoing business expansion. Overall administrative expenses accounted for 6.2% of the Group's total revenue, representing a decrease of 1.6 percentage points from 7.8% in the same period last year. This was mainly a result of the Group's greater economies of scale and an effective management of expenses while provision for impairment of assets, depreciation and amortisation charges and other sundry expenses remained flat.

Operating Profit

For the six months ended 30 June 2008, operating profit of the Group was RMB452,556,000 (2007: RMB266,612,000), representing an increase of 69.7% over the same period last year. The Group's operating profit margin for the period was approximately 14.8%, representing an increase of 0.8 percentage points as compared to 14.0% for the corresponding period last year. This was attributed mainly to a stable gross profit margin and effective integrated management of expenses.

Income Tax Expense

For the six months ended 30 June 2008, income tax expense of the Group amounted to RMB113,449,000 (2007: RMB67,876,000), with an effective tax rate of 25.4% (2007: 25.5%).

Provision for Inventories

The Group's policy in respect of provision for inventories for the first half of 2008 remained the same as that in 2007. Inventories of the Group are stated at the lower of cost and net realisable value. In the event that net realisable value falls below cost, the difference is taken as provision for inventories.

Accumulated provision for inventories as at 30 June 2008 amounted to RMB68,190,000 (31 December 2007: RMB51,487,000).

Provision for Doubtful Debts

The Group's policy in respect of provision for doubtful debts in the first half of 2008 remained the same as that in 2007.

Accumulated provision for doubtful debts as at 30 June 2008 amounted to RMB6,694,000 (31 December 2007: RMB4,809,000).

Liquidity and Financial Resources

For the six months ended 30 June 2008, the Group's net cash inflow from operating activities amounted to RMB574,986,000 (2007: RMB149,389,000). As at 30 June 2008, cash and cash equivalents (i.e., bank deposits and cash in hand, and fixed deposits with original maturities not exceeding three months) amounted to RMB1,429,323,000, representing a net increase of RMB579,436,000 as compared to the position as at 31 December 2007. The increase was attributed to the following:

Items	Six months ended 30 June 2008 RMB'000
Net cash inflow generated from operating activities	574,986
Net capital expenditure	(92,451)
Prepayment for the acquisition of Double Happiness	(177,411)
Dividends paid	(175,407)
Proceeds from bank borrowings	475,840
Other net cash outflow	(26,121)
Net increase in cash and cash equivalents	579,436

The Group has always pursued a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with daily operations and future foreseen demands for capital. As at 30 June 2008, the Group's available banking facilities amounted to RMB100,000,000 and the amount of outstanding bank borrowings was RMB575,840,000. The ratio of outstanding bank borrowings to equity holders' equity was 30.3% (31 December 2007: 5.7%).

As at 30 June 2008, the Group has not entered into any interest rate swap arrangements to hedge against interest rate risks.

Foreign Exchange Risk

The operation of the Group is primarily carried out in China with most transactions settled in Renminbi. A small proportion of the Group's cash and bank deposits are denominated in Hong Kong Dollars or United States Dollars. The Company pays dividends in Hong Kong Dollars when dividends are declared. In addition, the Company pays certain license fees and sponsorship fees in United States Dollars and Euros, and part of bank borrowings in Hong Kong Dollars. Any significant exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on the Group.

Pledge of Assets

As at 30 June 2008, no asset of the Group was pledged to secure bank borrowings or for any other purpose.

Contingent Liabilities

As at 30 June 2008, the Group had no material contingent liabilities.

BUSINESS REVIEW

During the first half of 2008, the Group continued to introduce strategic initiatives relating to integrated sales and marketing, brand promotion, product research and development, sales channel expansion and supply chain management. These efforts were aimed at supporting the rapid growth of the Group's core business, the LI-NING brand, while developing a multi-brand structure in order to develop new business streams.

Marketing and Brand Promotion

During the period under review, the Group seized the opportunities brought by the Beijing Olympic Games and implemented integrated marketing strategies based on the Olympics theme. Not only has this given an extra boost to the Group's sales, it also has far-reaching effects on the Group's long-term brand-building efforts:

- Leveraging on the popularity of China's four national gold medal-winning teams that it sponsors, namely the Gymnastics, Diving, Table Tennis and Shooting teams, the Group launched a series of marketing and promotion events. Particularly notable were the print advertisements and the outdoor advertising campaign which featured renowned Chinese gymnasts, diving athletes and table tennis athletes;

- On international sponsorship, the Spanish National Basketball Team, Argentina's Men's and Women's Basketball Teams and the Tanzanian National Track and Field Team sponsored by the Group were all strong teams in their respective events during the Beijing Olympic Games. The Swedish Olympic Delegation and the Spanish Olympic Delegation, whose sportswear is sponsored by the Group, provide the LI-NING brand exposure with added international flavour. In early 2008, the Group announced sponsorship for the United States National Table Tennis Team, members of which will wear LI-NING branded apparel in major competitions, including the Beijing Olympic Games;

- The Group has a long history of cooperation with the CCTV and has further collaborated with the CCTV National Sports Channel during the period. All Beijing Olympic Games reporters for the network appeared in LI-NING branded products. This will greatly increase the awareness of the LI-NING brand among the global audience and leave a lasting impression in their minds;

- The meticulously planned programme, "Hero's Assembly — LI-NING China Tour 2008" (英雄會英雄 — 李寧08中國之旅) was launched in Beijing in March 2008. With the aim of enabling sports enthusiasts to experience the Olympic spirit, two large "LI-NING Hero Vans" (李寧英雄大篷車) are to travel across the country this year. The tour includes nearly 100 medium-sized cities in China, covering a total distance of over 40,000 km. The programme is designed to bring to sports enthusiasts the joy of sports, the Olympic ideals and the blessings of Olympic champions, while spreading the Group's brand message together with the spirit of sports;

- In March 2008, LI-NING Sports Park (李寧體育園), the largest public sports park in China, was opened to the public for free in Beijing. The park is designed to encourage more people to participate in sports activities, and to convey the Group's commitment to sports; and

- In April 2008, the Company launched its Olympic promotion programme targeting major shopping centres in China. The programme comprises three main campaigns, namely, "Heros Geared to Win" (英雄裝備) (the event for unveiling the Olympic sportswear sponsored by the LI-NING brand) launched in the run-up to the Beijing Olympic Games, "Heros on Parade" (英雄助威) (the event to cheer for the Beijing Olympic Games) held during the Games, and "Heros in Tribute" (英雄回顧) (a review of the highlights of the Beijing Olympic Games) scheduled for a period after the conclusion of the Games. The programme will be held in 30 major shopping centres covering 25 cities across the nation on a route that stretches more than 10,000 km. It is designed to strengthen the Group's association with major shopping centres in the country and further promote the brand.

In addition, the Group continued to invest substantial resources to strengthen its integrated marketing strategies, with a view to highlighting brand differentiation and enhancing the image of the LI-NING brand:

- In tennis, the Group continued its official partnership with the Association of Tennis Professionals (ATP) in China and sponsored ATP Player Council President Ivan Ljubicic's apparel, footwear and other accessories. During an interview with the "Tennis World" magazine of the United States, Ljubicic expressed his strong endorsement for the first series of professional sports shoes the Group tailor-made for him;

- In basketball, the Group continued its partnership with renowned National Basketball Association (NBA) star Shaquille O'Neal for the co-branded "LI-NING-SHAQ" basketball products. During the period, it also hosted various activities involving O'Neal, attracting widespread media coverage and attention;

- The Group also supported local community sports through the sponsorship and organisation of various events aimed at sports enthusiasts and young people. These included the China University Basketball Association (CUBA), one of the top three basketball associations in the PRC, and the Chinese University Football League (CUFL). The Group believes that these marketing and promotion activities, targeting our primary group of existing and potential consumers of sports products, will have a far-reaching positive impact on brand-building and the Group's long-term development; and

- In women's fitness, in July 2008 the Group announced its partnership with Beijing's Nirvana Yoga, which shows the biggest growth potential in the fitness market in China. This collaboration made LI-NING the first recognised sports brand to promote yoga as a healthy lifestyle on a large scale in China. In future, LI-NING brand will continue to associate itself with the successful integration of sports and fashion.

Product Research and Development

As China's leading sports brand, the Group has always strived to be in the forefront of product research and development. While consistently developing new products, the Group places strong emphasis on the breadth and depth of product design and research and development.

During the period, the Group continued to collaborate with internationally recognised brands that are the pace setters of professional technical standards. This enabled the Group to offer consumers unique and high quality products that meet international standards. In March 2008, the Group announced its cooperation with Michelin for the development of sports footwear products. This involves applying Michelin's tire techniques onto the soles of LI-NING branded sports shoes, offering consumers with sports shoes of better traction and durability.

The Group also continued to work with reputable educational institutions and professional bodies in conducting research and development. It now has design, research and development centres in mainland China, Hong Kong and Portland, Oregon in the United States, each staffed by professional design and research and development teams.

The Group continued to apply its core patented technology, the "LI-NING BOW" anti-shock technology, to its footwear products. This anti-shock capability meets the high standards of similar products in the market and the overall functionalities are on par with other international brands. The art of combining this advanced technology with oriental elements into a fashionable design continues to be well received by the market. The fifth generation of super lightweight and ventilated running shoes also has fashionable oriental design featuring a traditional Chinese sparrow structure, matched with super-light protective materials and ventilation technology. The series received an overwhelming response immediately after its launch.

In the apparel technology sector, the Group developed the AT DRY SMART technology which is now applied to cotton products. This technology has an intelligent moisture-absorbing and quick-dry capability which dries out sweat quickly to reduce the feeling of heat and stickiness and keep the body dry and comfortable. With super lightweight and bi-directional ventilation, products of the AT DRY SMART series were worn by the Group's sponsored Olympic contestants and helped them to achieve outstanding performances during the Beijing Olympic Games.

