Li Ning Company Limited
（李寧有限公司）

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2331)

2009 iNTERiM report
勝器 靈人

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
Live for Dream, Integrity and Commitment, We Culture, Achieving Excellence, Consumer Oriented, Breakthrough

Corporate Profile
Li Ning Company Limited is one of the leading sports brand enterprises in the PRC, possessing brand marketing, research and development, design, manufacturing, distribution and retail capabilities. The Group's products include footwear, apparel, accessories and equipment for sport and leisure uses under its own LI-NING brand. The Group has established an extensive supply chain management system, and a distribution and retail network in the PRC primarily through outsourcing of manufacturing operations and distribution via franchised agents. The Group also directly manages retail stores for the LI-NING brand.

The Group adopts a multi-brand business development strategy. In addition to its core LI-NING brand, the Group distributes sports products under its Z-DO brand via hypermarket channel. The Group has established a joint venture with AIGLE under which the joint venture has been granted an exclusive right by AIGLE to manufacture, market, distribute and sell outdoor sports products under the French brand AIGLE for 50 years in the PRC. The Group has a controlling interest in Shanghai Double Happiness, which together with its subsidiaries are principally engaged in manufacture, research and development, marketing and sale of table tennis and other sports equipment under the Double Happiness brand. A member of the Group has also entered into an exclusive 20-year license agreement with Lotto Sport to develop, manufacture, market, distribute and sell the licensed products under the Italian sports fashion brand Lotto in the PRC. The Group has also acquired the entire issued share capital of Kason Sports, which together with its subsidiary are principally engaged in the research and development, manufacture and sale of professional badminton equipment under the Kason brand.

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Contents

Corporate Information

Board of Directors

Executive Directors

Mr. LI Ning *(Chairman)*
Mr. ZHANG Zhi Yong *(Chief Executive Officer)*
Mr. CHONG Yik Kay *(Chief Financial Officer)*

Non-executive Directors

Mr. LIM Meng Ann
Mr. Stuart SCHONBERGER
Mr. CHU Wah Hui
Mr. James Chun-Hsien WEI

Independent non-executive Directors

Mr. KOO Fook Sun, Louis
Ms. WANG Ya Fei
Mr. CHAN Chung Bun, Bunny

Executive Committee

Mr. ZHANG Zhi Yong *(Committee Chairman)*
Mr. LI Ning
Mr. CHONG Yik Kay
Mr. GUO Jian Xin
Mr. FANG Shi Wei
Mr. ZHANG Hui

Audit Committee

Mr. KOO Fook Sun, Louis *(Committee Chairman)*
Mr. Stuart SCHONBERGER
Ms. WANG Ya Fei

Remuneration Committee

Ms. WANG Ya Fei *(Committee Chairman)*
Mr. LIM Meng Ann
Mr. KOO Fook Sun, Louis

Nomination Committee

Mr. LIM Meng Ann *(Committee Chairman)*
Mr. KOO Fook Sun, Louis
Ms. WANG Ya Fei
Mr. CHU Wah Hui

Authorised Representatives

Mr. ZHANG Zhi Yong
Mr. CHONG Yik Kay

Company Secretary

Ms. LEE Hung

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Suites 2804–5, Shell Tower
Times Square
Causeway Bay
Hong Kong
Telephone: +852 3102 0926
Fax: +852 3102 0927

Operational Headquarters

No. 8 Xing Guang 5th Street
Opto-Mechatronics Industrial Park
Zhongguancun Science & Technology Area
Tongzhou District
Beijing, PRC
Telephone: +8610 8080 0808
Fax: +8610 8080 0000

Corporate Information (Continued)

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
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
Wan Chai
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

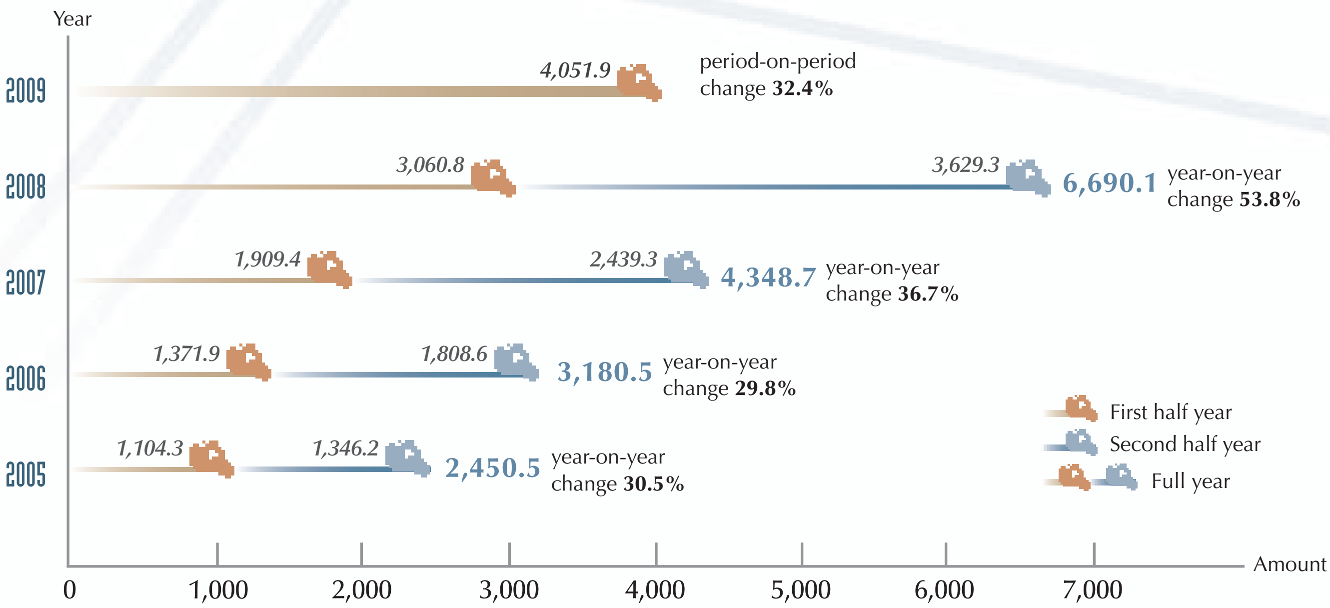
Hong Kong
Hang Seng Bank Limited
DBS Bank Ltd., Hong Kong Branch

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

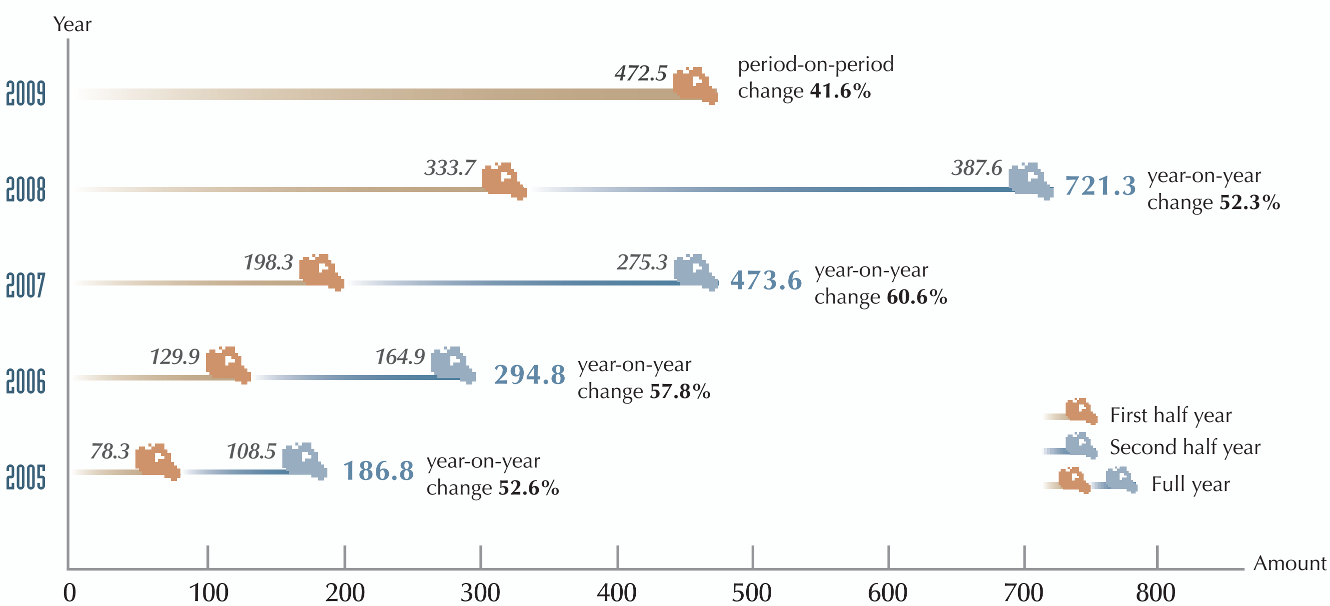
Five-year Financial Highlights

(All amounts in RMB millions)

Revenue



Profit Attributable to Equity Holders



Highlights of 2009 Interim Results

01

Revenue rose by 32.4% to RMB4,052 million

02

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 56.1% to RMB773 million

03

Profit attributable to equity holders grew by 41.6% to RMB473 million

04

Margin of profit attributable to equity holders increased by 0.8 percentage points to 11.7%

05

Basic earnings per share increased by 41.2% to RMB45.53 cents

06

Declared an interim dividend of RMB13.58 cents per ordinary share, an increase of 41.0%

07

Number of retail stores of LI-NING brand reached **6,809**, a net increase of **564** stores during the period

Management Discussion and Analysis

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

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

Financial Review

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

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

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

Notes:

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

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

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

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

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

Revenue

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

Revenue breakdown by brand and product category

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

* Including AIGLE, Z-DO and Kason.

