Li Ning Company Limited
（李寧有限公司）

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

2007 ANNUAL RESULTS HIGHLIGHTS

- Revenue rose by 36.7% to RMB4,348.7 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 55.5% to RMB681.8 million
- Profit attributable to equity holders grew by 60.6% to RMB473.6 million
- Margin of profit attributable to equity holders increased by 1.6 percentage points to 10.9%
- Basic earnings per share increased by 60.0% to RMB45.83 cents
- Proposed a final dividend of RMB7.96 cents and a special dividend of RMB9.13 cents per ordinary share
- Number of retail stores reached 5,676, a net increase of 1,343 stores (of which 5,233 were LI-NING brand stores, a net increase of 936 stores)

ANNUAL RESULTS

The board of directors (the "Board") of Li Ning Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007, together with the comparative figures for 2006, as follows:

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

(All amounts in RMB thousands unless otherwise stated)

	Note	**2007**	2006
ASSETS			
Non-current assets			
Property, plant and equipment		**340,036**	156,887
Land use rights		**25,008**	25,583
Intangible assets		**87,834**	81,551
Prepayments for acquisition of subsidiaries	*4*	**66,588**	—
Deferred income tax assets		**29,601**	12,455
Other non-current assets		**57,985**	—
		607,052	276,476
Current assets			
Inventories		**513,947**	350,544
Trade receivables	*5*	**684,727**	579,143
Other receivables and prepayments		**114,071**	109,951
Fixed deposits held at banks		**11,167**	10,304
Cash and cash equivalents		**849,887**	838,867
		2,173,799	1,888,809
Total assets		**2,780,851**	2,165,285

	Note	2007	2006
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares		**110,023**	109,503
Share premium		**352,830**	462,911
Shares held for Restricted Share Award Scheme		**(44,089)**	(6,367)
Other reserves		**211,889**	182,484
Retained profits			
Proposed final and special dividends	*11*	**176,915**	78,860
Other		**937,033**	572,099
		1,744,601	1,399,490
Minority interests		**—**	17,589
Total equity		**1,744,601**	1,417,079
LIABILITIES			
Non-current liabilities			
License fees payable		**57,604**	59,754
Deferred income tax liabilities		**1,217**	—
		58,821	59,754
Current liabilities			
Trade payables	*6*	**490,417**	424,460
Other payables and accruals		**340,577**	207,281
License fees payable — current portion		**13,234**	10,986
Current income tax liabilities		**33,201**	45,725
Borrowing		**100,000**	—
		977,429	688,452
Total liabilities		**1,036,250**	748,206
Total equity and liabilities		**2,780,851**	2,165,285
Net current assets		**1,196,370**	1,200,357
Total assets less current liabilities		**1,803,422**	1,476,833

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

(All amounts in RMB thousands unless otherwise stated)

	Note	**2007**	2006
Revenue	*3*	**4,348,747**	3,180,543
Cost of sales	*8*	**(2,265,901)**	(1,671,991)
Gross profit		**2,082,846**	1,508,552
Distribution costs	*8*	**(1,221,619)**	(900,865)
Administrative expenses	*8*	**(282,357)**	(234,730)
Other income	*7*	**30,985**	29,561
Operating profit		**609,855**	402,518
Finance income	*9*	**13,901**	14,448
Finance costs	*9*	**(5,224)**	(15,813)
Finance income/(cost) — net	*9*	**8,677**	(1,365)
Profit before income tax		**618,532**	401,153
Income tax expense	*10*	**(144,535)**	(106,090)
Profit for the year		**473,997**	295,063
Attributable to:			
Equity holders of the Company		**473,606**	294,846
Minority interests		**391**	217
		473,997	295,063
Earnings per share for equity holders of the Company *(RMB Cents)*			
— basic	*12*	**45.83**	28.65
— diluted	*12*	**45.09**	28.25
Interim dividend and proposed final and special dividends	*11*	**236,403**	117,723

Notes:

1. General Information

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

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

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

These consolidated financial statements were authorised for issue by the Board of Directors on 18 March 2008.

2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1 Standards, amendments and interpretations effective in 2007

IFRS 7, "Financial instruments: Disclosures", and the complementary amendment to IAS 1, "Presentation of financial statements — Capital disclosures". IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments, or disclosures relating to taxation and trade and other payables;

IFRIC-Int 8, "Scope of IFRS 2", requires the Group to consider transactions involving issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued, in order to establish whether or not those transactions fall within the scope of IFRS 2. This interpretation does not have any impact on the Group's financial statements in the current year; and

IFRIC-Int 10, "Interim financial reporting and impairment", prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at subsequent balance sheet dates. This interpretation does not have any impact on the Group's financial statements in the current year.

2.2 *Standards, amendments and interpretations effective in 2007 but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRIC-Int 7, "Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies"; and

- IFRIC-Int 9, "Re-assessment of embedded derivatives".