Sales Channel Expansion and Management

The number of retail stores of the Group has continued to grow at a steady pace. The total number of retail outlets as at 30 June 2008 was 6,393, representing a net increase of 717 stores for the period under review. As at 30 June 2008, the distribution and retail network of the Group's various brands in the PRC comprised:

- Approximately 243 distributors operating a total of 6,056 franchised retail outlets under the LI-NING brand, the Z-DO brand and the AIGLE brand across the PRC; and

- A total of 337 directly-managed retail stores and concession counters under the LI-NING brand and the AIGLE brand in Beijing, Shanghai and 14 provinces in the PRC.

Number of franchised and directly-managed retail stores

	30 June 2008	31 December 2007	**Change (%)**	30 June 2007
Franchised retail outlets	**6,056**	5,301	14.2	4,188
Directly-managed retail stores and concession counters	**337**	375	–10.1	394
Total	**6,393**	5,676	12.6	4,582

During the first half of 2008, the Group continued to implement the following measures to expand and manage sales channels for the LI-NING brand:

- Continued to expand its sales channel coverage. Development of the sales channel in second- and third-tier cities was satisfactory, accounting for 57.3% of the new stores during the period under review;

- Strengthened retail capabilities and enhanced overall service quality to improve store efficiency. During the period, the efficiency and growth rates of retail stores in all market tiers were very encouraging, particularly in second- and third-tier cities;

- Actively identified appropriate locations for establishment of flagship stores, especially in host cities for the Beijing Olympic Games. This effectively increased the market influence of the LI-NING brand and boosted sales. In January 2008, the largest LI-NING brand flagship store commenced its operations on Nanjing Road in Shanghai's busiest shopping area. The store occupies five storeys with a total floor area of 3,500 sq.m. and is designed around the theme of "sports, technology and dynamism"; and

- Continuously carried out store upgrades and launched fifth-generation stores. The store's design creates a stylish and diversified ambiance, while highlighting professional sports and oriental elements, to bring out the brand personality, the core beliefs and the spirit of the LI-NING brand, and to provide consumers with better sports and shopping experience.

LI-NING branded products are sold through an extensive and scalable distribution and retail network, covering all of the PRC's provinces and municipalities. Due to the geographical diversity and even distribution of the retail outlets, the Group's business was only marginally affected by the devastating snowstorms in certain areas of China and the Sichuan earthquake which took place during the period under review.

As at 30 June 2008, the number of LI-NING brand retail stores was 5,853, representing a net increase of 620 stores during the period under review. The number of LI-NING brand retail stores by geographical location is as follows:

	30 June 2008	31 December 2007	**Change (%)**	30 June 2007
LI-NING brand outlets				
Eastern region (Note 1)	**2,425**	2,185	11.0	1,838
Northern region (Note 2)	**2,011**	1,796	12.0	1,454
Southern region (Note 3)	**1,417**	1,252	13.2	1,066
Total	**5,853**	5,233	11.8	4,358

Notes:

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

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

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

Supply Chain Management

The Group is devoted to reengineering the traditional mode of supply chain management by adopting a demand-driven approach. As set out below, the Group continued to implement a flexible and effective supply chain management strategy that enabled swift and timely response to rapid shifts in the market for the first half of 2008:

- Two large-scale sales fairs of LI-NING brand and a total of three sales fairs of other brands were organised for distributors;

- The continuously-refined supply chain and more effective inventory management have demonstrated its success against the backdrop of the high growth rate of sales. The average inventory turnover cycle was shortened to 61 days from 71 days in the corresponding period last year; and

- Implemented good credit control and improved management of receivables, which resulted in shortening of the average trade receivables turnover cycle to 47 days from 55 days in the corresponding period last year.

Currently, increases in the cost of labour and raw materials, mainly crude oil, pose challenges to production cost control. During the period, the Group was able to maintain its gross profit margin by implementing reasonable pricing strategies and adopting forward-looking cost management measures, which successfully mitigated pressure from rising labour, raw material and other related costs through improvements in various aspects, including internal operating efficiency, economies of scale and advanced supply chain planning. Major measures implemented include: (i) improved product planning, reduced stock keeping units and consolidated usage of raw materials; (ii) streamlined the logistics model to shorten transit time for deliveries; and (iii) set up a centralised procurement centre to lower procurement costs. The Group's optimised purchasing process implemented in 2007 has also shown significant benefits during the period under review. In the future, the Group will continue to strengthen its cost management, ensure cost competitiveness and maintain its gross profit margin at reasonable levels.

Multi-brand Business Development

While strengthening the core LI-NING brand to achieve sustainable growth, the Group made further inroads into developing its multi-brand business. Apart from the co-brands with ATP and SHAQ, the Group also manages the Z-DO brand and the AIGLE brand.

Z-DO Brand

In April 2007, the Group officially launched a new series of products under the Z-DO brand, a subsidiary brand of LI-NING. This brand utilises hypermarkets as its sales channel. As at 30 June 2008, the Z-DO brand was present in 114 cities, with 70 distributors and 506 stores.

The development of the Z-DO brand not only sets a new sales model and establishes new sales networks, but also efficiently leverages the Group's supply chain resources to achieve better economies of scale. In complementing the LI-NING brand, the future development of the Z-DO brand will focus on developing a product portfolio that is better adapted for hypermarket channels and implementing an efficient operation model to enhance supply of products to hypermarket channels.

AIGLE Brand

The AIGLE brand specialises in outdoor sports and casual apparel and footwear products. As at 30 June 2008, a total of 34 AIGLE brand stores had been opened in the PRC. AIGLE's future business development will focus on enhancing the awareness of the AIGLE brand, adjusting the product portfolio, pricing and localisation of the supply chain in order to promote store efficiency and sales.

Acquisition of Double Happiness

On 21 July 2008, the Group completed the applicable transfer and registration procedures in relation to its acquisition of a 57.5% equity interest in 上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.) ("Double Happiness"). Double Happiness has become a non-wholly owned subsidiary of the Group.

Double Happiness is principally engaged in the manufacture, research and development, marketing and sale of table tennis, badminton and other sports equipments. Its brands include the "Double Happiness" (紅雙喜) brand which is known internationally for its high quality table tennis products. Double Happiness supplies equipment for international table tennis events and athletes. It is the supplier of these events in the Beijing Olympic Games. The acquisition enables the Group to strengthen its position in the flourishing table tennis market in the PRC. It will also further promote the professional image of the LI-NING brand and support the Group's multi-brand strategy. In the future, the LI-NING brand and the Double Happiness brand will benefit from synergies of brand promotion, marketing, event sponsorship and expansion of sales channels, and will add a new dimension to the Group's future growth prospects.

Licensing Cooperation with Lotto

On 31 July 2008, 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd.) ("Li Ning Sports"), a wholly-owned subsidiary of the Group, entered into a license agreement (the "License Agreement") with Lotto Sport H.K. Limited ("Lotto Sport", which is ultimately beneficially owned by Lotto Sport Italia S.p.A.). Pursuant to the License Agreement, Lotto Sport has granted Li Ning Sports an exclusive license of approximately 20 years to use the Lotto trademarks as set out in the License Agreement in China in connection with the development, manufacture, marketing, advertising, promotion, distribution and sale of the licensed Lotto products. Li Ning Sports has also entered into a marketing contribution agreement and an asset purchase agreement in conjunction with the License Agreement. Details of these agreements are set out in the Company's circular dated 19 August 2008.

The trademark "Lotto" is a well-known Italian sports brand with famous Italian design elements and world class sports marketing resources focused on soccer and tennis. In line with the Group's multi-brand strategy, the Board considers that this long-term licensing cooperation will strengthen the Group's product offering and market position in the fast growing sports fashion sector in China. The Board also believes that the licensing cooperation will benefit the Group by lowering its operating costs and strengthening its bargaining power in the distribution channels for sporting goods.

HUMAN RESOURCES

As at 30 June 2008, the Group had approximately 2,972 employees (31 December 2007: 2,904). The number of employees remained stable.

Our talent pool is the most important asset of the Group and the core strength which empowers sustainable development. The Group offers a good working environment, a wide range of training and personal development programmes as well as attractive remuneration packages to its employees in order to create long term incentives and to attract talented individuals. It endeavours to motivate staff with performance-based remuneration. In addition to a basic salary, employees with outstanding performance will be rewarded by way of cash, restricted shares, share options, individual awards, or a combination of these to further align the interests of the employees to that of the Company.

Management Discussion and Analysis *(Continued)*

OUTLOOK

Going forward, the Group will continue to invest in brand building, focus on expanding the sales network and improving store efficiency to achieve rapid and sustainable growth of the core business under the LI-NING brand. At the same time, the Group will continue to pursue its multi-brand strategy in order to develop new business streams. This will enable the Group to increase its competitiveness and to add new components to propel future growth.

As a result of the Beijing Olympic Games, the increasing purchasing power of the Chinese consumer and the increasing demand for sports and leisure activities, the sporting goods industry in the PRC has become one of the fastest growing markets globally and its prospects are indeed bright. Meanwhile, enterprises with competitive advantages in the industry are accelerating their own efforts in an attempt to gain market share and to address intensifying competition. This underpins the increased challenges and opportunities in the industry. The Group will continue to leverage its core competencies and its position as the PRC's leading sports brand with an outstanding and professional management team to meet all challenges ahead. It will focus on increasing the competitiveness of its brands while fostering new business prospects and innovation to encourage further development and to generate greater value for Shareholders and investors.