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

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

Percentage of revenue by sales channel

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

* Including AIGLE, Z-DO and Kason.

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

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

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

Revenue breakdown by geographical location

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

* Including AIGLE, Z-DO and Kason.

Notes:

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

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

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

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

Cost of Sales and Gross Profit

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

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

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

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

Distribution Costs

For the six months ended 30 June 2009, the Group's distribution costs amounted to RMB1,038,764,000 (2008: RMB898,410,000), accounting for 25.6% of the Group's total revenue (2008: 29.4%).

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

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

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

Administrative Expenses

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

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

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

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

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

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

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

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

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

Finance Costs

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

Income Tax Expense

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

Consolidated Profitability

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

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

Provision for Inventories

The Group's policy in respect of provision for inventories for the first half of 2009 was the same as that in 2008. Inventories are stated at the lower of cost and net realizable value. In the event that net realizable value falls below cost, the difference is taken as provision for inventories.

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

Provision for Doubtful Debts

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

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

Liquidity and Financial Resources

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

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

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

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

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

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

Foreign Exchange Risk

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

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

Pledge of Assets

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

Contingent Liabilities

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

Operation Review

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

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

LI-NING Brand

Brand Promotion and Marketing

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

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

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

Badminton

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

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

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

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

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

Running

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

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

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

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

Fitness

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

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

Basketball

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

Tennis

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

Community Marketing Events

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

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

Product Design, Research and Development

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

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

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

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

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

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

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

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

Sales Channel Expansion and Management

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

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

Number of franchised and directly-managed retail stores

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

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

Number of stores by geographical location

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

Notes:

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

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

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

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

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

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

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

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

Supply Chain Management

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

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

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

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

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

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

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

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

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

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

Double Happiness Brand

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

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

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

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

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

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

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

- Implemented the SAP-R/3 software system to streamline business operations and shorten the product supply cycle;
- Improved inventory management to ensure sufficient product supply and satisfy customers' needs;
- Adjusted the business model using OEMs to outsource the manufacturing of low value-added products in order to lower production costs; and
- Rolled out new products in the annual sporting goods exhibitions to increase market share.

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

Lotto Brand

In July 2008, a wholly-owned subsidiary of the Company entered into a license agreement with Lotto Sport. Pursuant to the agreement, Lotto Sport has granted the subsidiary an exclusive license of 20 years to use specified Lotto trademarks in China in connection with the development, manufacture, marketing, distribution and sale of licensed products.

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

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

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

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

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

Other Brands

Kason Brand

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

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

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

Z-DO Brand

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

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

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

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

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

AIGLE Brand

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

- Building a competitive edge by developing functional yet casual products with stylish appearance;

- Enhancing brand image and awareness by continual placement of print advertisements in travel and other outdoor magazines;

- Launch of membership system to develop core customer group and making use of promotional offers and product mix to drive sales;

- Opening of outlets and organizing membership activities to manage inventory;

- Collaboration with the Asian product lines of AIGLE France and AIGLE Hong Kong to enhance product mix and to lower cost as well as working with suppliers in France and Hong Kong to implement a localized supply chain; and

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

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

Human Resources

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

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

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

Outlook

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

- Proceed with the preparatory work for the LI-NING brand revamp in order to better focus on its target consumer groups and to enhance the core competencies of the brand;
- Improve store performance through effective measures and continue to expand the retail network so as to strengthen and enhance market position;
- Establish a flexible and effective supply chain system to better support business growth; and
- Pursue development of new businesses to create more growth drivers.

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

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

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

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

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

Condensed Consolidated Interim Balance Sheet

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**617,463**	629,305
Land use rights	6	**391,431**	324,764
Intangible assets	7	**894,197**	329,035
Deferred income tax assets	19	**73,006**	69,441
Other non-current assets	11	**126,880**	166,440
Total non-current assets		**2,102,977**	1,518,985
Current assets			
Inventories	8	**649,351**	650,715
Trade receivables	10	**1,003,109**	1,090,576
Other receivables and prepayments	11	**171,057**	182,938
Restricted bank deposits	12	**6,448**	105,675
Cash and cash equivalents	12	**1,041,597**	788,040
Total current assets		**2,871,562**	2,817,944
Total assets		**4,974,539**	4,336,929

Condensed Consolidated Interim Balance Sheet (Continued)

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	**110,552**	110,323
Share premium	13	**218,006**	200,758
Shares held for Restricted Share Award Scheme	13	**(83,853)**	(84,118)
Other reserves	14	**283,386**	257,610
Retained profits			
— dividend declared/proposed	14	**141,761**	115,941
— others	14	**1,628,111**	1,295,899
		2,297,963	1,896,413
Minority interests		**205,030**	192,535
Total equity		**2,502,993**	2,088,948
LIABILITIES			
Non-current liabilities			
Deferred income	20	**64,589**	—
License fees payable	17	**503,033**	81,997
Deferred income tax liabilities	19	**94,760**	79,141
Total non-current liabilities		**662,382**	161,138
Current liabilities			
Trade payables	15	**736,259**	863,470
Other payables and accruals	16	**631,298**	541,865
License fees payable — current portion	17	**58,999**	28,747
Current income tax liabilities		**71,198**	45,281
Borrowings	18	**311,410**	607,480
Total current liabilities		**1,809,164**	2,086,843
Total liabilities		**2,471,546**	2,247,981
Total equity and liabilities		**4,974,539**	4,336,929
Net current assets		**1,062,398**	731,101
Total assets less current liabilities		**3,165,375**	2,250,086

The notes on pages 30 to 64 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

	Note	Unaudited Six months ended 30 June 2009 RMB'000	2008 RMB'000
Revenue	4	**4,051,855**	3,060,768
Cost of sales	21	**(2,115,295)**	(1,578,574)
Gross profit		**1,936,560**	1,482,194
Distribution costs	21	**(1,038,764)**	(898,410)
Administrative expenses	21	**(281,165)**	(191,257)
Other income	22	**69,212**	60,029
Operating profit		**685,843**	452,556
Finance income	24	**3,340**	9,772
Finance costs	24	**(38,927)**	(15,147)
Finance costs — net		**(35,587)**	(5,375)
Profit before income tax		**650,256**	447,181
Income tax expense	25	**(165,221)**	(113,449)
Profit for the period		**485,035**	333,732
Attributable to:			
Equity holders of the Company		**472,540**	333,732
Minority interests		**12,495**	—
		485,035	333,732
Earnings per share for profit attributable to equity holders of the Company (RMB cents)			
— basic	26	**45.53**	32.24
— diluted	26	**44.98**	31.75
Dividends	27	**141,761**	100,071

The notes on pages 30 to 64 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

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

The notes on pages 30 to 64 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

	Unaudited		
	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January 2008	1,744,601	—	1,744,601
Profit for the period	333,732	—	333,732
Total comprehensive income for the period ended 30 June 2008	333,732	—	333,732
Share option schemes:			
— value of services provided	21,853	—	21,853
— proceeds from shares issued	5,437	—	5,437
Shares purchased for Restricted Share Award Scheme	(32,620)	—	(32,620)
Dividends relating to 2007 paid in 2008	(175,407)	—	(175,407)
Balance at 30 June 2008	1,897,596	—	1,897,596
Balance at 1 January 2009	**1,896,413**	**192,535**	**2,088,948**
Profit for the period	**472,540**	**12,495**	**485,035**
Other comprehensive income:			
Difference on translation of foreign currency financial statements	**(41)**	**—**	**(41)**
Total comprehensive income for the period ended 30 June 2009	**472,499**	**12,495**	**484,994**
Share option schemes:			
— value of services provided	**35,902**	**—**	**35,902**
— proceeds from shares issued	**7,876**	**—**	**7,876**
Shares purchased for Restricted Share Award Scheme	**(219)**	**—**	**(219)**
Dividends relating to 2008 paid in 2009	**(114,508)**	**—**	**(114,508)**
Balance at 30 June 2009	**2,297,963**	**205,030**	**2,502,993**

The notes on pages 30 to 64 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

	Note	Unaudited Six months ended 30 June 2009 RMB'000	2008 RMB'000
Cash flows from operating activities — net		**723,323**	574,986
Cash flows from investing activities:			
— acquisition of subsidiaries, net of cash acquired	30	**(79,080)**	—
— prepayments for acquisition of subsidiaries		**—**	(177,411)
— purchases of property, plant and equipment		**(56,594)**	(79,105)
— purchases of land use rights		**(64,839)**	(12,806)
— purchases of intangible assets		**(21,067)**	(7,790)
— proceeds on disposal of property, plant and equipment		**3,660**	7,250
— proceeds on disposal of intangible assets		**1,156**	—
— government grant received for purchase of a land use right	20	**64,697**	—
— interest received		**3,340**	5,198
— decrease in fixed deposits at banks		**—**	11,167
Cash flows from investing activities — net		**(148,727)**	(253,497)
Cash flows from financing activities:			
— dividends paid to equity holders of the Company	27	**(114,508)**	(175,407)
— proceeds from issuance of ordinary shares	13	**7,876**	5,437
— proceeds from bank borrowings	18	**321,760**	475,840
— repayment of bank borrowings		**(617,790)**	—
— purchase of shares for Restricted Share Award Scheme	13	**(219)**	(32,620)
— interest paid		**(14,410)**	(15,147)
— decrease in restricted bank deposit	12	**99,227**	—
Cash flows from financing activities — net		**(318,064)**	258,103
Net increase in cash and cash equivalents		**256,532**	579,592
Cash and cash equivalents at start of period	12	**788,040**	849,887
Exchange losses on cash and cash equivalents		**(2,975)**	(156)
Cash and cash equivalents at end of period		**1,041,597**	1,429,323

The notes on pages 30 to 64 are an integral part of this condensed consolidated interim financial information.