2.3 *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but the Group has not early adopted them:

- IAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). IAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Group will apply IAS 1 (Revised) from 1 January 2009;

- IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009 but it is currently not applicable to the Group as there are no qualifying assets;

- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply IAS 27 (Revised) from 1 January 2010;

- IAS 32 and IAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply IAS 32 and IAS 1 Amendments from 1 January 2009, but it is not expected to have any impact on the Group's accounts;

- IFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply IFRS 3 (Revised) from 1 January 2010;

- IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standards SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reports provided to the management;

- IFRIC-Int 11, "IFRS 2 — Group and treasury share transactions" (effective from 1 March 2007). IFRIC-Int 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. Management is in the process of assessing the impact of this interpretation on the Group's consolidated financial statements;

- IFRIC-Int 13, "Customer loyalty programmes" (effective from 1 July 2008). IFRIC-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement by using fair values. Management is currently assessing the impact of this interpretation on the Group's consolidated financial statements; and

- IFRIC-Int 14, "IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). IFRIC-Int 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have an impact on the Group's consolidated financial statements.

2.4 Interpretation to existing standards that are not yet effective and not relevant for the Group's operation

The following interpretation to existing standard has been published and is mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but is not relevant for the Group's operation:

- IFRIC-Int 12, "Service concession arrangements" (effective from 1 January 2008).

3. Revenue and Segment Information

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

Primary reporting format — business segment

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

Secondary reporting format — geographical segment

The Group's assets, liabilities, capital expenditure and operations during the two years ended 31 December 2007 were primarily located in the PRC. No geographical segments analysis is presented as less than 5% of the Group's revenue and contribution to operating profit is attributable to markets outside the PRC.

4. Prepayments for Acquisition of Subsidiaries

Pursuant to an agreement signed by the Group with certain third parties (the "Vendors") on 15 November 2007, the Group agreed to acquire a 57.5% equity interest in 上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.), a company incorporated in the PRC, which, together with its subsidiaries, are principally engaged in manufacturing and sale of sports equipment in the PRC. As at 31 December 2007 and up to the date of the announcement, the acquisition has not been completed.

The amount represents consideration paid for the proposed acquisition up to 31 December 2007.

5. Trade Receivables

	2007	2006
	RMB'000	*RMB'000*
Accounts receivable	**639,604**	586,635
Notes receivable	**49,932**	1,228
Less: provision for impairment of receivables	**(4,809)**	(8,720)
	684,727	579,143

Customers are normally granted credit terms within the period of 90 days.

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

	2007	2006
	RMB'000	*RMB'000*
0 – 30 days	**378,180**	355,062
31 – 60 days	**115,471**	75,361
61 – 90 days	**108,315**	77,848
91 – 180 days	**82,761**	70,872
181 – 365 days	**2,365**	46
Over 365 days	**2,444**	8,674
	689,536	587,863

6. 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:

	2007	2006
	RMB'000	*RMB'000*
0 – 30 days	**424,189**	310,120
31 – 60 days	**52,489**	102,647
61 – 90 days	**6,624**	7,653
91 – 180 days	**5,362**	3,015
181 – 365 days	**1,209**	346
Over 365 days	**544**	679
	490,417	424,460

7. Other Income

	2007	2006
	RMB'000	*RMB'000*
Government grants (Note a)	**30,822**	24,591
Net gain on disposal of a subsidiary	**—**	4,970
Others	**163**	—
	30,985	29,561

Note:

(a) During the year ended 31 December 2007, the Group received subsidies from various local governments in the PRC amounting to RMB30,822,000 (2006: RMB24,591,000).

8. Expenses by Nature

	2007	2006
	RMB'000	*RMB'000*
Costs of inventories recognised as expenses included in cost of sales	**2,109,676**	1,563,122
Depreciation on property, plant and equipment	**52,041**	27,307
Amortisation of intangible assets and land use rights	**19,868**	8,582
Advertising and marketing expenses	**695,559**	521,839
Employee benefit expense — directors	**23,681**	12,262
Employee benefit expense — employees	**302,266**	244,477
Operating lease rentals in respect of land and buildings	**125,747**	108,214
Research and product development expenses	**138,501**	78,837
Transportation and logistics expenses	**73,827**	53,686
Provision for impairment charge of accounts receivable and other receivables	**2,874**	5,597
Write-down of inventories to net realisable value	**24,618**	14,789
Auditors' remuneration	**3,700**	3,120
Management consulting expenses	**36,280**	29,452
Travelling and entertainment expenses	**73,290**	56,511
Other expenses	**87,949**	79,791
Total of cost of sales, distribution costs and administrative expenses	**3,769,877**	2,807,586

9. Finance Income and Costs

	2007	2006
	RMB'000	*RMB'000*
Amortisation of discount — license fees payable	**(4,897)**	(2,064)
Interest expense on bank borrowing	**(327)**	—
Net foreign currency exchange loss	**—**	(13,749)
Finance cost	**(5,224)**	(15,813)
Interest income on bank balances and deposits	**11,147**	14,448
Net foreign currency exchange gain	**2,754**	—
Finance income	**13,901**	14,448
Finance income/(cost) — net	**8,677**	(1,365)

10. Income Tax Expense

	2007	2006
	RMB'000	*RMB'000*
Current taxation		
— Hong Kong profits tax *(Note b)*	**1,808**	582
— The PRC enterprise income tax *(Note c)*	**158,656**	117,963
	160,464	118,545
Deferred income tax	**(15,929)**	(12,455)
	144,535	106,090

Notes:

(a) The Company was incorporated in the Cayman Islands. Under current laws of 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 17.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2007 (2006: 17.5%).