At the same time, the Group's management is fully aware of the impact escalating costs will have on the economies of China and around the world. While uncertainties surrounding the macroeconomic environment are on the rise, the Group is proactively preparing itself for any situation and has adopted a prudent strategy to ensure stability and sustainable business development.

Condensed Consolidated Interim Financial Information

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**378,202**	340,036
Land use rights	6	**25,525**	25,008
Intangible assets	7	**78,668**	87,834
Prepayments for acquisition of subsidiaries	8	**243,999**	66,588
Deferred income tax assets	20	**40,688**	29,601
Other non-current assets	12	**78,531**	57,985
Total non-current assets		**845,613**	607,052
Current assets			
Inventories	9	**556,398**	513,947
Trade receivables	11	**896,357**	684,727
Other receivables and prepayments	12	**176,151**	114,071
Fixed deposits held at banks	13	**—**	11,167
Cash and cash equivalents	13	**1,429,323**	849,887
Total current assets		**3,058,229**	2,173,799
Total assets		**3,903,842**	2,780,851

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(Continued)*

	Note	**Unaudited 30 June 2008 RMB'000**	Audited 31 December 2007 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	14	**110,168**	110,023
Share premium	14	**366,786**	352,830
Shares held for Restricted Share Award Scheme	14	**(76,641)**	(44,089)
Other reserves	15	**225,010**	211,889
Retained earnings	15	**1,272,273**	1,113,948
Total equity		**1,897,596**	1,744,601
LIABILITIES			
Non-current liabilities			
License fees payable	18	**49,222**	57,604
Deferred income tax liabilities	20	**1,062**	1,217
Total non-current liabilities		**50,284**	58,821
Current liabilities			
Trade payables	16	**788,623**	490,417
Other payables and accruals	17	**521,144**	340,577
License fees payable — current portion	18	**10,648**	13,234
Current income tax liabilities		**59,707**	33,201
Borrowings	19	**575,840**	100,000
Total current liabilities		**1,955,962**	977,429
Total liabilities		**2,006,246**	1,036,250
Total equity and liabilities		**3,903,842**	2,780,851
Net current assets		**1,102,267**	1,196,370
Total assets less current liabilities		**1,947,880**	1,803,422

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 June **2008** **RMB'000**	 2007 RMB'000
Revenue	4	**3,060,768**	1,909,431
Cost of sales	21	**(1,578,574)**	(978,998)
Gross profit		**1,482,194**	930,433
Distribution costs	21	**(898,410)**	(546,128)
Administrative expenses	21	**(191,257)**	(148,159)
Other income	22	**60,029**	30,466
Operating profit		**452,556**	266,612
Finance income	24	**9,772**	5,409
Finance costs	24	**(15,147)**	(5,481)
Profit before income tax		**447,181**	266,540
Income tax expense	25	**(113,449)**	(67,876)
Profit for the period		**333,732**	198,664
Attributable to:			
— equity holders of the Company		**333,732**	198,273
— minority interests		**—**	391
		333,732	198,664
Earnings per share for profit attributable to equity holders of the Company (RMB cents)			
— basic	26	**32.24**	19.21
— diluted	26	**31.75**	18.91
Dividend declared	27	**100,071**	59,519

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

		Unaudited		
	Note	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January 2007		1,399,490	17,589	1,417,079
Total recognised income for the period ended 30 June 2007 — profit for the period		198,273	391	198,664
Share option schemes:				
— value of services provided	15	15,046	—	15,046
— proceeds from shares issued	14	3,144	—	3,144
Shares purchased for Restricted Share Award Scheme	14	(921)	—	(921)
Dividends relating to 2006 paid in 2007	14	(78,922)	—	(78,922)
Acquisition of additional interests in a subsidiary		—	(17,980)	(17,980)
Balance at 30 June 2007		1,536,110	—	1,536,110
Balance at 1 January 2008		**1,744,601**	**—**	**1,744,601**
Total recognised income for the period ended 30 June 2008 — profit for the period		**333,732**	**—**	**333,732**
Share option schemes:				
— value of services provided	15	**21,853**	**—**	**21,853**
— proceeds from shares issued	14	**5,437**	**—**	**5,437**
Shares purchased for Restricted Share Award Scheme	14	**(32,620)**	**—**	**(32,620)**
Dividends relating to 2007 paid in 2008	15	**(175,407)**	**—**	**(175,407)**
Balance at 30 June 2008		**1,897,596**	**—**	**1,897,596**

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2008 RMB'000	2007 RMB'000
Cash flows from operating activities — net	**574,986**	149,389
Cash flows from investing activities:		
— acquisition of additional interests in a subsidiary	**—**	(17,817)
— prepayments for acquisition of subsidiaries	**(177,411)**	—
— purchases of property, plant and equipment	**(79,105)**	(76,063)
— purchases of land use rights	**(12,806)**	—
— purchases of intangible assets	**(7,790)**	(5,605)
— proceeds on disposal of property, plant and equipment	**7,250**	898
— interest received	**5,198**	—
— decrease in fixed deposits at banks	**11,167**	—
— others	**—**	5,391
Cash flows from investing activities — net	**(253,497)**	(93,196)
Cash flows from financing activities:		
— dividends paid	**(175,407)**	(78,922)
— issue of ordinary shares	**5,437**	3,144
— proceeds from borrowings	**475,840**	—
— purchase of shares for Restricted Share Award Scheme	**(32,620)**	(921)
— interest paid	**(15,147)**	—
— other financing cash flows — net	**—**	(2,307)
Cash flows from financing activities — net	**258,103**	(79,006)
Net increase/(decrease) in cash and cash equivalents	**579,592**	(22,813)
Cash and cash equivalents at start of period	**849,887**	838,867
Exchange losses on cash and cash equivalents	**(156)**	(5,287)
Cash and cash equivalents at end of period	**1,429,323**	810,767

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

Li Ning Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in brand development, design, manufacturing and sale and distribution of sport-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 its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

This condensed consolidated interim financial information was approved for issue on 27 August 2008 by the board of directors of the Company.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008.

Relevant to and applied in the Group:

- IFRIC-Interpretation 11, "IFRS 2 — Group and treasury share transactions", effective for annual periods beginning on or after 1 March 2007. IFRIC-Interpretation 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's consolidated financial statements. The impact on the stand-alone accounts of the parent will be disclosed in the financial statements of the Company for the year ending 31 December 2008.

Irrelevant to the Group:

- IFRIC-Interpretation 12, "Service concession arrangements"

- IFRIC-Interpretation 14, "IAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interaction"

3. ACCOUNTING POLICIES *(Continued)*

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, "Segment reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management.

- IAS 23 (revised), "Borrowing costs", effective for annual periods beginning on or after 1 January 2009. The Group will apply IAS 23 (revised) from 1 January 2009 but it is currently not applicable to the Group as there are no qualifying assets.

- IFRS 2 (amendment), "Share-based payment", effective for annual periods beginning on or after 1 January 2009. The Group will apply IFRS 2 (amendment) from 1 January 2009. Management is assessing the impact of the amendment on the Group's share schemes.

- IFRS 3 (revised), "Business combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates" and IAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply IFRS 3 (revised) and consequential amendments to IAS 27 and IAS 31 from 1 January 2010. The amendment to IAS 28 is not relevant for the Group.

- IAS 1 (revised), "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009. The Group will apply IAS 1 (revised) from 1 January 2009.

- IAS 32 (amendment), "Financial instruments: presentation", and consequential amendments to IAS 1, "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009. The Group will apply IAS 32 and IAS 1 amendments from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

- IFRIC-Interpretation 13, "Customer loyalty programmes", effective for annual periods beginning on or after 1 July 2008. The Group will apply IFRIC-Interpretation 13 from 1 January 2009. Management is assessing the effect of this interpretation on the Group's financial statements.

- IFRS 1 and IAS 27 (revised) "Cost of an investment in a subsidiary, jointly controlled entity or associate", and consequential amendments to IAS 18 "Revenue", IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 36 "Impairment of Assets", effective for annual periods beginning on or after 1 January 2009. The amendment to IFRS 1 is not relevant to the Group, as the Group is not a first-time adopter of IFRS. Management is assessing the effect of IAS 27 (revised) and other consequential amendments on the Group's financial statements.

- IFRIC Interpretation 15, "Agreement for the construction of real estate", effective for annual periods beginning on or after 1 January 2009. It is not relevant to the Group.

- IFRIC Interpretation 16, "Hedges of a net investment in a foreign operation", effective for annual periods beginning on or after 1 October 2008. It is not relevant to the Group.

- Improvements to IFRS which include amendments to a number of standards, effective for accounting periods beginning on or after 1 January 2009. Management is assessing the effect of all the amendments on the Group's financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue comprises the invoiced value for the sale of goods net of value added tax, rebates and discount.

Primary reporting format — business segment

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

Secondary reporting format — geographical segment

The Group's assets, liabilities, capital expenditure and operations during the six months ended 30 June 2008 and 2007 were primarily located in the PRC. No geographical segment analysis is presented as less than 5% of the Group's revenue and contribution to operating profit is attributable to markets outside the PRC.