Notes to Condensed Consolidated Interim Financial Information

1. General Information

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

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

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

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

This condensed consolidated interim financial information has not been audited.

2. Basis of Preparation

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

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 2008, as described in those annual financial statements.

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

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

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

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

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

3. Accounting Policies (Continued)

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

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

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

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

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

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to IAS 39, "Financial instruments: Recognition and measurement" on eligible hedged items, effective for annual periods beginning on or after 1 July 2009.

- 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.

- IFRIC 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009.

- IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009.

Notes to Condensed Consolidated Interim Financial Information (Continued)

3. Accounting Policies (Continued)

IASB's annual improvements project published in April 2009:

- Amendment to IFRS 2, "Share-based payments", effective for periods beginning on or after 1 July 2009.
- Amendment to IFRS 5, "Non-current Assets held for sale and discontinued operations", effective for periods beginning on or after 1 January 2010.
- Amendment to IFRS 8, "Operating segments", effective for periods beginning on or after 1 January 2010.
- Amendment to IAS 1, "Presentation of financial statements", effective for periods beginning on or after 1 January 2010.
- Amendment to IAS 7, "Statement of cash flows", effective for periods beginning on or after 1 January 2010.
- Amendment to IAS 17, "Leases", effective for periods beginning on or after 1 January 2010.
- Amendment to IAS 36, "Impairment of assets", effective for periods beginning on or after 1 January 2010.
- Amendment to IAS 38, "Intangible assets", effective for periods beginning on or after 1 July 2009.
- Amendment to IAS 39, "Financial instruments: recognition and measurement", effective for periods beginning on or after 1 January 2010.
- Amendment to IFRIC 9, "Reassessment of embedded derivatives", effective for periods beginning on or after 1 July 2009.
- Amendment to IFRIC 16, "Hedges of a net investment in a foreign operation", effective for periods beginning on or after 1 July 2009.

The Group is in the process of assessing the impact of these amendments on the financial statements.

4. Segment Information

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

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

Revenue consists of sales from LI-NING brand, DHS brand, Lotto brand and all other brands, which are RMB3,736,874,000, RMB219,037,000, RMB15,436,000 and RMB80,508,000 for the six months ended 30 June 2009 and RMB3,002,421,000, nil, nil and RMB58,347,000 for the six months ended 30 June 2008 respectively.

Notes to Condensed Consolidated Interim Financial Information (Continued)

4. Segment Information (Continued)

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to management is measured in a manner consistent with that in the condensed consolidated interim income statement.

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

4. Segment Information (Continued)

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

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

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

Geographical information

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

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

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

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

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 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
Transfer out 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
Six months ended 30 June 2009							
Opening net book amount at 1 January 2009	**464,879**	**25,462**	**37,638**	**27,457**	**69,221**	**4,648**	**629,305**
Additions	**2,410**	**11,710**	**12,022**	**1,362**	**8,628**	**815**	**36,947**
Acquisition of subsidiaries (Note 30)	**—**	**—**	**—**	**2,180**	**534**	**—**	**2,714**
Transfer out from Construction-in-progress	**431**	**—**	**—**	**115**	**635**	**(1,181)**	**—**
Disposals	**(185)**	**(9)**	**(3,050)**	**(134)**	**(438)**	**—**	**(3,816)**
Impairment	**—**	**—**	**—**	**(415)**	**(882)**	**—**	**(1,297)**
Depreciation	**(7,788)**	**(9,645)**	**(15,092)**	**(3,198)**	**(10,667)**	**—**	**(46,390)**
Closing net book amount at 30 June 2009	**459,747**	**27,518**	**31,518**	**27,367**	**67,031**	**4,282**	**617,463**

All of the Group's buildings are located in the PRC. Buildings with net book value of RMB12,097,000 (31 December 2008: RMB15,889,000) are built on land which the Group is in the process of applying for the formal legal title (Note 6).

Depreciation expenses of RMB16,485,000 (30 June 2008: RMB15,270,000) has been charged to cost of sales, RMB15,855,000 (30 June 2008: RMB6,997,000) to distribution costs and RMB14,050,000 (30 June 2008: RMB9,440,000) to administrative expenses.

As at 30 June 2009, buildings with net book value of RMB42,410,000 (31 December 2008: RMB45,469,000) are pledged as securities for the Group's borrowings (Note 18).

Notes to Condensed Consolidated Interim Financial Information (Continued)

6. Land Use Rights

	Unaudited RMB'000
Six months ended 30 June 2008	
Opening net book amount at 1 January 2008	25,008
Addition	806
Amortisation	(289)
Closing net book amount at 30 June 2008	25,525
Six months ended 30 June 2009	
Opening net book amount at 1 January 2009	**324,764**
Addition	**69,973**
Amortisation	**(3,306)**
Closing net book amount at 30 June 2009	**391,431**

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.

The Group is in the process of applying for the formal legal title for land use rights with net book value of RMB131,112,000 as at 30 June 2009 (31 December 2008: RMB157,053,000).

Amortisation expenses of RMB3,306,000 has been charged to administrative expenses (30 June 2008: RMB289,000).

As at 30 June 2009, land use rights with net book value of RMB78,600,000 (31 December 2008: RMB79,525,000) are pledged as securities for the Group's borrowings (Note 18).

Notes to Condensed Consolidated Interim Financial Information (Continued)

7. Intangible Assets

	Unaudited					
	Goodwill	**Trademark**	**Computer Software**	**License rights**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Six months ended 30 June 2009						
Opening net book amount at 1 January 2009	**106,839**	**90,668**	**28,967**	**102,561**	**—**	**329,035**
Additions	**—**	**226**	**5,261**	**463,248**	**—**	**468,735**
Acquisition of subsidiaries (Note 30)	**72,387**	**21,537**	**37**	**—**	**41,339**	**135,300**
Disposal	**—**	**—**	**(1,156)**	**—**	**—**	**(1,156)**
Amortisation	**—**	**(3,856)**	**(4,377)**	**(28,583)**	**(901)**	**(37,717)**
Closing net book amount at 30 June 2009	**179,226**	**108,575**	**28,732**	**537,226**	**40,438**	**894,197**

Amortisation of the license rights has been charged to distribution costs, while amortisation of other intangible assets has been charged to administrative expenses.

8. Inventories

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Raw materials	**40,084**	31,824
Work in progress	**49,291**	38,391
Finished goods	**634,462**	648,651
	723,837	718,866
Less: provision for write-down to net realisable value	**(74,486)**	(68,151)
	649,351	650,715

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB1,987,945,000 for the six months ended 30 June 2009 (30 June 2008: RMB1,482,962,000).

The Group realised a loss of approximately RMB6,335,000 for the six months ended 30 June 2009 (30 June 2008: RMB16,703,000) in respect of the write-down of inventories to their net realisable value. These amounts have been included in administrative expenses in the consolidated income statement.

Notes to Condensed Consolidated Interim Financial Information (Continued)

9. 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 manufacture, marketing and distribution of AIGLE brand apparel and footwear products in the PRC.

The following financial information reflects the Group's 50% share of the consolidated assets and liabilities, and consolidated revenue and results of Li-Ning Aigle Ventures and its subsidiary as at 30 June 2009 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 2009 RMB'000	Audited 31 December 2008 RMB'000
Assets		
Non-current assets	**410**	642
Current assets	**16,942**	15,164
Total assets	**17,352**	15,806
Liabilities		
Non-current liabilities	**16,525**	13,190
Current liabilities	**3,073**	3,773
Total liabilities	**19,598**	16,963
Net liabilities	**2,246**	1,157

	Unaudited Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Revenue	**7,639**	6,552
Expenses	**(9,213)**	(10,033)
Net loss	**(1,574)**	(3,481)

As at 30 June 2009 and 31 December 2008, the Group did not have any material contingent liabilities in respect of its interest in the jointly controlled entities; nor did the jointly controlled entities have any material contingent liabilities as at 30 June 2009 and 31 December 2008.