(c) Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 33% 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 15% based on the relevant PRC tax rules and regulations.

11. Dividends

	2007	2006
	RMB'000	*RMB'000*
Interim dividend paid of RMB5.76 cents (2006: RMB3.80 cents) per ordinary share	**59,488**	38,863
Proposed final dividend of RMB7.96 cents (2006: RMB4.79 cents) per ordinary share	**82,402**	49,445
Proposed special dividend of RMB9.13 cents (2006: RMB2.85 cents) per ordinary share	**94,513**	29,415
	236,403	117,723

Note:

At a Board meeting held on 20 March 2007, Directors proposed a final dividend of RMB4.79 cents and a special dividend of RMB2.85 cents per ordinary share.

At a Board meeting held on 18 March 2008, Directors proposed a final dividend of RMB7.96 cents and a special dividend of RMB9.13 cents per ordinary share, totalling RMB82,402,000 and RMB94,513,000 respectively, for the year ended 31 December 2007. These proposed dividends are not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of distributable reserves in the year ending 31 December 2008.

12. 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 during the year, less share held for Restricted Share Award Scheme.

	2007	2006
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**473,606**	294,846
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(in thousands)*	**1,033,343**	1,029,030
Basic earnings per share *(RMB cents)*	**45.83**	28.65

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares to be issued under its share option schemes and shares held for Restricted Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and 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.

	2007	2006
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	**473,606**	294,846
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(in thousands)*	**1,033,343**	1,029,030
Adjustment for share options and awarded shares *(in thousands)*	**16,974**	14,537
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**1,050,317**	1,043,567
Diluted earnings per share *(RMB cents)*	**45.09**	28.25

FINAL AND SPECIAL DIVIDENDS

The Board has recommended the payment of a final dividend of RMB7.96 cents per ordinary share for the year ended 31 December 2007. In addition, in consideration of the outstanding results for the year 2007 and to offer a higher reward to the shareholders, the Board has recommended the payment of a special dividend of RMB9.13 cents per ordinary share in addition to its historical rate of dividend payout. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on 9 May 2008 and are payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on 9 May 2008. Upon shareholders' approval, the proposed final and special dividends will be paid on or about 19 May 2008 to shareholders whose names shall appear on the register of members of the Company on 9 May 2008.

Together with the interim dividend of RMB5.76 cents per ordinary share, the total dividend per ordinary share in respect of the year ended 31 December 2007 amounts to RMB22.85 cents (2006: RMB11.44 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 6 May 2008 to Friday, 9 May 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the final and the special dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 5 May 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's business objectives for the year 2007 were to continue to grow and strengthen its core business under the LI-NING brand, while developing a multi-brand structure that leveraged on this core business. The Group pursued these objectives to ensure steady profit growth and continuous value creation, so as to maximize benefits for the shareholders.

Leveraging on the robust consumer spending resulting from increases in per capita income and enthusiasm for the Beijing 2008 Olympic Games, the Group continued to increase sales and profitability steadily in 2007 through the strengthening of its brand marketing, product research and development, sales channel and supply chain management capabilities.

Financial Review

Key results and financial indicators of the Group for the year 2007 are summarized as follows:

	Year ended 31 December		**Change**
	2007	2006	**(%)**
Items of income statement (audited)			
(All amounts in RMB thousands unless otherwise stated)			
Revenue	**4,348,747**	3,180,543	36.7
Gross profit	**2,082,846**	1,508,552	38.1
Operating profit	**609,855**	402,518	51.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**681,764**	438,407	55.5
Profit attributable to equity holders	**473,606**	294,846	60.6
Basic earnings per share *(RMB cents) (Note 1)*	**45.83**	28.65	60.0

	Year ended 31 December	
	2007	2006
Key financial ratios (audited)		
Profitability ratios		
Gross profit margin (%)	**47.9**	47.4
Operating profit margin (%)	**14.0**	12.7
Effective tax rate (%)	**23.4**	26.4
Margin of profit attributable to equity holders (%)	**10.9**	9.3
Return on equity holders' equity (%)	**30.1**	23.0
Asset efficiency ratios		
Average inventory turnover (days) *(Note 2)*	**70**	70
Average trade receivables turnover (days) *(Note 3)*	**53**	55
Average trade payables turnover (days) *(Note 4)*	**69**	67
	31 December 2007	31 December 2006
Asset ratios		
Debt to equity ratio (%) *(Note 5)*	**59.4**	53.5
Net asset value per share *(RMB cents)*	**168.53**	137.38

Notes:

1. The calculation of basic earnings per share is based on the profit attributable to equity holders for the year ended 31 December 2007 of RMB473,606,000 (2006: RMB294,846,000) and the weighted average of 1,033,343,000 ordinary shares in issue less ordinary shares held for the Restricted Share Award Scheme during the year (2006: 1,029,030,000 shares).

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 365 days.

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 365 days.