5. PROPERTY, PLANT AND EQUIPMENT

	Unaudited						
	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	Total RMB'000
Six months ended 30 June 2007							
Opening net book amount at 1 January 2007	37,497	13,211	16,933	12,857	40,353	36,036	156,887
Additions	—	4,481	10,388	833	4,442	71,368	91,512
Disposals	—	(370)	—	(33)	(443)	—	(846)
Reclassifications	(724)	724	369	—	(369)	—	—
Depreciation	(1,116)	(6,263)	(5,747)	(1,076)	(9,365)	—	(23,567)
Closing net book amount at 30 June 2007	35,657	11,783	21,943	12,581	34,618	107,404	223,986
Six months ended 30 June 2008							
Opening net book amount at 1 January 2008	**184,000**	**21,990**	**32,260**	**14,139**	**42,747**	**44,900**	**340,036**
Additions	**1,174**	**4,140**	**14,970**	**365**	**14,254**	**42,425**	**77,328**
Reclassifications from construction-in-progress	**4,432**	**—**	**—**	**127**	**2,983**	**(7,542)**	**—**
Disposals	**(605)**	**(3,662)**	**(945)**	**(1,629)**	**(614)**	**—**	**(7,455)**
Depreciation	**(3,626)**	**(4,533)**	**(14,989)**	**(740)**	**(7,819)**	**—**	**(31,707)**
Closing net book amount at 30 June 2008	**185,375**	**17,935**	**31,296**	**12,262**	**51,551**	**79,783**	**378,202**

Depreciation of approximately RMB16,437,000 (30 June 2007: RMB16,855,000) have been charged to distribution costs and administrative expenses and approximately RMB15,270,000 (30 June 2007: RMB6,712,000) to cost of sales.

6. LAND USE RIGHTS

	Unaudited RMB'000
Six months ended 30 June 2007	
Opening net book amount at 1 January 2007	25,583
Amortisation	(286)
Closing net book amount at 30 June 2007	25,297
Six months ended 30 June 2008	
Opening net book amount at 1 January 2008	**25,008**
Additions	**806**
Amortisation	**(289)**
Closing net book amount at 30 June 2008	**25,525**

All the Group's land use rights are located in the PRC and are held under leases for periods varying from 20 to 50 years.

Amortisation of approximately RMB289,000 (30 June 2007: RMB286,000) has been charged to administrative expenses.

7. INTANGIBLE ASSETS

	Unaudited			
	Trademarks RMB'000	Computer software RMB'000	Licence rights RMB'000	Total RMB'000
Six months ended 30 June 2007				
Opening net book amount at 1 January 2007	2,069	11,886	67,596	81,551
Additions	416	2,036	3,643	6,095
Disposals	—	(53)	—	(53)
Amortisation	(136)	(1,841)	(6,750)	(8,727)
Closing net book amount at 30 June 2007	2,349	12,028	64,489	78,866
Six months ended 30 June 2008				
Opening net book amount at 1 January 2008	**4,431**	**16,073**	**67,330**	**87,834**
Additions	**440**	**1,112**	**—**	**1,552**
Amortisation	**(360)**	**(2,362)**	**(7,996)**	**(10,718)**
Closing net book amount at 30 June 2008	**4,511**	**14,823**	**59,334**	**78,668**

Amortisation of approximately RMB10,718,000 (30 June 2007: RMB8,727,000) has been charged to distribution costs and administrative expenses.

8. PREPAYMENTS FOR ACQUISITION OF SUBSIDIARIES

Pursuant to an agreement signed by the Group with certain third parties (the "Vendors") on 15 November 2007, the Group agreed to acquire a 57.5% equity interest in Shanghai Double Happiness Co., Ltd., a company incorporated in the PRC, which, together with its subsidiaries, are principally engaged in the manufacture, research and development, marketing and sale of table tennis, badminton and other sports equipments in the PRC. The acquisition was completed on 21 July 2008 (see also Note 31(c)). The amount represented consideration paid for the proposed acquisition up to the respective balance sheet dates.

9. INVENTORIES

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Raw materials	**8,721**	8,983
Work in progress	**5,485**	3,189
Finished goods	**610,382**	553,262
	624,588	565,434
Less: provision for write-down to net realisable value	**(68,190)**	(51,487)
	556,398	513,947

The cost of inventories recognised as cost of sales amounted to approximately RMB1,482,962,000 for the six months ended 30 June 2008 (30 June 2007: RMB917,881,000).

The Group realised a loss of approximately RMB16,703,000 for the six months ended 30 June 2008 (30 June 2007: RMB20,900,000) in respect of the write-down of inventories to their net realisable value. These amounts have been included in administrative expenses in the income statement.

10. INTEREST IN JOINTLY CONTROLLED ENTITIES

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

10. INTEREST IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The following financial information reflects the Group's 50% share of the consolidated assets and liabilities, and consolidated revenue and results of Li-Ning Aigle Ventures and its subsidiary as at 30 June 2008 and for the six-month period then ended, which have been included in this unaudited condensed consolidated interim financial information by proportionate consolidation.

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Assets		
Non-current assets	**434**	417
Current assets	**17,726**	20,714
Total assets	**18,160**	21,131
Liabilities		
Non-current liabilities	**12,760**	10,359
Current liabilities	**2,110**	4,497
Total liabilities	**14,870**	14,856
Net assets	**3,290**	6,275

	Unaudited	
	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Revenue	**6,552**	6,328
Expenses	**(10,033)**	(10,815)
Net loss	**(3,481)**	(4,487)

As at 30 June 2008 and 31 December 2007, the Group did not have any contingent liabilities in respect of its interest in the jointly controlled entities.

11. TRADE RECEIVABLES

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Accounts receivable	**800,854**	639,604
Notes receivable	**102,197**	49,932
	903,051	689,536
Less: provision for impairment of receivables	**(6,694)**	(4,809)
	896,357	684,727

Customers are normally granted credit terms within 90 days. As at 30 June 2008, trade receivables that were neither past due nor impaired amounted to RMB828,257,000 (31 December 2007: RMB601,966,000). Trade receivables that were past due but not impaired amounted to RMB68,100,000 (31 December 2007: RMB82,761,000) which relate to a number of independent customers for whom there is no recent history of default and with age from 91 to 180 days as at 30 June 2008.

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

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
0–30 days	**455,719**	378,180
31–60 days	**225,174**	115,471
61–90 days	**147,364**	108,315
91–180 days	**68,100**	82,761
181–365 days	**3,830**	2,365
Over 365 days	**2,864**	2,444
	903,051	689,536

As at 30 June 2008, trade receivables of RMB6,694,000 (31 December 2007: RMB4,809,000) were impaired for which full provision of impairment has been made. The impairment was firstly assessed individually for significant or long ageing balances, and the remaining balances were grouped for collective assessment according to their ageing and historical default rates as these customers were of similar credit risk.

11. TRADE RECEIVABLES *(Continued)*

Movements in provision for impairment of trade receivables are analysed as follows:

	Unaudited 2008 RMB'000	2007 RMB'000
At 1 January	**4,809**	8,720
Provision for impairment of receivables	**2,333**	559
Receivables written off during the period as uncollectible	**(448)**	(6,516)
At 30 June	**6,694**	2,763

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.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

12. OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Advances to suppliers	**11,991**	16,443
Prepayment for advertising costs	**40,441**	24,325
Rental and other deposits	**42,240**	31,433
Prepaid rentals	**116,956**	80,815
Staff advances and other payments for employees	**14,531**	8,037
Others	**28,523**	11,003
	254,682	172,056
Less: non-current portion of prepaid rentals and deposits	**(78,531)**	(57,985)
Current portion	**176,151**	114,071

13. CASH, CASH EQUIVALENTS AND BANK DEPOSITS

As at 30 June 2008, the Group had the following cash, cash equivalents and bank deposits held at banks in the PRC (including the Hong Kong Special Administrative Region):

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Cash at banks and in hand	**1,417,654**	817,280
Short-term bank deposits	**11,669**	32,607
Fixed deposits held at banks with maturities of more than three months	**—**	11,167
	1,429,323	861,054

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

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Denominated in RMB	**1,359,499**	773,836
Denominated in HK Dollars	**62,388**	44,244
Denominated in US Dollars	**7,436**	42,974
	1,429,323	861,054

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

Cash at banks, short-term deposits and fixed deposits held at bank with maturities of more than three months are neither past due nor impaired and are deposits with banks which are mainly prominent nation wide state-owned banks in the PRC with good credit ratings.

14. 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 30 June 2008 and 31 December 2007	10,000,000	1,000,000

Issued and fully paid

	Unaudited				
	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
Opening balance at 1 January 2007	1,031,488	109,503	462,911	(6,367)	566,047
Net 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)
Closing balance at 30 June 2007	1,032,535	109,614	389,770	(7,288)	492,096
Opening balance at 1 January 2008	**1,035,198**	**110,023**	**352,830**	**(44,089)**	**418,764**
Net proceeds from shares issued pursuant to share option schemes (Note a)	**1,590**	**145**	**5,292**	**–**	**5,437**
Transfer of fair value of share options exercised to share premium	**–**	**–**	**8,664**	**–**	**8,664**
Shares vested under Restricted Share Award Scheme	**5**	**–**	**–**	**68**	**68**
Shares purchased for Restricted Share Award Scheme (Note b)	**(1,420)**	**–**	**–**	**(32,620)**	**(32,620)**
Closing balance at 30 June 2008	**1,035,373**	**110,168**	**366,786**	**(76,641)**	**400,313**

Notes:

(a) During the six months ended 30 June 2008, the Company issued 1,590,000 shares (30 June 2007: 1,117,000 shares) of HK$0.10 each to directors and employees of the Group at weighted-average issued price of HK$3.6251 (30 June 2007: HK$2.8485) per share pursuant to the Company's share option schemes (Note 28).

(b) During the six months ended 30 June 2008, the Li Ning Company Limited Restricted Share Award Scheme Trust (the "Trust"), a trust established in Hong Kong, purchased 1,420,000 shares (30 June 2007: 70,000 shares) of the Company's shares from the open market. The total amount of RMB32,620,000 (30 June 2007: RMB921,000) paid to acquire the shares was financed by the Company by way of contributions made to the Trust.