Notes to Condensed Consolidated Interim Financial Information (Continued)

10. Trade Receivables

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

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

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

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

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

10. Trade Receivables (Continued)

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

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

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

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

11. Other Receivables and Prepayments

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Advances to suppliers	**33,582**	24,809
Prepayment for advertising expenses	—	14,840
Rental and other deposits	**44,734**	39,045
Prepaid rentals	**199,460**	206,137
Staff advances and other payments for employees	**9,990**	6,209
Prepayment for license rights	—	15,053
Prepayment for land use rights	—	5,134
Others	**10,171**	38,151
	297,937	349,378
Less: non-current portion	**(126,880)**	(166,440)
Current portion	**171,057**	182,938

Other receivables and prepayments do not contain impaired assets. Non-current portion mainly comprises prepaid rentals.

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

12. Cash, Cash Equivalents and Bank Deposits

As at 30 June 2009, the Group had the following cash, cash equivalents and bank deposits mainly held at banks in the PRC (including the Hong Kong Special Administrative Region):

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Cash at banks and in hand	**1,033,712**	778,805
Short-term bank deposits	**7,885**	9,235
Cash and cash equivalents	**1,041,597**	788,040
Restricted bank deposits	**6,448**	105,675
	1,048,045	893,715

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

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Denominated in RMB	**912,590**	814,418
Denominated in Hong Kong Dollars (HK$)	**112,932**	66,067
Denominated in United States Dollars (US$)	**13,154**	6,976
Denominated in EURO (EUR)	**6,769**	6,254
Denominated in Singapore Dollars (SGD)	**2,600**	—
	1,048,045	893,715

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 restricted bank deposits are neither past due nor impaired and are deposits with banks which are mainly prominent nation wide state-owned banks or PRC branches of international commercial banks with good credit ratings.

Restricted bank deposits are restricted for bank borrowings and other business purposes. The maximum exposure to credit risk at the reporting date is the carrying amounts of the Group's restricted bank deposits mentioned above.

Notes to Condensed Consolidated Interim Financial Information (Continued)

13. Share Capital, 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 2009 and 31 December 2008	10,000,000	1,000,000

Issued and fully paid

	Unaudited				
	Number of share of HK$ 0.10 each (Thousands)	**Share capital** RMB'000	**Share premium** RMB'000	**Shares held for Restricted Share Award Scheme** RMB'000	**Total** RMB'000
As 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)
As at 30 June 2008	1,035,373	110,168	366,786	(76,641)	400,313
As at 1 January 2009	**1,036,633**	**110,323**	**200,758**	**(84,118)**	**226,963**
Net proceeds from shares issued pursuant to share option schemes (Note a)	**2,600**	**229**	**7,647**	**—**	**7,876**
Transfer of fair value of share options exercised to share premium	**—**	**—**	**9,601**	**—**	**9,601**
Shares vested under Restricted Share Award Scheme	**6**	**—**	**—**	**484**	**484**
Shares purchased for Restricted Share Award Scheme (Note b)	**(20)**	**—**	**—**	**(219)**	**(219)**
As at 30 June 2009	**1,039,219**	**110,552**	**218,006**	**(83,853)**	**244,705**

Notes:

(a) During the six months ended 30 June 2009, the Company issued 2,600,000 shares (30 June 2008: 1,590,000 shares) of HK$0.10 each to certain directors and employees of the Group at weighted average issue price of HK$3.4096 (30 June 2008: HK$3.6251) per share pursuant to the Company's share option schemes (see Note 28).

(b) During the six months ended 30 June 2009, the Li Ning Company Limited Restricted Share Award Scheme Trust (the "Trust"), a trust established in Hong Kong, purchased 20,000 shares (30 June 2008: 1,420,000 shares) of the Company's shares from the open market. The total amount of RMB219,000 (30 June 2008: RMB32,620,000) paid to acquire the shares was financed by the Company by way of contributions made to the Trust.

Notes to Condensed Consolidated Interim Financial Information (Continued)

14. Reserves

	Unaudited						
	Capital reserves (a) RMB'000	Statutory reserve funds (b) RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Subtotal RMB'000	Retained Earnings RMB'000	Total RMB'000
As 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)
As at 30 June 2008	45,634	121,776	57,600	—	225,010	1,272,273	1,497,283
As at 1 January 2009	**45,634**	**147,111**	**64,865**	**—**	**257,610**	**1,411,840**	**1,669,450**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**472,540**	**472,540**
Value of services provided under share schemes	**—**	**—**	**35,902**	**—**	**35,902**	**—**	**35,902**
Transfer of fair value of share options exercised to share premium	**—**	**—**	**(9,601)**	**—**	**(9,601)**	**—**	**(9,601)**
Vesting of shares under Restricted Share Award Scheme	**—**	**—**	**(484)**	**—**	**(484)**	**—**	**(484)**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**(114,508)**	**(114,508)**
Difference on translation of foreign currency financial statements	**—**	**—**	**—**	**(41)**	**(41)**	**—**	**(41)**
As at 30 June 2009	**45,634**	**147,111**	**90,682**	**(41)**	**283,386**	**1,769,872**	**2,053,258**

Notes to Condensed Consolidated Interim Financial Information (Continued)

14. Reserves (Continued)

(a) Capital reserves

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

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.

15. 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 2009 RMB'000	Audited 31 December 2008 RMB'000
0–30 days	**670,284**	652,739
31–60 days	**40,855**	175,007
61–90 days	**4,219**	27,587
91–180 days	**6,466**	1,506
181–365 days	**10,761**	3,618
Over 365 days	**3,674**	3,013
	736,259	863,470

Notes to Condensed Consolidated Interim Financial Information (Continued)

16. Other Payables and Accruals

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Accrued sales and marketing expenses	**238,618**	134,392
Advances from customers	**83,388**	158,813
Wages and welfare payables	**113,756**	119,291
Other tax payables	**44,067**	14,141
Payable for property, plant and equipment	**27,967**	47,614
Payable for acquisition of subsidiaries	**49,511**	—
Others	**73,991**	67,614
	631,298	541,865

17. License Fees Payable

The Group has entered into several license agreements with companies, sports organizations 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.

Movement in license fees payable during the period is analysed as follows:

	Unaudited		
	Cost RMB'000	Discount RMB'000	Net balance RMB'000
Six months ended 30 June 2008			
As at 1 January 2008	82,907	(12,069)	70,838
Payment of license fees	(8,574)	—	(8,574)
Amortisation of discount (Note 24)	—	2,336	2,336
Adjustment for exchange difference	(4,730)	—	(4,730)
As at 30 June 2008	69,603	(9,733)	59,870
Six months ended 30 June 2009			
As at 1 January 2009	**128,490**	**(17,746)**	**110,744**
Acquisition of license rights	**1,014,041**	**(564,703)**	**449,338**
Payment of license fees	**(16,723)**	**—**	**(16,723)**
Amortisation of discount (Note 24)	**—**	**20,019**	**20,019**
Adjustment for exchange difference	**(1,346)**	**—**	**(1,346)**
As at 30 June 2009	**1,124,462**	**(562,430)**	**562,032**

Notes to Condensed Consolidated Interim Financial Information (Continued)

17. License Fees Payable (Continued)

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Analysis of license fees payable:		
Non-current		
— more than five years	**319,613**	—
— the second to fifth year	**183,420**	81,997
Current	**58,999**	28,747
	562,032	110,744

The license fees payable are mainly denominated in RMB, US$ and EUR.

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

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Less than 1 year	**62,441**	29,731
Between 1 and 5 years	**223,372**	98,759
More than 5 years	**838,650**	—
	1,124,463	128,490

18. Borrowings

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Current		
Bank borrowings denominated in		
— RMB	**223,260**	431,100
— HK$	**88,150**	176,380
	311,410	607,480
Borrowings		
— secured	**73,260**	81,100
— unsecured	**238,150**	526,380
	311,410	607,480

Notes to Condensed Consolidated Interim Financial Information (Continued)

18. Borrowings (Continued)

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 5.91% (31 December 2008: 7.31%) for bank borrowings denominated in RMB and 2.02% (31 December 2008: 2.95%) for bank borrowings denominated in HK$ as at 30 June 2009.

Interest expense on borrowings for the six months ended 30 June 2009 is RMB14,458,000 (30 June 2008: RMB12,811,000).

Bank borrowings amounting to RMB73,260,000 (31 December 2008: RMB71,260,000) were secured by the Group's buildings and land use rights as at 30 June 2009 (Notes 5 and 6).

Bank borrowings amounting to RMB9,840,000 of the Group as at 31 December 2008 were secured by guarantee given by a related company (Note 31). The guarantee has been terminated in the period ended 30 June 2009.

As at 30 June 2009, the Group had undrawn borrowing facilities within one year amounting to RMB1,199,150,000 (31 December 2008: RMB420,890,000). These facilities have been arranged to help financing the Group's working capital.