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 365 days.

5. The debt to equity ratio is based on total liabilities divided by capital and reserves attributable to equity holders of the Company at the end of the year.

Revenue

The Group's revenue for the year 2007 continued to rise at a remarkable level and reached RMB4,348,747,000, representing a growth of 36.7% as compared to 2006.

Revenue breakdown by brand and product category

	Year ended 31 December				
	2007		2006		**Revenue**
		% of total		% of total	**growth rate**
	RMB'000	**revenue**	*RMB'000*	revenue	**(%)**
LI-NING brand					
Footwear	**1,823,140**	**41.9**	1,250,956	39.3	45.7
Apparel	**2,151,557**	**49.5**	1,673,924	52.7	28.5
Accessories	**269,690**	**6.2**	243,165	7.6	10.9
Total	**4,244,387**	**97.6**	3,168,045	99.6	34.0
Other brands*					
Footwear	**35,928**	**0.8**	1,663	0.1	2,060.3
Apparel	**66,038**	**1.5**	10,730	0.3	515.5
Accessories	**2,394**	**0.1**	105	0.0	2,173.1
Total	**104,360**	**2.4**	12,498	0.4	735.0
Overall					
Footwear	**1,859,068**	**42.7**	1,252,619	39.4	48.4
Apparel	**2,217,595**	**51.0**	1,684,654	53.0	31.6
Accessories	**272,084**	**6.3**	243,270	7.6	11.8
Total	**4,348,747**	**100.0**	3,180,543	100.0	36.7

* *Including the Z-DO brand and the AIGLE brand*

The Group's core brand, the LI-NING brand, contributed to most of the revenue and accounted for 97.6% of the total revenue, reaching RMB4,244,387,000, which represents an increase of 34.0% as compared to 2006. The steady increase in revenue was attributable to (i) continuous enhancement in marketing efforts which integrate products, market and retailing as a whole; (ii) sales-driven product planning to better cater to geographic-specific demands; (iii) maintaining good sales network coverage; (iv) improvements in efficiency and growth of retail stores of all market tiers; and (v) continuous enhancements in supply chain management during the year.

LI-NING branded products focus on five key sports activities, namely, running, basketball, football, tennis and fitness, and the product portfolio encompasses professional sports and casual footwear, apparel and accessories. During the year, the enhancements in the brand's professional image and the marked improvements of technologically-advanced elements in the product design have boosted the sales of footwear products by 45.7% as compared to 2006. Benefiting from geographic-specific product planning and integrated marketing efforts, apparel products recorded a 28.5% growth. As sports apparel products lack distinct differentiation in terms of functionality, and because of more intense market competition, the growth of sports apparel products was less pronounced than that of footwear products. Accessories products recorded a 10.9% growth.

The Group's other brands, the Z-DO brand and the AIGLE brand, accounted for 2.4% of total revenue, amounting to RMB104,360,000. Targeting primarily the hypermarket sector, the Z-DO brand was launched in April 2007. The AIGLE brand specializes in outdoor sports and casual apparel and footwear products.

Percentage of revenue by sales channel

	Year ended 31 December	
	2007	2006
	% of total revenue	% of total revenue
LI-NING brand		
PRC market		
Sales to franchised distributors	**80.0**	80.4
Sales by directly-managed retail stores and concession counters	**16.8**	18.3
International markets	**0.8**	0.9
Other brands*		
PRC market	**2.4**	0.4
Total	**100.0**	100.0

* *Including the Z-DO brand and the AIGLE brand*

The Group adopts a multi-pronged retail model with its products mainly sold through franchised distributors. The Group also distributes the LI-NING and the AIGLE branded products through directly-managed retail stores and concession counters.

Revenue breakdown by geographical location

		Year ended 31 December				
		2007		2006		**Revenue**
			% of total		% of total	**growth rate**
	Note	***RMB'000***	**revenue**	*RMB'000*	revenue	**(%)**
LI-NING brand						
PRC market						
Eastern region	*1*	**1,700,074**	**39.1**	1,344,835	42.2	26.4
Northern region	*2*	**1,613,568**	**37.1**	1,077,390	33.9	49.8
Southern region	*3*	**897,756**	**20.6**	717,885	22.6	25.1
International markets		**32,989**	**0.8**	27,935	0.9	18.1
Other brands*						
PRC market		**104,360**	**2.4**	12,498	0.4	735.0
Total		**4,348,747**	**100.0**	3,180,543	100.0	36.7

* *Including the Z-DO brand and the AIGLE brand*

Notes:

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

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

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

LI-NING branded products are sold through an extensive and scalable distribution and retail network, which covers all of the PRC's provinces and municipalities. The majority of the Group's retail outlets are concentrated in second- and third-tier cities, which are markets with the highest potential of future growth. The AIGLE brand and the Z-DO brand are targeted at metropolitan and first-tier cities.

Cost of Sales and Gross Profit

In 2007, the cost of sales of the Group amounted to RMB2,265,901,000 (2006: RMB1,671,991,000) and overall gross profit margin of the Group was 47.9% (2006: 47.4%). During the year, the Group streamlined its procurement system and thereby improved procurement efficiency. Such measures together with a reasonable pricing strategy, allowed the Group to maintain its gross profit margin levels in spite of keen market competition.