15. RESERVES

	Unaudited					
	Capital reserves (a) RMB'000	Statutory reserve funds (b) RMB'000	Share-based compensation reserve RMB'000	Subtotal RMB'000	Retained earnings RMB'000	Total RMB'000
Opening balance at 1 January 2007	45,634	111,159	25,691	182,484	650,959	833,443
Profit for the period	—	—	—	—	198,273	198,273
Value of services provided under share schemes	—	—	15,046	15,046	—	15,046
Transfer of fair value of share options exercised to share premium	—	—	(2,748)	(2,748)	—	(2,748)
Closing balance at 30 June 2007	45,634	111,159	37,989	194,782	849,232	1,044,014
Opening balance at 1 January 2008	**45,634**	**121,776**	**44,479**	**211,889**	**1,113,948**	**1,325,837**
Profit for the period	**—**	**—**	**—**	**—**	**333,732**	**333,732**
Value of services provided under share schemes	**—**	**—**	**21,853**	**21,853**	**—**	**21,853**
Transfer of fair value of share options exercised to share premium	**—**	**—**	**(8,664)**	**(8,664)**	**—**	**(8,664)**
Vesting of shares under Restricted Share Award Scheme	**—**	**—**	**(68)**	**(68)**	**—**	**(68)**
Dividends paid	**—**	**—**	**—**	**—**	**(175,407)**	**(175,407)**
Closing balance at 30 June 2008	**45,634**	**121,776**	**57,600**	**225,010**	**1,272,273**	**1,497,283**

(a) Capital reserves

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

(b) Statutory reserve funds

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

Statutory reserve funds 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 determined in accordance with the PRC accounting regulations 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 is 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 determined in accordance with the PRC accounting regulations to Reserve Fund after offsetting accumulated losses from prior years. The percentage of appropriation is determined by the board of directors of the companies.

15. RESERVES *(Continued)*

(b) Statutory reserve funds *(Continued)*

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 determined in accordance with the PRC accounting regulations to the Reserve Fund until such fund reaches 50% of the companies' registered capital. The Reserve Fund, upon approval by relevant authorities, may be used to offset accumulated losses or to increase registered capital of the Company.

(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.

16. TRADE PAYABLES

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

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
0–30 days	**604,903**	424,189
31–60 days	**154,860**	52,489
61–90 days	**16,767**	6,624
91–180 days	**11,091**	5,362
181–365 days	**519**	1,209
Over 365 days	**483**	544
	788,623	490,417

17. OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Accrued sales and marketing expenses	**254,375**	73,740
Advances from customers	**122,583**	86,267
Wages and welfare payables	**68,249**	97,941
Other tax payables	**19,421**	30,109
Payable for property, plant and equipment	**11,186**	12,963
Payable for land use rights	**—**	12,000
Other payables	**45,330**	27,557
	521,144	340,577

18. LICENSE FEES PAYABLE

The Group has entered into several license agreements with sports organisations and athletes to obtain exclusive product development and marketing rights. Pursuant to the agreements, consideration shall be paid by the Group in tranches during the life of the licenses.

Movements in license fees payable during the period are analysed as follows:

	Unaudited		
	Cost RMB'000	**Discount** RMB'000	**Total** RMB'000
Six months ended 30 June 2007			
At 1 January 2007	85,505	(14,765)	70,740
Acquisition of license rights	2,285	–	2,285
Payment of license fees	(4,101)	–	(4,101)
Amortisation of discount	–	2,307	2,307
Adjustment for exchange difference	(2,113)	–	(2,113)
At 30 June 2007	81,576	(12,458)	69,118
Six months ended 30 June 2008			
At 1 January 2008	**82,907**	**(12,069)**	**70,838**
Acquisition of license rights	**—**	**—**	**—**
Payment of license fees	**(8,574)**	**—**	**(8,574)**
Amortisation of discount	**—**	**2,336**	**2,336**
Adjustment for exchange difference	**(4,730)**	**—**	**(4,730)**
At 30 June 2008	**69,603**	**(9,733)**	**59,870**

18. LICENSE FEES PAYABLE *(Continued)*

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Analysis of license fees payable:		
Non-current, the second to fifth year	**49,222**	57,604
Current	**10,648**	13,234
	59,870	70,838

The license fees payable are mainly denominated in US Dollars.

The maturity profile of the Group's license fees payable based on contractual undiscounted cash flows is as follows:

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Less than 1 year	**12,673**	14,609
Between 1 and 5 years	**56,930**	68,298
	69,603	82,907

19. BORROWINGS

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Current		
Bank borrowings denominated in		
— RMB	**400,000**	100,000
— HKD	**175,840**	—
	575,840	100,000
Borrowings		
— unsecured	**575,840**	100,000

The carrying amounts of the borrowings at the respective balance sheet dates approximate their fair value as the impact of discounting is not significant.

The weighted average effective interest rates per annum of the borrowings were 7.00% (31 December 2007: 7.29%) for bank borrowings denominated in RMB and 2.61% (31 December 2007: Not applicable) for bank borrowings denominated in HKD.

Movements in borrowings are analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2007	
Amount at 1 January and 30 June 2007	—
Six months ended 30 June 2008	
Opening amount at 1 January 2008	**100,000**
Additions	**475,840**
Closing amount at 30 June 2008	**575,840**

As at 30 June 2008, the Group has undrawn borrowing facilities within one year amounting to RMB100,000,000 (31 December 2007: Nil). These facilities have been arranged to help financing working capital.

20. DEFERRED INCOME TAX

Movements in deferred income tax assets/(liabilities) are analysed as follows:

	Unaudited				
	Provisions RMB'000	Share options exercised RMB'000	Unrealised profit on intra-group sales RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets					
At 1 January 2007	4,492	7,963	–	–	12,455
Credited to income statement	2,695	1,825	–	–	4,520
At 30 June 2007	7,187	9,788	–	–	16,975
At 1 January 2008	**10,511**	**8,826**	**7,998**	**2,266**	**29,601**
Credited/(charged) to income statement	**3,774**	**1,676**	**6,002**	**(365)**	**11,087**
At 30 June 2008	**14,285**	**10,502**	**14,000**	**1,901**	**40,688**
Deferred income tax liabilities					
At 1 January and 30 June 2007	–	–	–	–	–
At 1 January 2008	**–**	**–**	**–**	**(1,217)**	**(1,217)**
Credited to income statement	**–**	**–**	**–**	**155**	**155**
At 30 June 2008	**–**	**–**	**–**	**(1,062)**	**(1,062)**

20. DEFERRED INCOME TAX *(Continued)*

The amounts expected to be recovered for deferred income tax assets/(liabilities) are as follows:

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Deferred income tax assets		
— to be recovered within 12 months	**29,876**	19,613
— to be recovered after more than 12 months	**10,812**	9,988
	40,688	29,601
Deferred income tax liabilities		
— to be recovered within 12 months	**(909)**	(969)
— to be recovered after more than 12 months	**(153)**	(248)
	(1,062)	(1,217)

21. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Cost of inventories recognised as expenses included in cost of sales	**1,482,962**	917,881
Depreciation on property, plant and equipment	**31,707**	23,567
Amortisation of land use rights and intangible assets	**11,007**	9,013
Advertising and marketing expenses	**571,037**	325,604
Director and employee benefit expenses	**202,834**	148,406
Operating lease rentals in respect of land and buildings	**107,179**	60,561
Research and product development expenses	**91,027**	50,537
Transportation and logistics expenses	**45,819**	31,669
Provision for impairment charge of trade receivables	**2,333**	559
Write-down of inventories to net realisable value	**16,703**	20,900
Auditor's remuneration	**2,110**	1,000
Management consulting expenses	**27,228**	16,559
Travelling and entertainment expenses	**38,656**	29,961
Other expenses	**37,639**	37,068
Total of cost of sales, distribution costs and administrative expenses	**2,668,241**	1,673,285

22. OTHER INCOME

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Government grants (Note a)	**60,029**	30,303
Others	**—**	163
	60,029	30,466

Note:

(a) The Group received subsidies from various local governments in the PRC amounting to RMB60,029,000 for the six months ended 30 June 2008 (30 June 2007: RMB30,303,000). Approximately RMB8,955,000 (30 June 2007: Nil) of these government grants represented a tax refund received by the Group in respect of the Group's re-investment of profits generated by a PRC subsidiary.

23. PENSION

The employees of the Group participate in certain defined contribution pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 19% to 22% of the employees' basic salary dependent upon the applicable local regulations.

24. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest income on bank balances and deposits	**5,198**	5,409
Net foreign currency exchange gain	**4,574**	—
Finance income	**9,772**	5,409
Amortisation of discount — license fees payable (Note 18)	**(2,336)**	(2,307)
Interest expense on bank borrowings	**(12,811)**	—
Net foreign currency exchange loss	**—**	(3,174)
Finance costs	**(15,147)**	(5,481)

25. INCOME TAXES

	Unaudited Six months ended 30 June 2008 RMB'000	2007 RMB'000
Current income tax		
— Hong Kong profits tax	**639**	417
— The PRC corporate income tax	**124,052**	71,979
	124,691	72,396
Deferred income tax	**(11,242)**	(4,520)
	113,449	67,876

Notes:

(a) The Company was incorporated in the Cayman Islands. Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Company. The Company's subsidiary, RealSports Pte Ltd., was established under the International Business Companies Acts of the British Virgin Islands, and is exempted from British Virgin Islands income taxes.

(b) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2008 (30 June 2007: 17.5%).