Movement in borrowings is analysed as follows:

	Unaudited RMB'000
Six months ended 30 June 2008	
As at 1 January 2008	100,000
Additions	475,840
As at 30 June 2008	575,840
Six months ended 30 June 2009	
As at 1 January 2009	**607,480**
Additions	**321,760**
Repayments	**(617,830)**
As at 30 June 2009	**311,410**

Notes to Condensed Consolidated Interim Financial Information (Continued)

19. Deferred Income Tax

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

	Unaudited					
	Provisions RMB'000	Share Schemes RMB'000	Unrealised profit on intra-group sales RMB'000	Fair value gains RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets						
Six months ended 30 June 2008						
As 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
As at 30 June 2008	14,285	10,502	14,000	—	1,901	40,688
Six months ended 30 June 2009						
As at 1 January 2009	**14,684**	**11,660**	**41,688**	**—**	**1,409**	**69,441**
Credited/(charged) to income statement	**1,620**	**3,779**	**(3,544)**	**—**	**1,607**	**3,462**
Acquisition of subsidiaries (Note 30)	**—**	**—**	**—**	**—**	**103**	**103**
As at 30 June 2009	**16,304**	**15,439**	**38,144**	**—**	**3,119**	**73,006**
Deferred income tax liabilities						
Six months ended 30 June 2008						
As at 1 January 2008	—	—	—	—	(1,217)	(1,217)
Credited to income statement	—	—	—	—	155	155
As at 30 June 2008	—	—	—	—	(1,062)	(1,062)
Six months ended 30 June 2009						
As at 1 January 2009	**—**	**—**	**—**	**(77,490)**	**(1,651)**	**(79,141)**
Credited to income statement	**—**	**—**	**—**	**3,043**	**1,476**	**4,519**
Acquisition of subsidiaries (Note 30)	**—**	**—**	**—**	**(20,138)**	**—**	**(20,138)**
As at 30 June 2009	**—**	**—**	**—**	**(94,585)**	**(175)**	**(94,760)**

Notes to Condensed Consolidated Interim Financial Information (Continued)

19. Deferred Income Tax (Continued)

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

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Deferred income tax assets		
— to be recovered within 12 months	**57,315**	58,319
— to be recovered after more than 12 months	**15,691**	11,122
	73,006	69,441
Deferred income tax liabilities		
— to be recovered within 12 months	**(8,691)**	(3,833)
— to be recovered after more than 12 months	**(86,069)**	(75,308)
	(94,760)	(79,141)

20. Deferred Revenue

During the six months ended 30 June 2009, the Group received government grant amounting to RMB64,697,000 (31 December 2008: Nil) for purchase of a land use right. Such government grant would be credited to income statement over the lease period of the corresponding land use right of 50 years using straight-line method. An amount of RMB108,000 (30 June 2008: Nil) has been credited to the income statement during the six months ended 30 June 2009.

21. Expenses by Nature

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

22. Other Income

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

Note:

(a) This represented subsidies from various local governments in the PRC and the amortisation of the deferred revenue in Note 20 during the six months ended 30 June 2009.

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

25. Income Taxes

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

Notes:

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

(b) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2009 (30 June 2008: 16.5%).

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

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	
	2009	2008
	RMB'000	RMB'000
Profit before income tax	**650,256**	447,181
Tax calculated at a tax rate of 25% (30 June 2008: 25%)	**162,564**	111,795
Effects of different tax rate in Hong Kong	**(1,034)**	(329)
Preferential tax rate on the income of certain subsidiaries	**(1,143)**	—
Tax losses for which no deferred taxation is recognised	**15,330**	6,525
Expenses not deductible for tax purposes	**4,523**	8,843
Tax credit granted to subsidiaries	**(12,658)**	(5,528)
Income not subject to tax	**(2,361)**	(7,857)
Taxation charge	**165,221**	113,449

Notes to Condensed Consolidated Interim Financial Information (Continued)

25. Income Taxes (Continued)

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 the year ended 31 December 2009 is 25.4% (30 June 2008: 25.4%).

Pursuant to the Corporate Income Tax Law (the "CIT Law") and its implementation rules, effective from 1 January 2008, certain non-resident enterprises (for instance, those without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC) are subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources within the PRC. In addition, according to the notice Caishui [2008] No. 1 released by Ministry of Finance and the State Administration of Taxation, distributions of the retained profits prior to 1 January 2008 of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from corporate income tax. Management have no intention to distribute the profits of the Company's subsidiaries in the PRC generated in 2008 and the first half year of 2009 to subsidiaries out of the PRC in the foreseeable future. Therefore, no corresponding deferred income tax is recognised.

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

26. Earnings Per Share (Continued)

Diluted

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

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

27. Dividends

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

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

Notes to Condensed Consolidated Interim Financial Information (Continued)

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			
	2009		2008	
	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**	**6,936**	0.68	9,744
Exercised	**0.56**	**(3,179)**	0.59	(1,990)
As at 30 June	**0.78**	**3,757**	0.70	7,754
Exercisable as at 30 June	**0.61**	**2,357**	0.53	4,984

Notes to Condensed Consolidated Interim Financial Information (Continued)

28. Share-Based Compensation (Continued)

(a) Share purchase scheme (Continued)

Share options outstanding as at the 30 June 2009 and 31 December 2008 have the following expiry date and weighted average exercise price:

	Unaudited 30 June 2009		Audited 31 December 2008	
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	**0.68**	**1,592**	0.55	4,114
11 November 2011	**0.86**	**75**	0.86	175
5 July 2012	**0.86**	**1,655**	0.86	2,015
30 August 2012	**0.86**	**67**	0.86	67
1 January 2013	**0.86**	**100**	0.86	280
2 July 2013	**0.86**	**19**	0.86	19
16 November 2013	**0.86**	**116**	0.86	116
27 November 2013	**0.86**	**133**	0.86	150
		3,757		6,936

(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).

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

	Unaudited			
	2009		2008	
	Exercise price (per share) HK$	Outstanding options (Thousands)	Exercise price (per share) HK$	Outstanding options (Thousands)
As at 1 January	**1.8275**	**3,816**	1.8275	4,656
Exercised	**1.8275**	**(872)**	1.8275	(520)
Lapsed	**1.8275**	**—**	1.8275	(32)
As at 30 June	**1.8275**	**2,944**	1.8275	4,104
Exercisable as at 30 June	**1.8275**	**2,944**	1.8275	4,104

Notes to Condensed Consolidated Interim Financial Information (Continued)

28. Share-Based Compensation (Continued)

(b) Pre-IPO share option scheme (Continued)

Share options outstanding as at 30 June 2009 and 31 December 2008 have the following expiry date and exercise price:

	Unaudited 30 June 2009		Audited 31 December 2008	
Expiry date	**Exercise price (per share) HK$**	**Share options (Thousands)**	Exercise price (per share) HK$	Share options (Thousands)
5 June 2010	**1.8275**	**2,944**	1.8275	3,816

(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 Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group. Eligible participants are any individuals being employees, 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.

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 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.

Notes to Condensed Consolidated Interim Financial Information (Continued)

28. Share-Based Compensation (Continued)

(c) Share option scheme (Continued)

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			
	2009		2008	
	Weighted average exercise price (per share) HK$	**Outstanding options (thousands)**	Weighted average exercise price (per share) HK$	Outstanding options (thousands)
As at 1 January	**8.649**	**13,134**	5.634	12,285
Granted	**11.454**	**14,801**	—	—
Exercised	**4.208**	**(1,728)**	4.499	(1,070)
Lapsed	**16.382**	**(43)**	5.717	(60)
As at 30 June	**10.517**	**26,164**	5.749	11,155
Exercisable as at 30 June	**10.548**	**21,389**	4.407	4,487

Share options outstanding as at 30 June 2009 and 31 December 2008 have the following expiry date and exercise price:

	Unaudited 30 June 2009		Audited 31 December 2008	
Expiry date	**Exercise price (per share) HK$**	**Share options (Thousands)**	Exercise price (per share) HK$	Share options (Thousands)
4 July 2011	**3.685**	**5,352**	3.685	6,823
3 January 2012	**5.500**	**14**	5.500	140
4 September 2012	**8.830**	**1,800**	8.830	1,936
20 November 2012	**9.840**	**300**	9.840	300
19 July 2013	**19.680**	**350**	19.680	350
4 July 2014	**17.220**	**3,390**	17.220	3,428
4 December 2014	**10.940**	**157**	10.940	157
19 January 2015	**11.370**	**14,112**	—	—
1 April 2015	**13.180**	**689**	—	—
		26,164		13,134

Notes to Condensed Consolidated Interim Financial Information (Continued)

28. Share-Based Compensation (Continued)

(d) Fair value of share options

The fair values of the options granted under the above schemes (measured at the dates of grant) during the six months ended 30 June 2009 and 2008 determined by using Black-Scholes valuation model were as follows:

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Post-IPO Options	**56,682**	—

Significant inputs and assumptions used to estimate the fair values of the options were as follows:

	Unaudited Six months ended 30 June	
	2009	2008
Post-IPO Option		
Weighted average share price (HK$)	**11.41**	NA
Weighted average exercise price (HK$)	**11.45**	NA
Expected volatility	**53.7%**	NA
Expected option life (years)	**4.50**	NA
Weighted average annual risk free interest rate	**1.11%**	NA
Expected dividend yield	**2.0%**	NA

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

The fair values of Alpha Talent Option and Post-IPO Option are charged to the consolidated income statement over the vesting period of the options. The amount charged during the six months ended 30 June 2009 were RMB1,828,000 and RMB16,925,000 respectively (30 June 2008: RMB4,964,000 and RMB2,407,000).