Distribution Costs and Administrative Expenses

In 2007, the Group's distribution costs amounted to RMB1,221,619,000 (2006: RMB900,865,000). This accounted for 28.1% of the Group's total revenue, representing a decrease of 0.2 percentage points as compared to 28.3% in 2006. Spending on advertising, sponsorship, marketing, transportation and logistics continued to increase at higher rates in order to cover ongoing requirements for brand promotion and the increases in related costs for transportation during the year. On the other hand, due to the Group's overall effective management of expenses, the increase in salaries and benefits of sales staff, and retail store rental and renovation costs was stable.

Administrative expenses of the Group for the year amounted to RMB282,357,000 (2006: RMB234,730,000), which mainly comprised directors' and staff costs, management consulting expenses, basic research and development expenses, office rental and depreciation of office premises. Administrative expenses accounted for 6.5% of the Group's total revenue, representing a decrease of 0.9 percentage points as compared to 7.4% in 2006. Such decrease was mainly a result of the Group's greater economies of scale and the stable staff expenses.

Operating Profit

Operating profit of the Group for the year amounted to RMB609,855,000, representing an increase of 51.5% as compared to RMB402,518,000 in 2006. Benefiting from efforts in controlling the gross profit margin of products and effective integrated management of expenses, the operating profit margin of the Group amounted to 14.0%, an increase of 1.3 percentage points as compared to 2006.

Income Tax Expense

Income tax expense for the year was RMB144,535,000 (2006: RMB106,090,000). The effective tax rate was 23.4% (2006: 26.4%).

Provision for Inventories

The Group's policy in respect of provision for inventories in 2007 remained the same as that in 2006. 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 31 December 2007, accumulated provision for inventories was RMB51,487,000 (31 December 2006: RMB26,869,000). In order to support continuous sales expansion, the Group has adjusted upwards the level of inventories, resulting in an increase in provision for inventories as at the end of the year.

Provision for Doubtful Debts

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

As at 31 December 2007, the accumulated provision for doubtful debts was RMB4,809,000 (31 December 2006: RMB8,720,000). The decrease in doubtful debts was due mainly to effective credit control as well as the writing off of trade receivables of RMB6,785,000 during the year.

Liquidity and Financial Resources

The Group's net cash inflow from operating activities for the year 2007 amounted to RMB392,924,000 (2006: RMB293,390,000). As at 31 December 2007, cash and cash equivalents (including cash at banks and in hand, and fixed deposits held at banks with original maturity of not more than three months) amounted to RMB849,887,000, representing a net increase of RMB11,020,000 as compared with the position as at 31 December 2006. The increase was brought about by the following items:

Items	**Year ended 31 December 2007** *RMB'000*
Net cash inflow generated from operating activities	**392,924**
Net capital expenditure	**(237,635)**
Net cash outflow for acquisition of additional interests in Guangdong Li Ning	**(17,817)**
Net cash outflow for acquisition of interests in Double Happiness	**(66,588)**
Dividends paid	**(138,410)**
Bank borrowings	**100,000**
Other net cash outflow	**(18,551)**
Exchange loss on cash and cash equivalents	**(2,903)**
Net increase in cash and cash equivalents	**11,020**

The Group is in a strong liquidity position with sufficient standby banking facilities to cope with the funding needs arising from daily operations and future developments. As at 31 December 2007, the Group's available banking facilities amounted to RMB400,000,000. As at 31 December 2007, the Group had outstanding bank borrowings of RMB100,000,000 and the outstanding bank borrowings to equity holders' equity ratio was 5.7% (31 December 2006: nil).

As at 31 December 2007, the Group did not hedge its exposure to interest rate risks.

Foreign Exchange Risk

The Group carries out its operation in the PRC, with most transactions settled in Renminbi. A small amount of the Group's cash and bank deposits are denominated in Hong Kong Dollars or United States Dollars. The Group pays dividends in Hong Kong Dollars when dividends are declared. In addition, the Group pays certain license fees and other payables in United States Dollars. Any significant exchange rate fluctuations of foreign currencies against the Renminbi may have a financial impact on the Group.

Pledge of Assets

As at 31 December 2007, no asset of the Group was pledged to secure bank borrowings or for any other purpose.

Contingent Liabilities

As at 31 December 2007, the Group had no material contingent liabilities.

Business Review

In 2007, the Group set out different strategic positions and goals for markets in different regions in the PRC. Through active efforts in marketing and brand promotion, product research and development, sales channel expansion and management, and supply chain management, the Group sought to achieve rapid growth of its core business under the LI-NING brand. It also endeavoured to establish a multi-brand structure to develop new businesses.