(c) Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (30 June 2007: 33%) on the assessable income of each of the group companies.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% as follows:

	Unaudited Six months ended 30 June 2008 RMB'000	2007 RMB'000
Profit before income tax	**447,181**	266,540
Tax calculated at a tax rate of 25% (30 June 2007: 33%)	**111,795**	87,958
Effects of different tax rate in Hong Kong	**(329)**	(370)
Preferential tax rate on the income of certain subsidiaries	**—**	(30,131)
Tax losses for which no deferred taxation is recognised	**6,525**	3,341
Expenses not deductible for tax purposes	**8,843**	7,078
Income not subject to tax	**(7,857)**	—
Tax credit granted to subsidiaries	**(5,528)**	—
Taxation charge	**113,449**	67,876

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for 2008 is 25.4% for the six months ended 30 June 2008 (30 June 2007: 25.5%).

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 2008 RMB'000	2007 RMB'000
Profit attributable to equity holders of the Company	**333,732**	198,273
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (in thousands)	**1,035,285**	1,032,012
Basic earnings per share (RMB cents)	**32.24**	19.21

Diluted

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

	Unaudited Six months ended 30 June 2008 RMB'000	2007 RMB'000
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	**333,732**	198,273
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (in thousands)	**1,035,285**	1,032,012
Adjustment for share options and awarded shares (in thousands)	**15,948**	16,636
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**1,051,233**	1,048,648
Diluted earnings per share (RMB cents)	**31.75**	18.91

27. DIVIDENDS

The final and special dividends for the year ended 31 December 2007 amounting to RMB175,407,000 (31 December 2006: RMB78,922,000) were paid in May 2008.

In addition, an interim dividend of RMB9.63 cents per ordinary share for the six months ended 30 June 2008 (30 June 2007: RMB5.76 cents) was declared by the board of directors on 27 August 2008. It is payable on or around 26 September 2008 to shareholders whose names appear on the Company's register of members on 19 September 2008. This interim dividend, amounting to RMB100,071,000 (30 June 2007: RMB59,519,000), has not been recognised as a liability in this interim financial information. It will be recognised as an appropriation of distributable reserves in the financial statements of the Group and the Company for the year ending 31 December 2008.

28. 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 objective of the Share Purchase Scheme (the "Alpha Talent Option") is to provide for the grant of rights to purchase the Company's shares beneficially owned by Mr. Li Ning through Alpha Talent to certain key individuals who have contributed to the economic achievement of the Group.

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. A committee established by the board of directors of Alpha Talent determines the individuals within the Group who shall be selected to receive options, the exercise price, and the terms and conditions of the options. Lapsed or cancelled options will be re-granted in accordance with the terms of the Alpha Talent Option until all shares held by Alpha Talent have been purchased pursuant to the scheme.

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

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

	Unaudited			
	2008		2007	
	Weighted average exercise price (per share) HK$	**Outstanding options (Thousands)**	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	**0.68**	**9,744**	0.66	12,627
Granted	**—**	**—**	0.86	300
Exercised	**0.59**	**(1,990)**	0.61	(1,229)
As at 30 June	**0.70**	**7,754**	0.67	11,698
Exercisable as at 30 June	**0.53**	**4,984**	0.48	7,498

28. SHARE-BASED COMPENSATION *(Continued)*

(a) Share Purchase Scheme *(Continued)*

Share options outstanding as at 30 June 2008 and 31 December 2007 have the following expiry date and weighted average exercise price:

	Unaudited As at 30 June 2008		Audited As at 31 December 2007	
Expiry date	**Weighted average exercise price (per share) HK$**	**Share options (Thousands)**	Weighted average exercise price (per share) HK$	Share options (Thousands)
8 June 2010	**0.56**	**4,145**	0.54	5,658
11 November 2011	**0.86**	**175**	0.86	245
5 July 2012	**0.86**	**2,715**	0.86	2,922
30 August 2012	**0.86**	**134**	0.86	134
1 January 2013	**0.86**	**300**	0.86	300
2 July 2013	**0.86**	**19**	0.86	19
1 September 2013	**0.86**	**—**	0.86	200
16 November 2013	**0.86**	**116**	0.86	116
27 November 2013	**0.86**	**150**	0.86	150
		7,754		9,744

(b) Pre-IPO Share Option Scheme

The Company has adopted a pre-IPO share option scheme (the "Pre-IPO Option") on 5 June 2004. HK$1 is payable by the grantee who accepts the grant of an option. The purpose of the scheme is to give the directors and full-time employees of the Company and the Group an opportunity to have a personal stake in the Company and recognise their contribution to the Group.

Total number of share options subject to the Pre-IPO Option is 16,219,000 shares and they have been 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 employees or directors complete a period of service in the Group for 12 to 36 months starting from the date of grant (5 June 2004).

28. SHARE-BASED COMPENSATION *(Continued)*

(b) Pre-IPO Share Option Scheme *(Continued)*

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

	Unaudited			
	2008		2007	
	Exercise price (per share) HK$	**Outstanding options (Thousands)**	Exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	**1.8275**	**4,656**	1.8275	7,245
Exercised	**1.8275**	**(520)**	1.8275	(503)
Lapsed	**1.8275**	**(32)**	—	—
As at 30 June	**1.8275**	**4,104**	1.8275	6,742
Exercisable as at 30 June	**1.8275**	**4,104**	1.8275	6,742

Share options outstanding as at 30 June 2008 and 31 December 2007 have the following expiry date and exercise price:

	Unaudited		Audited	
	30 June 2008		31 December 2007	
Expiry date	**Exercise price (per share) HK$**	**Share options (Thousands)**	Exercise price (per share) HK$	Share options (Thousands)
5 June 2010	**1.8275**	**4,104**	1.8275	4,656

(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.

The purpose of the Post-IPO Option is to provide incentives to eligible participants to contribute to the Company and to enable the Company to recruit high-calibre employees and attract human resources that are valuable to the Group. Eligible participants are any individuals being employees, officers, agents, consultants or representatives of any member of the Group who, based on the board of directors' discretion, have made valuable contributions to the business of the Group based on their performance and/or years of service, or are regarded as valuable human resources of the Group based on their work experience, knowledge of the industry and other factors.

28. SHARE-BASED COMPENSATION *(Continued)*

(c) Share Option Scheme *(Continued)*

HK$1 is payable by the participant who accepts the grant of an option. The subscription price for the shares under the option to be granted will be determined by the Company's board of directors and will be the highest of: (a) the closing price of the shares of the Company as at stated in The Hong Kong Stock Exchange Limited's daily quotations sheets on the date of the grant of the option; (b) the average closing price of the shares of the Company as stated in The Hong Kong Stock Exchange Limited's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (c) the nominal value of the shares of the Company.

The maximum number of shares that may be granted under the Post-IPO Option and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. The total number of shares of the Company issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted in any 12-month period to each participant must not exceed 1% of the number of shares of the Company in issue. Lapsed or cancelled options may be re-granted in accordance with the terms of the Post-IPO Option.

An option may be exercised in accordance with the terms of the Post-IPO Option at any time during a period to be notified by the Company's board of directors, which must not be more than 10 years from the date of the grant.

Any share of the Company allotted and issued on the exercise of options will rank pari passu with the other shares of the Company in issue on the date of allotment.

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

	Unaudited			
	2008		2007	
	Weighted average exercise price (per share) HK$	**Outstanding options (Thousands)**	Weighted average exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	**5.634**	**12,285**	4.951	15,295
Exercised	**4.499**	**(1,070)**	3.685	(614)
Lapsed	**5.717**	**(60)**	5.754	(65)
Cancelled	**—**	**—**	6.377	(172)
As at 30 June	**5.749**	**11,155**	4.985	14,444
Exercisable as at 30 June	**4.407**	**4,487**	3.785	2,175

28. SHARE-BASED COMPENSATION (Continued)

(c) Share Option Scheme (Continued)

Share options outstanding as at 30 June 2008 and 31 December 2007 have the following expiry date and exercise price:

Expiry date	Unaudited As at 30 June 2008 Exercise price (per share) HK$	Unaudited As at 30 June 2008 Share options (Thousands)	Audited As at 31 December 2007 Exercise price (per share) HK$	Audited As at 31 December 2007 Share options (Thousands)
4 July 2011	**3.685**	**8,071**	3.685	8,962
3 January 2012	**5.500**	**203**	5.500	275
4 September 2012	**8.830**	**2,231**	8.830	2,398
20 November 2012	**9.840**	**300**	9.840	300
19 July 2013	**19.680**	**350**	19.680	350
		11,155		12,285

(d) Fair value of share options

The fair value of the options granted under the above schemes are determined by using Black-Scholes valuation model. During the six months ended 30 June 2008, no options have been granted under the above schemes and there is no impact of fair value change in this period.

(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.

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

Upon granting of shares to selected participants ("Restricted Shares"), the Restricted Share Trust purchases the Company's shares awarded from the open market with funds provided by the Company by way of contributions. Restricted Shares vest gradually after selected participants complete a period of service in the Group of 12 to 36 months from the date of grant. The vested shares are transferred to selected participants at nil consideration. Dividends on Restricted Shares are used to purchase additional shares and allocated to selected participants on a pro rata basis.

28. SHARE-BASED COMPENSATION *(Continued)*

(e) Restricted Share Award Scheme *(Continued)*

The maximum number of Restricted Shares shall not exceed 20,556,000 shares, being 2% of the Company's issued share capital as at the adoption date of 14 July 2006. For each selected participant, the maximum number of Restricted Shares granted in aggregate shall not exceed 10,278,000 shares, being 1% of the Company's issued share capital as at the adoption date of 14 July 2006.

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

Movements in the number of Restricted Shares granted and related fair value are as follows:

	Unaudited			
	2008		2007	
	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	**20.14**	**2,734**	9.10	757
Granted	**23.90**	**8**	11.90	6
Vested	**14.11**	**(5)**	—	—
Lapsed	**14.66**	**(103)**	9.01	(15)
As at 30 June	**20.31**	**2,634**	9.12	748

The fair value of Restricted Shares charged to the income statement was RMB14,482,000 during the six months ended 30 June 2008 (30 June 2007: RMB2,004,000).

29. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for but not paid by the Group at the balance sheet date is as follows:

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Property, plant and equipment — contracted for but not paid	**9,362**	69,385

There is no capital expenditure authorised but not contracted for by the Group at the balance sheet date.

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

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

	Unaudited 30 June 2008 RMB'000	Audited 31 December 2007 RMB'000
Not later than 1 year	**113,755**	148,697
Later than 1 year and not later than 5 years	**463,632**	408,382
Later than 5 years	**345,343**	319,488
	922,730	876,567

30. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30 June	
	2008	2007
	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.	**731**	1,549

In the opinion of the directors, this transaction was entered into on 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	
	2008	2007
	RMB'000	RMB'000
Salaries and other benefits	**10,683**	5,491
Contribution to retirement benefit scheme	**213**	199
Employee share schemes for value of services provided	**9,014**	1,186
	19,910	6,876

31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) On 4 July 2008, 205,400 and 2,383,800 Restricted Shares were granted to directors and certain employees of the Group pursuant to the Restricted Share Award Scheme, respectively.

(b) On 4 July 2008, options to purchase 577,400 and 2,983,700 shares of the Company at an exercise price of HK$17.22 per share were granted to directors of the Group and other participants under the Post-IPO Share Option Scheme, respectively.

(c) Acquisition of Shanghai Double Happiness Co., Ltd. ("Double Happiness")

On 21 July 2008, the Group completed its acquisition of a 57.5% equity interest in Double Happiness, for a cash consideration of RMB305,325,000 (excluding direct transaction costs). Double Happiness, a company incorporated in the PRC, is principally engaged in the manufacture, research and development, marketing and sale of table tennis, badminton and other sports equipments.

Up to the date of approval of this interim financial information, the Group is still in the progress of identifying and determining the direct transaction costs, as well as fair value to be assigned to the identifiable assets, liabilities and contingent liabilities assumed for the purpose of allocation of purchase price and calculation of goodwill. Such information will be disclosed in the Group's annual financial statements for the year ending 31 December 2008.

(d) On 31 July 2008, Li Ning (China) Sports Goods Co., Ltd. ("Li Ning Sports"), a subsidiary of the Company, entered into a license agreement and the marketing contribution agreement with Lotto Sport H.K. Limited, a company incorporated in Hong Kong which is ultimately beneficially owned by Lotto Sport Italia S.p.A. ("LSI"), a corporation established under the laws of Italy, and an asset purchase agreement with Lotto (Nanjing) Garment Co. Ltd., a wholly foreign owned enterprise established under the laws of the PRC and also ultimately beneficially owned by LSI, and Lotto (Shanghai) Co. Ltd., a company established under the laws of the PRC and also ultimately beneficially owned by LSI. The license will be recorded as an intangible asset in the subsequent financial statements of the Group.

Other Information

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB9.63 cents per Share for the six months ended 30 June 2008 (2007: RMB5.76 cents), representing an increase of 67.2% over the corresponding period last year. The dividend will be paid in Hong Kong Dollars based on the rate of HK$1.00 = RMB0.8763, 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 26 September 2008 to the Shareholders whose names appear on the register of members of the Company on 19 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 September 2008 to Friday, 19 September 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 12 September 2008.

SHARE SCHEMES

Share Purchase Scheme

Details of the Share Purchase Scheme and movements of the share options granted under the Share Purchase Scheme for the six months ended 30 June 2008 are set out in note 28 to the condensed consolidated interim financial information.

Pre-IPO Share Option Scheme

Details of the Pre-IPO Share Option Scheme are set out in Note 28 to the condensed consolidated interim financial information. Movements of the share options under the Pre-IPO Share Option Scheme for the six months ended 30 June 2008 are as follows:

			Number of share options					
	Date of grant	Exercise price per Share (HK$)	as at 01/01/2008	exercised during the period	lapsed during the period	cancelled during the period	as at 30/06/2008	Exercise period (Note 4)
Executive Directors								
Zhang Zhi Yong	05/06/2004	1.8275	1,193,000	(33,000) (Note 1)	—	—	1,160,000	28/06/2005 – 05/06/2010
Tan Wee Seng	05/06/2004	1.8275	229,000	(229,000) (Note 2)	—	—	—	28/06/2005 – 05/06/2010
Employees of the Group								
In aggregate	05/06/2004	1.8275	3,233,667	(258,000) (Note 3)	(32,000)	—	2,943,667	28/06/2005 – 05/06/2010
			4,655,667	(520,000)	(32,000)	—	4,103,667	

Notes:

1. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$20.65.

2. The closing price per Share immediately before the date of exercise of the options is HK$26.45.

3. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$24.28.

4. Options granted are subject to a vesting scale in tranches of one-third each on every anniversary date of 28 June 2004, being the date of the listing of Shares on the Hong Kong Stock Exchange, starting from the first anniversary until the third.

Post-IPO Share Option Scheme

Details of the Post-IPO Share Option Scheme are set out in note 28 to the condensed consolidated interim financial information. Movements of the share options under the Post-IPO Share Option Scheme for the six months ended 30 June 2008 are as follows:

	Date of grant	Exercise price per Share (HK$)	Numbers of share options as at 01/01/2008	granted during the period	exercised during the period	lapsed during the period	cancelled during the period	as at 30/06/2008	Exercise period (Note 7)
Executive Directors									
Zhang Zhi Yong	04/07/2005	3.685	730,000	—	—	—	—	730,000	04/07/2006 – 04/07/2011
	04/09/2006	8.83	262,000	—	(54,000) (Note 1)	—	—	208,000	04/09/2007 – 04/09/2012
Tan Wee Seng	04/07/2005	3.685	728,000	—	(485,300) (Note 2)	—	—	242,700	04/07/2006 – 04/07/2011
	04/09/2006	8.83	172,000	—	(57,200) (Note 3)	—	—	114,800	04/09/2007 – 04/09/2012
Non-executive Directors									
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	82,000	—	—	—	—	82,000	04/07/2006 – 04/07/2011
	04/09/2006	8.83	60,000	—	—	—	—	60,000	04/09/2007 – 04/09/2012
Wang Ya Fei, Jane	04/07/2005	3.685	164,000	—	—	—	—	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

	Date of grant	Exercise price per Share (HK$)	as at 01/01/2008	Numbers of share options granted during the period	exercised during the period	lapsed during the period	cancelled during the period	as at 30/06/2008	Exercise period (Note 7)
Employees of the Group									
In aggregate	04/07/2005	3.685	7,012,033	—	(368,830) (Note 4)	(36,000)	—	6,607,203	04/07/2006 – 04/07/2011
In aggregate	03/01/2006	5.50	275,000	—	(72,500) (Note 5)	—	—	202,500	03/01/2007 – 03/01/2012
In aggregate	04/09/2006	8.83	1,633,998	—	(32,501) (Note 6)	(23,500)	—	1,577,997	04/09/2007 – 04/09/2012
Other participants									
In aggregate	20/11/2006	9.84	300,000	—	—	—	—	300,000	(Note 8)
	19/07/2007	19.68	350,000	—	—	—	—	350,000	19/07/2008 – 19/07/2013
			12,285,031	—	(1,070,331)	(59,500)	—	11,155,200	

Notes:

1. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$23.24.

2. The closing price per Share immediately before the dates of exercise of the options is HK$22.70.

3. The closing price per Share immediately before the date of exercise of the options is HK$24.35.

4. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$23.25.

5. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$21.42.

6. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$24.22.

7. Unless otherwise stated in note 8, options granted are subject to a vesting scale in tranches of one-third each on every anniversary date of the date of grant starting from the first anniversary until the third.

8. The options are subject to vesting schedule 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

Restricted Share Award Scheme

Details of the Restricted Share Award Scheme are set out in note 28 to the condensed consolidated interim financial information. During the six months ended 30 June 2008, 8,000 restricted shares were granted to an eligible participant pursuant to the Restricted Share Award Scheme. 5,166 restricted shares were vested and 102,738 restricted shares lapsed during the period. As at 30 June 2008, the number of restricted shares granted under the scheme, except for those lapsed, amounted to 2,883,060 Shares, representing 0.28% of the issued share capital of the Company as at the adoption date of the scheme. Details of movements of the restricted shares under the Restricted Share Award Scheme for the six months ended 30 June 2008 are as follows:

		Number of restricted shares					
Date of grant	Fair value per restricted share (Note) (HK$)	as at 01/01/2008	granted during the period	lapsed during the period	vested during the period	as at 30/06/2008	Vesting period
22/09/2006	9.01	445,737	—	(13,737)	—	432,000	22/09/2007 – 22/09/2009
04/12/2006	10.26	36,001	—	(36,001)	—	—	04/12/2007 – 04/12/2009
12/01/2007	11.90	5,500	—	—	(1,833)	3,667	12/01/2008 – 12/01/2010
08/05/2007	15.32	10,000	—	—	(3,333)	6,667	08/05/2008 – 08/05/2010
02/07/2007	18.96	1,136,500	—	(52,000)	—	1,084,500	02/07/2008 – 02/07/2010
16/07/2007	19.90	18,000	—	—	—	18,000	16/07/2008 – 16/07/2010
29/08/2007	20.85	66,000	—	—	—	66,000	29/08/2008 – 29/08/2010
28/09/2007	26.85	1,000	—	(1,000)	—	—	28/09/2008 – 28/09/2010
11/10/2007	26.25	15,700	—	—	—	15,700	11/10/2008 – 11/10/2010
07/12/2007	26.75	1,000,000	—	—	—	1,000,000	07/12/2008 – 07/12/2010
06/03/2008	23.90	—	8,000	—	—	8,000	06/03/2009 – 06/03/2011
		2,734,438	8,000	(102,738)	(5,166)	2,634,534	

Note:
The fair values of the restricted shares were based on the closing price per Share at the date of grant.