(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, 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 the 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.

Notes to Condensed Consolidated Interim Financial Information (Continued)

28. Share-Based Compensation (Continued)

(e) Restricted share award scheme (Continued)

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.

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			
	2009		2008	
	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	**17.91**	**4,186**	20.14	2,734
Granted	—	—	23.90	8
Vested	**8.51**	**(6)**	14.11	(5)
Lapsed	**16.73**	**(52)**	14.66	(103)
As at 30 June	**18.26**	**4,128**	20.31	2,634

The fair value of Restricted Shares charged to the income statement was RMB17,149,000 during the six months ended 30 June 2009 (30 June 2008: RMB14,482,000).

29. Commitments

(a) Capital commitments

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

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Contracted for but not paid		
— property, plant and equipment	**—**	12,055
— license rights	**—**	404,272
	—	416,327

There is no capital expenditure authorised but not contracted for by the Group as at 30 June 2009 and 31 December 2008.

(b) Operating lease commitments — where any 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 2009 RMB'000	Audited 31 December 2008 RMB'000
Not later than 1 year	**172,179**	150,871
Later than 1 year and not later than 5 years	**478,423**	449,749
Later than 5 years	**211,981**	223,877
	862,583	824,497

30. Business Combination

On 15 May 2009, the Group acquired control pursuant to an acquisition of a 100% equity interest of Kason, a company incorporated in Hong Kong, for a total consideration of RMB165,000,000. Kason, together with its subsidiary in the PRC are principally engaged in the research and development, manufacture and sale of badminton sports equipment under the "Kason" brand in the PRC. The direct costs relating to the acquisition has been included in the total consideration as the amount is insignificant. There is no contingent consideration.

The acquired business contributed revenues of RMB9,999,000 and net loss of RMB1,871,000 to the Group for the period from acquisition of control to 30 June 2009. If the acquisition of control had occurred on 1 January 2009, consolidated revenue and consolidated net profit for the six months ended 30 June 2009 would have been increased by RMB18,997,000 and decreased by RMB4,618,000, respectively. The decrease in consolidated net profit has taken into account the additional amortisation resulting from the fair value adjustment to inventories and intangible assets, together with the consequential tax effects amounting to RMB15,930,000.

Details of net assets acquired and goodwill are as follows:

	Unaudited RMB'000
Total purchase consideration	
— cash paid and payable	165,000
Fair value of net identifiable assets acquired (see below)	(92,613)
Goodwill	72,387

The above goodwill is attributable to Kason's strong position and profitability in the market and the significant synergies expected to arise after its acquisition by the Group. Management is in the process of identifying the relevant cash-generating units or groups of cash-generating units on a segment level and the goodwill is recorded in the all other brands segment for the time being.

Notes to Condensed Consolidated Interim Financial Information (Continued)

30. Business Combination (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Unaudited Acquiree's carrying amount RMB'000	Fair value RMB'000
Cash and cash equivalents	16,409	16,409
Property, plant and equipment	2,714	2,714
Software and other intangible assets	37	37
Trademarks	453	21,537
Customer relationships	—	28,607
Non-compete agreement	—	12,732
Inventories	20,324	38,451
Other receivables and prepayments	536	536
Deferred income tax assets	103	103
Trade and other payables	(8,375)	(8,375)
Deferred income tax liabilities	—	(20,138)
Net identifiable assets acquired		92,613
Outflow of cash to acquire business, net of cash acquired:		
— total purchase consideration		165,000
— cash and cash equivalents in subsidiary acquired		(16,409)
— prepayment settled in 2008		(20,000)
— consideration payable (Note 16)		(49,511)
Cash outflow on acquisition in this period		79,080

31. Related-Party Transactions

Related party is a party that is related to the Group if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group (including the Company or its wholly or non-wholly owned subsidiaries); or the party has an interest in the Group that gives it significant influence over the Group; or the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual who is a member of the key management personnel of the Group.

The Group has the following related-party transactions during the period:

(a) Sales of goods to:

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Shanghai Double Happiness (Group) Co., Ltd. and related companies, all being controlled by a key management personnel of a non-wholly owned subsidiary	**3,902**	—

(b) Purchases of goods from:

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Shanghai Double Happiness (Group) Co., Ltd. and related companies	**31,949**	—

(c) Sponsorship fee paid to:

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Beijing Edo Sports Development Company Limited, a company controlled by the family members of Mr. Li Ning, chairman of the Company	**—**	731

In the opinion of the directors, these transactions were entered into at terms as agreed with the related parties in the ordinary course of business.

Notes to Condensed Consolidated Interim Financial Information (Continued)

31. Related-Party Transactions (Continued)

(d) Key management compensation

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

	Unaudited Six months ended 30 June 2009 RMB'000	2008 RMB'000
Salaries and other benefits	**9,337**	10,683
Contribution to retirement benefit scheme	**179**	213
Employee share schemes for value of services provided	**10,436**	9,014
	19,952	19,910

(e) Period-end/Year-end balances arising from sales/purchases of goods

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
Receivables from related parties:		
— Shanghai Double Happiness (Group) Co., Ltd. and related companies	**819**	822
Payables to related parties:		
— Shanghai Double Happiness (Group) Co., Ltd. and related companies	**7,426**	9,827

(f) Guarantee provided to:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
— Shanghai SIIC Marie Painting Materials Co., Ltd., a company controlled by a key management personnel of a non-wholly owned subsidiary	**—**	5,400

(g) Guarantee provided by:

	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
— Shanghai SIIC Marie Painting Materials Co., Ltd.	**—**	9,840

Other Information

Interim Dividend

The Board has resolved to declare an interim dividend of RMB13.58 cents per Share for the six months ended 30 June 2009 (2008: RMB9.63 cents), representing an increase of 41.0% over the corresponding period last year. The dividend will be paid in Hong Kong Dollars based on the rate of HK$1.00 = RMB0.8814, being the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China as at the date of this report. The dividend will be payable on or around 25 September 2009 to the Shareholders whose names appear on the register of members of the Company on 18 September 2009.

Closure of Register of Members

For the purpose of determination of entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 17 September 2009 to Friday, 18 September 2009 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 16 September 2009.

Long-term Incentive Schemes

Share Purchase Scheme

Details of the Share Purchase Scheme and movements of the options granted under the Share Purchase Scheme for the six months ended 30 June 2009 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. Details of movements of the options granted under the Pre-IPO Share Option Scheme for the six months ended 30 June 2009 are as follows:

			Number of Shares issuable under the options					
	Date of grant	Exercise price per Share HK$	as at 01/01/2009	exercised during the period	lapsed during the period	cancelled during the period	as at 30/06/2009	Exercise period (Note 2)
Executive Director								
Zhang Zhi Yong	05/06/2004	1.8275	1,160,000	—	—	—	1,160,000	28/06/2005 – 05/06/2010
Employees of the Group								
In aggregate	05/06/2004	1.8275	2,655,667	(872,000) (Note 1)	—	—	1,783,667	28/06/2005 – 05/06/2010
			3,815,667	(872,000)	—	—	2,943,667	

Notes:

1. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$15.94.

2. 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 Option Scheme are set out in note 28 to the condensed consolidated interim financial information. Details of movements of the options granted under the Post-IPO Share Scheme for the six months ended 30 June 2009 are as follows:

			Number of Shares issuable under the options						
	Date of grant	Exercise price per Share HK$	as at 01/01/2009	granted during the period	exercised during the period	lapsed during the period	cancelled during the period	as at 30/06/2009	Exercise period (Note 6)
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	208,000	—	—	—	—	208,000	04/09/2007 – 04/09/2012
	04/07/2008	17.22	121,600	—	—	—	—	121,600	04/07/2009 – 04/07/2014
	19/01/2009	11.37	—	4,519,400 (Note 1)	—	—	—	4,519,400	19/01/2010 – 19/01/2015
Chong Yik Kay	01/04/2009	13.18	—	688,500 (Note 2)	—	—	—	688,500	01/04/2010 – 01/04/2015
Non-executive Directors									
Lim Meng Ann	04/07/2008	17.22	51,400	—	—	—	—	51,400	04/07/2009 – 04/07/2014
	19/01/2009	11.37	—	263,400 (Note 1)	—	—	—	263,400	19/01/2010 – 19/01/2015
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
	04/07/2008	17.22	51,400	—	—	—	—	51,400	04/07/2009 – 04/07/2014
	19/01/2009	11.37	—	263,400 (Note 1)	—	—	—	263,400	19/01/2010 – 19/01/2015
Chu Wah Hui	04/07/2008	17.22	51,400	—	—	—	—	51,400	04/07/2009 – 04/07/2014
	19/01/2009	11.37	—	263,400 (Note 1)	—	—	—	263,400	19/01/2010 – 19/01/2015
James Chun-Hsien Wei	04/07/2008	17.22	51,400	—	—	—	—	51,400	04/07/2009 – 04/07/2014
	19/01/2009	11.37	—	263,400 (Note 1)	—	—	—	263,400	19/01/2010 – 19/01/2015