Marketing and Brand Promotion

During the year, the Group continued to allocate considerable resources towards implementing diversified integrated marketing strategies to further differentiate and enhance the LI-NING brand. The Group has abundant sponsorship and brand marketing resources. In the PRC, we have ongoing sponsorships of the four national gold-medal winning teams, namely the Gymnastics, Diving, Table Tennis and Shooting Teams. On the international front, the Group continued in its role as the sponsor of the Spanish Basketball Team and the official marketing partner in the PRC for the Association of Tennis Professionals (ATP). It also maintained the partnership with renowned National Basketball Association (NBA) star, Shaquille O'Neal, for the co-branded "LI-NING–SHAQ" basketball products. At the same time, the Group has accelerated its marketing efforts to take advantage of anticipated consumer enthusiasm for the forthcoming Beijing 2008 Olympic Games, which provides an unprecedented opportunity to boost sales in China and propel the international profile of the LI-NING brand. The key marketing and brand promotion events executed by the Group during the year and subsequent to the reporting period are summarized below:

Co-operation with the CCTV National Sports TV Channel
The Group has a long history of co-operation with the CCTV. During the year, the Group entered into an agreement with the CCTV National Sports TV Channel under which all of the hosts, news presenters and reporters on all of the programs and tournaments broadcast on the CCTV National Sports TV Channel (including the Olympics Channel during the Beijing 2008 Olympic Games) will wear LI-NING branded products. CCTV National Sports TV Channel is the most influential professional sport channel in mainland China and broadcasts the largest number of international sports competitions and tournaments to the largest audience. The Group will leverage the sports channel as a platform to fully promote the international and professional image of the LI-NING brand.

Collaboration with International Olympic Delegations

The Group has signed an agreement with the Swedish Olympic Committee to act as the Swedish Olympic Delegation's official sportswear provider. The Group is also authorized by the Swedish Olympic Committee to sell Olympics related products in Sweden. This means that the LI-NING brand will appear in a variety of the Swedish Olympic Committee's Olympic related promotional events in Sweden. During the year, the Group also became an official partner of the Spanish Olympic Committee and the official sportswear provider for the Spanish Olympic Delegation. Joining hands with international Olympic delegations for the Beijing 2008 Olympic Games is one of the Group's key strategies in brand internationalization and represents yet another breakthrough for our efforts in sports marketing.

Launched the Li Ning "Olympic Champions" Exhibitions

In June 2007, the Group launched the "Olympic Champions" Exhibition in Changchun. This exhibition was subsequently held in 15 major and Olympic event-holding cities, including Beijing, Shanghai, Guangzhou, Wuhan, Hangzhou, Qinhuang Island, Shenyang, Chengdu, Xi'an and Nanjing. Numerous Chinese Olympic champions were invited to the exhibitions to spread the Group's Olympic ideals. This program successfully linked consumer awareness of the Olympic Games to the LI-NING brand, thus strengthening our brand reputation and recognition.

Unveiling the "Hero" Olympics Strategies

In November 2007, numerous Olympics heroes attended a press conference where the Group unveiled its Olympics strategy, which includes three major plans, namely "Hero Team", "Hero Gesture" and "Hero Triumph" under the theme of "Hero". The initiative demonstrated the wisdom and vision of the Group as a forerunner amongst the Chinese sports brands. Based on the Olympic strategy involving the Group-sponsored "Hero Team," a series of sales and marketing campaigns are now running at full steam, effectively boosting the brand image.

Sponsorships of Established International Sports Teams

Having signed on the Spanish National Basketball Team, the Group also entered into a strategic partnership agreement with the Argentina Basketball Federation (Confederación Argentina de Básquet) to become the official partner of the Argentina Basketball Federation and the official sportswear sponsor for both the men's and women's national basketball teams in Argentina. On the track and field front, apart from its collaboration with Sudan National Track and Field Team and the sponsorship of world-renowned Ethiopian marathon runner, Ambesse Tolossa, the Group embarked on a program to sponsor sportswear to the Tanzanian National Track and Field Team. All these alliances have enabled the Group to realize huge advances in sports marketing and prove that LI-NING branded professional sportswear have won wide recognition among the world's top sports teams.

Sponsorship of Ivan Ljubicic

The Group signed on Ivan Ljubicic, who is the President of the ATP Player Council and a world-renowned tennis player. By signing a top-rank international professional player, the Group has secured important sports marketing resources that effectively help it to open a new phase of development in the field of tennis.

Principal Sponsor for Asian Indoor Games

The Group became the principal sponsor and exclusive sportswear supplier for the second Asian Indoor Games held in Macau in October 2007. The Asian Indoor Games consists of a series of indoor events which are not included in the Olympic Games or Asian Games. The Indoor Games combines leisure with entertainment, helps to strengthen the development of sports exchanges in Asia and encourages young people in Asia to proactively participate in various sports activities. This is our first attempt to sponsor a sports event of such a nature. Our intention is to bring about greater awareness of the LI-NING brand amongst consumers through leisure activities and entertainment.

Community Marketing Events

Apart from its ongoing sponsorship of the China University Basketball Association (CUBA), one of the top three basketball tournament in China, and the China University Football League (CUFL), the Group also supported and held a wide range of events targeting sports enthusiasts and young people in the PRC. These included nation-wide junior secondary school basketball events, the LI-NING Chinese Basketball Selection Camp, LI-NING "3+1" Basketball Tournament and "iRun out of line". We firmly believe that focusing marketing and promotional initiatives on our primary group of existing as well as potential consumers will have a profound and positive effect on the Group's brand building drive and long-term development.