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.

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

As at 30 June 2008, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the 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	332,936,250 (Long position)	1	Interest of controlled corporations	32.039
	7,754,400 (Short position)	1(c)	Interest of controlled corporation	0.746
Zhang Zhi Yong	7,737,700 (Long position)	2	Personal, interest of controlled corporation	0.745
Tan Wee Seng	998,300 (Long position)	3	Personal	0.096
Lim Meng Ann	84,000 (Long position)	4	Personal	0.008
Stuart Schonberger	354,000 (Long position)	5	Personal	0.034
Chu Wah Hui	30,000 (Long position)		Family	0.003
Koo Fook Sun, Louis	272,000 (Long position)	6	Personal	0.026
Wang Ya Fei, Jane	272,000 (Long position)	7	Personal	0.026
Chan Chung Bun, Bunny	108,000 (Long position)	8	Personal	0.010

* The percentage has been calculated based on 1,039,156,633 Shares in issue as at 30 June 2008.

Notes:

1. Mr. Li Ning is deemed to be interested in an aggregate of 332,936,250 Shares held by Victory Mind Assets Limited ("Victory Mind"), Dragon City Management Limited ("Dragon City") and Alpha Talent, respectively, as follows:

   (a) 173,374,000 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 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 173,374,000 Shares held by Victory Mind. Mr. Li Ning is also a director of each of Victory Mind and Ace Leader 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 his brother, 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) 9,562,250 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 9,562,250 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 7,754,400 Shares, among the total of 9,562,250 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 2008, Alpha Talent had granted options to purchase 35,117,900 Shares pursuant to the Share Purchase Scheme, among which options to purchase for 1,675,750 Shares have been cancelled or lapsed due to resignation of employees and options to purchase 25,687,750 Shares have been exercised. The total number of outstanding options as at 30 June 2008 is 7,754,400 Shares.

2. Mr. Zhang Zhi Yong is interested in 1,652,500 Shares, among which 402,500 Shares are held as personal interest and 1,250,000 Shares are held by Smart Step Management Limited ("Smart Step") which is 100% owned by Mr. Zhang. Mr. Zhang is deemed to be interested in the 1,250,000 Shares held by Smart Step. Mr. Zhang is a director of Smart Step.

   Mr. Zhang is also taken to be interested as a grantee of options to (i) purchase 2,924,000 Shares at an exercise price of HK$0.43 per Share under the Share Purchase Scheme; (ii) subscribe for 1,160,000 Shares at an exercise price of HK$1.8275 per Share under the Pre-IPO Share Option Scheme; and (iii) subscribe for 730,000 Shares at an exercise price of HK$3.685 per Share and 208,000 Shares at an exercise price of HK$8.83 per Share under the Post-IPO Share Option Scheme. Mr. Zhang is also taken to be interested as a grantee of 1,063,200 restricted shares granted under the Restricted Share Award Scheme.

3. Mr. Tan Wee Seng is interested in 592,500 Shares and is taken to be interested as a grantee of options to subscribe for 242,700 Shares at an exercise price of HK$3.685 per Share and 114,800 Shares at an exercise price of HK$8.83 per Share under the Post-IPO Share Option Scheme. Mr. Tan is also taken to be interested as a grantee of 48,300 restricted shares granted under the Restricted Share Award Scheme.

4. Mr. Lim Meng Ann is taken to be interested as a grantee of 84,000 restricted shares granted under the Restricted Share Award Scheme.

5. Mr. Stuart Schonberger 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. Mr. Schonberger is also taken to be interested as a grantee of 18,000 restricted shares granted under the Restricted Share Award Scheme.

6. Mr. Koo Fook Sun, Louis is interested in 112,000 Shares and is taken to be interested as a grantee of options to subscribe for 82,000 Shares at an exercise price of HK$3.685 per Share and 60,000 Shares at an exercise price of HK$8.83 per Share under the Post-IPO Share Option Scheme. Mr. Koo is also taken to be interested as a grantee of 18,000 restricted shares granted under the Restricted Share Award Scheme.

7. Ms. Wang Ya Fei, Jane 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. Ms. Wang is also taken to be interested as a grantee of 18,000 restricted shares granted under the Restricted Share Award Scheme.

8. Mr. Chan Chung Bun, Bunny 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. Mr. Chan is also taken to be interested as a grantee of 18,000 restricted shares granted under the Restricted Share Award Scheme.

Save as disclosed above, so far as was known to any Director, as at 30 June 2008, none of the Directors or chief executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the 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 2008, 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	332,936,250 (Long position) 7,754,400 (Short position)	1 2	Interest of controlled corporations Interest of controlled corporation	32.039 0.746
Li Chun	323,374,000 (Long position)	3	Interest of controlled corporations	31.119
Victory Mind Assets Limited	173,374,000 (Long position)	4	Beneficial owner	16.684
Ace Leader Holdings Limited	173,374,000 (Long position)	5	Interest of controlled corporation	16.684
Jumbo Top Group Limited	173,374,000 (Long position)	6	Interest of controlled corporation	16.684
Equity Trust Company (Cayman) Ltd.	173,374,000 (Long position)	7	Trustee	16.684
Dragon City Management Limited	150,000,000 (Long position)	8	Trustee	14.435
Cititrust (Cayman) Limited	150,000,000 (Long position)	9	Trustee	14.435
Tetrad Ventures Pte. Ltd.	104,543,000 (Long position)	10	Beneficial owner	10.060
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	104,543,000 (Long position)	10	Interest of controlled corporation	10.060
GIC Special Investments Pte. Ltd.	104,543,000 (Long position)	10	Interest of controlled corporation	10.060
Government of Singapore Investment Corporation Pte. Ltd.	104,543,000 (Long position)	10	Interest of controlled corporation	10.060
Minister of Finance (Incorporated)	104,543,000 (Long position)	10	Interest of controlled corporation	10.060
JPMorgan Chase & Co.	85,041,577 (Long position)	11	Beneficial owner, investment manager, custodian corporation/ approved lending agent	8.184
	40,588,077 (Lending pool)		Custodian corporation/ approved lending agent	3.906

* The percentage has been calculated based on 1,039,156,633 Shares in issue as at 30 June 2008.

Notes:

1. See note 1 under "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

2. See note 1(c) under "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

3. Mr. Li Chun is taken to be interested in an aggregate of 323,374,000 Shares held by Victory Mind and Dragon City, respectively, as follows:

   (a) 173,374,000 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 173,374,000 Shares held by Victory Mind. Mr. Li Chun is also a director of each of Victory Mind and Jumbo Top and a beneficiary of the Yuan Chang Trust; and

   (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 his brother, Mr. Li Ning. Mr. Li Chun is the settlor of the Gingko Trust and therefore is taken to be interested in the 150,000,000 Shares held by Dragon City.

4. See note 1(a) under "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(a) above.

5. See note 1(a) under "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(a) above. Ace Leader is deemed to be interested in the 173,374,000 Shares held by Victory Mind.

6. See note 1(a) under "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(a) above. Jumbo Top is deemed to be interested in the 173,374,000 Shares held by Victory Mind.

7. See note 1(a) under "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(a) above. Equity Trust Company (Cayman) Ltd. is deemed to be interested in the 173,374,000 Shares held by Victory Mind.

8. See note 1(b) under "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(b) above.

9. See note 1(b) under "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and note 3(b) above. Cititrust (Cayman) Limited is deemed to be interested in the 150,000,000 Shares held by Dragon City.

10. As informed by Government of Singapore Investment Corporation Pte. Ltd., 104,543,000 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).

11. Amongst the total of 85,041,577 Shares held by JPMorgan Chase & Co., 982,500 Shares were held as beneficial owner, 43,471,000 Shares were held as investment manager and 40,588,077 Shares were held as custodian corporation/approved lending agent.

Save as disclosed above, as at 30 June 2008, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company had not redeemed any of its Shares during the six months ended 30 June 2008. Except for the Restricted Share Award Scheme Trust, neither the Company nor any of its subsidiaries had purchased or sold any 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 Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to 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 2007.

The Company has adopted the Model Code in Appendix 10 to the Listing Rules as its own code governing securities transactions of the Directors. Following specific enquiry by the Company, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

The Audit Committee of the Company, consisting of three non-executive Directors (two of whom are independent non-executive Directors), has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results for the six months ended 30 June 2008.

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 2008 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

Hong Kong, 27 August 2008

Information for Investors

SHARE INFORMATION

Listing: the Main Board of the Hong Kong Stock Exchange since 28 June 2004
Stock code: 2331
Board lot: 500 Shares
Number of issued Shares as at 30 June 2008: 1,039,156,633 Shares
Market capitalisation as at 30 June 2008: HK$18,704,819,394
Interim dividend for 2008: RMB9.63 cents per Share

FINANCIAL CALENDAR

Annual general meeting:	9 May 2008
Announcement of interim results:	27 August 2008
Closure of register of members for interim dividend:	16 September 2008 – 19 September 2008
Record date for interim dividend:	19 September 2008
Payment date of interim dividend:	on or about 26 September 2008
Announcement of annual results:	March 2009

CORPORATE WEBSITES

To know more about the Group, please visit the following Company's websites:

http://www.lining.com
http://www.irasia.com/listco/hk/lining
http://www.li-ning.com

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 organised under the laws of France
"Alpha Talent"	Alpha Talent Management Limited, a limited liability company incorporated in the British Virgin Islands and wholly 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"	the 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" or "China"	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