	Date of grant	Exercise price per Share HK$	Number of Shares issuable under the options: as at 01/01/2009	granted during the period	exercised during the period	lapsed during the period	cancelled during the period	as at 30/06/2009	Exercise period (Note 6)
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
	04/07/2008	17.22	51,400	—	—	—	—	51,400	04/07/2009 – 04/07/2014
	19/01/2009	11.37	—	263,400 (Note 1)	—	—	—	263,400	19/01/2010 – 19/01/2015
Wang Ya Fei	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
	04/07/2008	17.22	51,400	—	—	—	—	51,400	04/07/2009 – 04/07/2014
	19/01/2009	11.37	—	263,400 (Note 1)	—	—	—	263,400	19/01/2010 – 19/01/2015
Chan Chung Bun, Bunny	04/09/2006	8.83	90,000	—	—	—	—	90,000	04/09/2007 – 04/09/2012
	04/07/2008	17.22	51,400	—	—	—	—	51,400	04/07/2009 – 04/07/2014
	19/01/2009	11.37	—	263,400 (Note 1)	—	—	—	263,400	19/01/2010 – 19/01/2015
Employees of the Group									
In aggregate	04/07/2005	3.685	5,600,537	—	(1,470,335) (Note 3)	(334)	—	4,129,868	04/07/2006 – 04/07/2011
In aggregate	03/01/2006	5.50	140,000	—	(126,500) (Note 4)	—	—	13,500	03/01/2007 – 03/01/2012
In aggregate	04/09/2006	8.83	1,398,496	—	(131,167) (Note 5)	(4,835)	—	1,262,494	04/09/2007 – 04/09/2012
In aggregate	04/07/2008	17.22	2,646,700	—	—	(38,500)	—	2,608,200	04/07/2009 – 04/07/2014
In aggregate	05/12/2008	10.94	156,700	—	—	—	—	156,700	05/12/2009 – 05/12/2014
In aggregate	19/01/2009	11.37	—	7,749,000 (Note 1)	—	—	—	7,749,000	19/01/2010 – 19/01/2015

	Date of grant	Exercise price per Share HK$	as at 01/01/2009	Number of Shares issuable under the options granted during the period	exercised during the period	lapsed during the period	cancelled during the period	as at 30/06/2009	Exercise period (Note 6)
Other participants									
In aggregate	20/11/2006	9.84	300,000	—	—	—	—	300,000	(Note 7)
In aggregate	19/07/2007	19.68	350,000	—	—	—	—	350,000	19/07/2008 – 19/07/2013
In aggregate	04/07/2008	17.22	300,000	—	—	—	—	300,000	04/07/2009 – 04/07/2014
			13,133,833	14,800,700	(1,728,002)	(43,669)	—	26,162,862	

Notes:

1. The closing price per Share immediately before the date of grant is HK$11.56.

2. The closing price per Share immediately before the date of grant is HK$12.80.

3. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$16.30.

4. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$18.10.

5. The weighted average closing price per Share immediately before the dates of exercise of the options is HK$16.61.

6. Unless otherwise stated in note 7, options granted in years 2005, 2006 and 2008 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 date until the third. Options granted in year 2009 are subject to a vesting scale in tranches of one-fifth each on every anniversary date of the date of grant starting from the first anniversary date until the fifth.

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

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

Details of valuation of the share options granted during the six months ended 30 June 2009 under the Post-IPO Share Option Scheme are set out in note 28 to the condensed consolidated interim financial information. The fair values are inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

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 2009, no restricted shares were granted to eligible participants pursuant to the Restricted Share Award Scheme. 5,999 restricted shares were vested and 52,103 restricted shares lapsed during the period. As at 30 June 2009, the number of restricted shares granted under the scheme, except for those lapsed, amounted to 5,321,516 Shares, representing approximately 0.52% of the issued share capital of the Company as at the adoption date of the scheme. Details of movements of the restricted shares granted under the Restricted Share Award Scheme for the six months ended 30 June 2009 are as follows:

		Number of restricted shares					
Date of grant	**Fair value per restricted share** (Note) HK$	**as at 01/01/2009**	**granted during the period**	**vested during the period**	**lapsed during the period**	**as at 30/06/2009**	**Vesting period**
22/09/2006	9.01	210,496	—	—	(2,168)	208,328	22/09/2007 – 22/09/2009
08/05/2007	15.32	6,667	—	(3,333)	—	3,334	08/05/2008 – 08/05/2010
02/07/2007	18.96	687,719	—	—	(8,135)	679,584	02/07/2008 – 02/07/2010
16/07/2007	19.90	12,000	—	—	—	12,000	16/07/2008 – 16/07/2010
29/08/2007	20.85	44,000	—	—	—	44,000	29/08/2008 – 29/08/2010
07/12/2007	26.75	666,667	—	—	—	666,667	07/12/2008 – 07/12/2010
06/03/2008	23.90	8,000	—	(2,666)	—	5,334	06/03/2009 – 06/03/2011
04/07/2008	16.70	2,530,300	—	—	(41,800)	2,488,500	04/07/2009 – 04/07/2011
16/12/2008	11.30	20,000	—	—	—	20,000	16/12/2009 – 16/12/2011
		4,185,849	—	(5,999)	(52,103)	4,127,747	

Note:
The fair value of the restricted shares is 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 2009, 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 ("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 Appendix 10 to the Listing Rules, are as follows:

Name of Director	Number of Shares/ underlying Shares held	Note	Capacity	% of issued Shares*
Li Ning	328,939,250 (Long position)	1	Interests of controlled corporations	31.522
	3,757,400 (Short position)	1(c)	Interests of controlled corporation	0.360
Zhang Zhi Yong	13,066,400 (Long position)	2	Personal, interest of controlled corporation	1.252
Chong Yik Kay	688,500 (Long position)	3	Personal	0.066
Lim Meng Ann	417,100 (Long position)	4	Personal	0.040
Stuart Schonberger	721,100 (Long position)	5	Personal	0.069
Chu Wah Hui	388,100 (Long position)	6	Personal, family	0.037
James Chun-Hsien Wei	349,100 (Long position)	7	Personal	0.033
Koo Fook Sun, Louis	605,100 (Long position)	8	Personal	0.058
Wang Ya Fei	605,100 (Long position)	9	Personal	0.058
Chan Chung Bun, Bunny	441,100 (Long position)	10	Personal	0.042

* The percentage has been calculated based on 1,043,521,135 Shares in issue as at 30 June 2009.

Notes:

1. Mr. Li Ning is deemed to be interested in an aggregate of 328,939,250 Shares held by Victory Mind Assets Limited ("Victory Mind"), Dragon City Management (PTC) 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 is therefore deemed to be interested in the 173,374,000 Shares held by Victory Mind. Mr. Li Ning is a beneficiary of the Jun Tai Trust and a director of each of Victory Mind and Ace Leader;

   (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 2008 Trust and as to 40% by Cititrust (Cayman) Limited as trustee of the Gingko 2008 Trust. Both of the Palm 2008 Trust and the Gingko 2008 Trust are revocable family 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 60% shareholder of Dragon City and is therefore deemed to be interested in the 150,000,000 Shares held by Dragon City. Mr. Li Ning is also a director of Dragon City; and

(c) 5,565,250 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 therefore deemed to be interested in the 5,565,250 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 3,757,400 Shares, among the total of 5,565,250 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 2009, 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 and options to purchase 29,684,750 Shares have been exercised. The total number of outstanding options as at 30 June 2009 is 3,757,400 Shares.

2. Mr. Zhang Zhi Yong is interested in 4,903,399 Shares, among which 1,653,399 Shares are held as personal interest and 3,250,000 Shares are held by Smart Step Management Limited ("Smart Step") which is 100% owned by Mr. Zhang. Mr. Zhang is therefore deemed to be interested in the 3,250,000 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 672,000 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, 208,000 Shares at an exercise price of HK$8.83 per Share, 121,600 Shares at an exercise price of HK$17.22 per Share and 4,519,400 Shares at an exercise price of HK$11.37 per Share under the Post-IPO Share Option Scheme. Mr. Zhang is also taken to be interested as a grantee of 752,001 restricted shares granted under the Restricted Share Award Scheme.

3. Mr. Chong Yik Kay is taken to be interested as a grantee of options to subscribe for 688,500 Shares at an exercise price of HK$13.18 per Share under the Post-IPO Share Option Scheme.

4. Mr. Lim Meng Ann is interested in 28,000 Shares and is taken to be interested as a grantee of options to subscribe for 51,400 Shares at an exercise price of HK$17.22 per Share and 263,400 Shares at an exercise price of HK$11.37 per Share under the Post-IPO Share Option Scheme. Mr. Lim is also taken to be interested as a grantee of 74,300 restricted shares granted under the Restricted Share Award Scheme.

5. Mr. Stuart Schonberger is interested in 40,000 Shares and 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, 90,000 Shares at an exercise price of HK$8.83 per Share, 51,400 Shares at an exercise price of HK$17.22 per Share and 263,400 Shares at an exercise price of HK$11.37 per Share under the Post-IPO Share Option Scheme. Mr. Schonberger is also taken to be interested as a grantee of 30,300 restricted shares granted under the Restricted Share Award Scheme.