Sponsorship of the USA National Table Tennis Team

Early 2008, the Company and the American Table Tennis Association announced the Group's sponsorship of the USA national table tennis team. During the term of co-operation, the USA national table tennis team will wear LI-NING branded sportswear in various major tennis table events and tournaments, including the Beijing 2008 Olympic Games. This is the first time a USA national team will wear a Chinese brand for the Olympic Games. The sponsorship ushers in a new epoch in the exchanges and co-operation in the field of table tennis between the PRC and the USA.

Product Design and Research and Development

The Group continuously strives to develop and design innovative products, which is at the heart of our strategy to face competition and to establish a distinct professional brand image, thus paving the way for internationalization. The Group has set up research and development centers in both mainland China and Hong Kong, each of which is staffed with excellent product development and design teams. It also collaborates with renowned education institutions and professional organizations for research and development initiatives. During the year 2007, the Group established a design center in Portland, Oregon in the United States in a bid to further enhance its product design capabilities. By amalgamating the talents of local designers, the design center helps the Group to keep abreast of the latest trends in sports shoe design.

During the year 2007, the Group successfully incorporated its core patented "LI-NING BOW" (李寧弓) anti-shock technology into its footwear products. The "BOW" series attains high anti-shock capability amongst similar products on the market and is on par with its rivals in terms of overall technology. Following the successful introduction of the "BOW" series of running shoes, the "BOW" basketball series was also launched. The "BOW" series, which combines high technology with contemporary and oriental design elements, achieved excellent results with high retail price and large volume of orders. Our fourth-generation super-light and ventilated running shoes with contemporary and oriental design have been improved over the previous three generations by adopting a traditional Chinese sparrow structure. The series also received an overwhelming positive response from the market immediately after its launch.

Shortly after our "Flying Armor" (飛甲) basketball shoes won the "iF China 2006 Industrial Design Award", the "Flying Armor II" (飛甲 II) basketball shoes were also named the "2007 Most Successful Product Design" by the Chinese edition of Forbes magazine, an international magazine. "Flying Armor II" is the only sports shoe brand to have won this honour. The excellent design and perfect functions of another basketball footwear products of the Group, "Banpo" (半坡), won the "Entertainment and Style" category in the 2007 "iF Industrial Design Awards", known as the Oscars of industry design. "Banpo" was also the only footwear product to have won the "2007 China Innovative Design Red Star Award", China's most authoritative award for industry design. All these awards demonstrate the top design quality of the LI-NING branded products.

To introduce higher quality and performance to its apparel products, the Group adopted advanced technology from South Korea and collaborated with suppliers of essential material to develop the AT DRY SMART technology. Sales fairs for the products drew strong positive response from distributors. AT DRY SMART technology protects products from drizzle and dries out sweat quickly. It is further enhanced by super-light material, two-sided ventilation, antiseptic and anti-UV features. This technology will be applied to apparel products used in the Beijing 2008 Olympic Games.

The Group consistently searches out and adopts high technology for development of new products. It also instills elegant oriental elements into product design in its constant pursuit for a perfect balance of product quality and stylish appearance. In the future, the Group will continue to refine its research and development ability and produce fashionable products of the highest professional and technological standard so as to further enhance LI-NING brand's core competence.

Sales Channel Expansion and Management

During the year 2007, the Group implemented the following measures to expand and manage sales channels for the LI-NING brand:

- Actively sought out appropriate locations for setting up of flagship stores, thereby efficiently increased the market influence of the LI-NING brand and boosted sales:
- Continued to expand its sales channel coverage. Development of sales channel in second- and third-tier cites was satisfactory, accounting for 57.9% of the new stores for the year;
- Further improved the development of the distribution sales representative team and established a nation-wide store visit mechanism to strengthen services to and promote closer contact with distributors and retail stores; and
- Boosted retail capabilities and improved the structure of retail management teams so as to improve store efficiency. During the year, the efficiency and growth rate of retail stores in all market tiers exceeded preset targets, especially the second- and third-tier markets which showed particularly notable growth.

As at 31 December 2007, the domestic distribution and retail network of the Group's various brands comprised:

- Approximately 244 distributors operating a total of 5,301 franchised retail outlets under the LI-NING brand, the Z-DO brand and the AIGLE brand across the PRC; and
- A total of 375 directly-managed retail stores and concession counters under the LI-NING brand and the AIGLE brand in Beijing, Shanghai and 13 provinces in the PRC.

Number of franchised and directly-managed retail stores

	As at 31 December 2007	As at 31 December 2006	**Change**
Franchised retail outlets	**5,301**	3,875	1,426
Directly-managed retail stores and concession counters	**375**	458	(83)
Total	**5,676**	4,333	1,343

The number of retail stores of the Group has been increasing steadily. The total number of retail outlets as at 31 December 2007 was 5,676, which represents a net increase of 1,343 stores for the year. The number of LI-NING brand retail stores was 5,233, a net increase of 936 stores during the year.