6. Mr. Chu Wah Hui is interested in 55,000 Shares, among which 20,000 Shares are held as personal interest and 35,000 Shares are held as family interest. Mr. Chu is also taken to be interested as a grantee of options to subscribe for 51,400 Shares at an exercise price of HK$17.22 per Share and 263,400 Shares at an exercise price of HK$11.37 per Share under the Post-IPO Share Option Scheme. Mr. Chu is also taken to be interested as a grantee of 18,300 restricted shares granted under the Restricted Share Award Scheme.

7. Mr. James Chun-Hsien Wei is interested in 16,000 Shares and is taken to be interested as a grantee of options to subscribe for 51,400 Shares at an exercise price of HK$17.22 per Share and 263,400 Shares at an exercise price of HK$11.37 per Share under the Post-IPO Share Option Scheme. Mr. Wei is also taken to be interested as a grantee of 18,300 restricted shares granted under the Restricted Share Award Scheme.

8. Mr. Koo Fook Sun, Louis is interested in 118,000 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, 60,000 Shares at an exercise price of HK$8.83 per Share, 51,400 Shares at an exercise price of HK$17.22 per Share and 263,400 Shares at an exercise price of HK$11.37 per Share under the Post-IPO Share Option Scheme. Mr. Koo is also taken to be interested as a grantee of 30,300 restricted shares granted under the Restricted Share Award Scheme.

9. Ms. Wang Ya Fei is interested in 6,000 Shares and 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, 90,000 Shares at an exercise price of HK$8.83 per Share, 51,400 Shares at an exercise price of HK$17.22 per Share and 263,400 Shares at an exercise price of HK$11.37 per Share under the Post-IPO Share Option Scheme. Ms. Wang is also taken to be interested as a grantee of 30,300 restricted shares granted under the Restricted Share Award Scheme.

10. Mr. Chan Chung Bun, Bunny is interested in 6,000 Shares and 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, 51,400 Shares at an exercise price of HK$17.22 per Share and 263,400 Shares at an exercise price of HK$11.37 per Share under the Post-IPO Share Option Scheme. Mr. Chan is also taken to be interested as a grantee of 30,300 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 2009, 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 2009, 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 Shares*
Li Ning	328,939,250 (Long position)	1	Interest of controlled corporations	31.522
	3,757,400 (Short position)	2	Interest of controlled corporation	0.360
Li Chun	323,374,000 (Long position)	3	Interest of controlled corporations	30.989
Victory Mind Assets Limited	173,374,000 (Long position)	4	Beneficial owner	16.614
Ace Leader Holdings Limited	173,374,000 (Long position)	5	Interest of controlled corporation	16.614
Jumbo Top Group Limited	173,374,000 (Long position)	6	Interest of controlled corporation	16.614
Equity Trust Company (Cayman) Ltd.	173,374,000 (Long position)	7	Trustee	16.614
Dragon City Management (PTC) Limited	150,000,000 (Long position)	8	Trustee	14.374
Cititrust (Cayman) Limited	150,000,000 (Long position)	9	Trustee	14.374
JPMorgan Chase & Co.	103,907,421 (Long position)	10	Beneficial owner, investment manager, custodian corporation/ approved lending agent	9.957
	34,205,921 (Lending pool)		Custodian corporation/approved lending agent	3.278
FIL Limited	74,240,500 (Long position)		Investment manager	7.114
Tetrad Ventures Pte. Ltd.	66,853,000 (Long position)	11	Beneficial owner	6.406
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	66,853,000 (Long position)	11	Interest of controlled corporation	6.406
GIC Special Investments Pte. Ltd.	66,853,000 (Long position)	11	Interest of controlled corporation	6.406
Government of Singapore Investment Corporation Pte. Ltd.	73,206,502 (Long position)	11 & 12	Investment manager, interest of controlled corporation	7.015
Minister of Finance (Incorporated)	73,206,502 (Long position)	11 & 12	Interest of controlled corporation	7.015
Mirae Asset Global Investments (Hong Kong) Limited	55,333,000 (Long position)		Investment manager	5.303

* The percentage has been calculated based on 1,043,521,135 Shares in issue as at 30 June 2009.

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 is therefore taken to be interested in the 173,374,000 Shares held by Victory Mind. Mr. Li Chun is a beneficiary of the Yuan Chang Trust and is also a director of each of Victory Mind and Jumbo Top; 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 2008 Trust and as to 40% by Cititrust (Cayman) Limited as trustee of the Gingko 2008 Trust. Both of the Palm 2008 Trust and the Gingko 2008 Trust are revocable family 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 40% shareholder of Dragon City and is therefore taken to be interested in the 150,000,000 Shares held by Dragon City. Mr. Li Chun is also a director of 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. Amongst the total of 103,907,421 Shares held by JPMorgan Chase & Co., 696,500 Shares were held as beneficial owner, 69,005,000 Shares were held as investment manager and 34,205,921 Shares were held as custodian corporation/approved lending agent.

11. 66,853,000 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 Investment 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).

12. Amongst the total of 73,206,502 Shares, Government of Singapore Investment Corporation Pte. Ltd. is interested in 6,353,502 Shares as investment manager and is deemed to be interested in the 66,853,000 Shares held by Tetrad Ventures Pte. Ltd.. Minister of Finance (Incorporated) as the 100% owner of Governement of Singapore Investment Corporation Pte. Ltd. is deemed to be interested in the 73,206,502 Shares.

Save as disclosed above, as at 30 June 2009, 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.

Changes in Directors' Information

The changes in information on Directors since the date of the Annual Report 2008, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

Upon review and recommendation of the Remuneration Committee, the Board has approved the adjustment of remuneration of the following Directors under their respective service contracts with the Group with effect from 1 January 2009:

1. The aggregate basic annual salary and fees payable to Mr. Li Ning, an executive Director and the Chairman of the Group, for the year ending 31 December 2009 has been increased to approximately RMB3,739,000. Mr. Li is also entitled to discretionary bonuses and other benefits and allowances determined by the Board; and

2. The aggregate basic annual salary and fees payable to Mr. Zhang Zhi Yong, an executive Director and the Chief Executive Officer of the Group, for the year ending 31 December 2009 has been increased to approximately RMB6,620,000. Mr. Zhang is also entitled to discretionary bonuses, participation in the Company's long-term incentive schemes and other benefits and allowances determined by the Board.

Mr. James Chun-Hsien Wei, a non-executive Director, has resigned as the senior vice president of Avon Products, Inc., Asia Pacific with effect from 1 May 2009. Mr. Wei has been appointed an executive board member of Beiersdorf Aktiengesellschaft, a global skin and beauty care company listed on the German Stock Exchange, with effect from 1 June 2009.

Mr. Chan Chung Bun, Bunny, an independent non-executive Director, has been appointed as the chairman of the Commission on Youth of Hong Kong for a term of two years commencing from 1 April 2009.

Purchase, Sale or Redemption of the Company's Shares

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

Corporate Governance

Throughout the period under review, the Company has complied with all the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. Details of the Company's corporate governance practices can be found in the Corporate Governance Report set out in the Annual Report 2008.

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules regarding securities transactions by its 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 2009.

The Audit Committee of the Company, consisting of three non-executive Directors (two of whom are independent non-executive Directors), has reviewed the accounting principles and practices adopted by the Group and has also reviewed auditing, internal control and financial reporting matters, including the review of the interim results for the six months ended 30 June 2009.

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

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

Hong Kong, 26 August 2009

Information for Investors

Share Information

Share listing: 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 2009: 1,043,521,135 Shares
Market capitalization as at 30 June 2009: approximately HK$23,844,458,000

Interim Dividend for 2009

RMB13.58 cents per Share

Financial Calendar

Announcement of 2009 interim results:	26 August 2009
Closure of register of members for interim dividend:	17 September 2009 – 18 September 2009
Record date for interim dividend:	18 September 2009
Payment date of interim dividend:	on or about 25 September 2009
Announcement of 2009 final results:	March 2010

Corporate Websites

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

IR Contact

Investor Relations Department
Li Ning Company Limited
3/F, Double Happiness Mansion,
258 Zhizaoju Road,
Shanghai, PRC
Postal Code: 200023
Telephone: +8621 2326 7366
Fax: +8621 2326 7492
E-mail: investor@li-ning.com.cn

Glossary

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

"AIGLE"	Aigle International S.A., a corporation organized under the laws of France
"Alpha Talent"	Alpha Talent Management Limited, a limited liability company incorporated in the British Virgin Islands and wholly owned by Mr. Li Ning for the purpose of holding the relevant Shares under the Share Purchase Scheme
"Annual Report 2008"	the Company's annual report for the year ended 31 December 2008
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"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
"Kason Sports"	Kason Sports (Hong Kong) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Lotto Sport"	Lotto Sport H.K. Limited, a company incorporated in Hong Kong and ultimately beneficially owned by Lotto Sport Italia S.p.A., which is a corporation established under the laws of Italy
"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
"Shanghai Double Happiness"	Shanghai Double Happiness Co., Ltd., a limited liability company established in the PRC and a 57.5%-owned subsidiary of the Company
"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