During the year, the Group continued to restructure the directly-managed retail business of the LI-NING brand. The restructuring involved releasing over 117 retail stores under the Group's regional subsidiary companies to competent distributors. By doing so, the Group has further enhanced its sales management and can better focus on retail operations of its flagship stores and factory outlets which are brand-building related.

In addition, 724 LI-NING brand stores were renovated into fourth generation stores during the year.

Supply Chain Management

The Group is devoted to reforming the traditional supply chain model by adopting a demand-driven approach. As set out below, the Group continued to adopt a flexible and effective supply chain management strategy that enabled it to respond to market changes in an efficient and timely manner during the year 2007:

- Ten large-scale sales fairs of various brands were organized for distributors to shorten the cycle time between product development and order placements;
- Set up the apparel sample technology and market-driven supply chain center in Guangdong;
- With a high growth rate of sales, the average inventory turnover was maintained at a reasonable level of 70 days, same as that in 2006;
- Implemented good credit control and improved management of receivables, which resulted in shortening the average trade receivables turnover from 55 days in 2006 to 53 days; and
- Fully utilized the suppliers' credit terms, which resulted in the average trade payables turnover increased from 67 days in 2006 to 69 days.

The Group also restructured and refined the purchasing process during the year and thereby improved overall purchasing efficiency and reduced the cost of purchasing.

Multi-brand Business Development

While cementing the core LI-NING brand to achieve sustainable growth, the Group has strived to develop its multi-brand business. Apart from the co-brands with ATP and SHAQ, the Group also manages the Z-DO brand and the AIGLE brand.

Z-DO Brand
In April 2007, the Group officially launched its new series of products under the Z-DO brand, a subsidiary brand of the LI-NING brand, which utilize hypermarkets as its primary sales channel. Since its market debut, the Z-DO brand achieved enviable sales results and its network coverage has progressed well. As at 31 December 2007, the Z-DO brand was present in 119 cities, with 58 distributors and 400 stores.

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

AIGLE Brand
The joint venture established by the Group and AIGLE of France commenced operation in the first half of 2006 but business performance has not been very satisfactory. As at 31 December 2007, a total of 43 AIGLE stores had been opened in the PRC. AIGLE's future business development will focus on product portfolio adjustment, price setting and localization of the supply chain in order to promote store efficiency and sales.

Acquisition of the Remaining Interest in Guangdong Li Ning

On 10 May 2007, the Group acquired from 廣東健力寶集團有限公司（Guangdong Jianlibao Group Co., Ltd.）its remaining 20% equity interest in 廣東李寧體育發展有限公司 (Guangdong Li Ning Sports Development Co., Ltd.) ("Guangdong Li Ning") at a consideration of approximately RMB17,817,000. As a result of the acquisition, Guangdong Li Ning became the Group's wholly-owned subsidiary. The acquisition accelerated the Group's strategy in developing Guangdong Li Ning as the apparel sample technology and market-driven supply chain center of the Group.

Acquisition of Double Happiness

On 15 November 2007, the Group announced its acquisition of a 57.5% equity interest in 上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd) ("Double Happiness") at a consideration of RMB305,325,000 (the "Acquisition"). The completion of the Acquisition shall take place upon compliance with the applicable transfer and registration procedures under the PRC law to enable the 57.5% equity interest in Double Happiness to be transferred to the Group. As of the date of this announcement, the Acquisition has not been completed. Upon completion of the Acquisition, Double Happiness will become a non-wholly owned subsidiary of the Group.

Double Happiness, which specializes in the manufacture, research and development, marketing and sale of table tennis and badminton equipment, is known internationally for its high quality table tennis products. Its brands include the renowned "Double Happiness" brand and other brands. Double Happiness supplies equipment for international table tennis events and athletes. It will also be the supplier of such events in the Beijing 2008 Olympic Games. The Acquisition will enable the Group to strengthen its position in the flourishing table tennis market in the PRC. It will also further promote the professional image of the LI-NING brand and support the Group's multi-brand strategy. In the future, the LI-NING brand and the Double Happiness brand will benefit from the synergies of brand promotion, marketing, events sponsorship and improvement of sales channels, which will become a new force for the Group's future growth.

Enhancement of the Information System

To support the management of its various business operations, the Group committed considerable resources to ramping up its information management systems. The fundamental structure of the Group's management information system and the operating platform have been well established.

The Group has established a trading system based on SAP, which is an integrated and comprehensive information system that accommodates financial management, sales management, supply chain management, decision-making supporting and information services. The system plays a key role in meeting the needs of business growth and significantly contributes to boosting operation and management efficiency, offering a good foundation for the Group's information automation.

Human Resources

As at 31 December 2007, the Group had approximately 2,904 employees (31 December 2006: 2,365). The increase in the number of employees was mainly due to the hiring of a large number of technical and production personnel to cope with the development of the apparel sample technology and market-driven supply chain center in Guangdong. This has offset the decrease in sales staff resulting from the transfer of the directly-managed retail stores to distributors following the restructure of the Group's directly-managed retail business.

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

The Group will continue to strengthen and improve its human resources management. Through staff recruitment and development, refining organizational structure and building the corporate culture, the Group will find support for its development to ensure its sustainable and rapid growth.

Outlook

In 2008, the Group will continue to invest in brand building, focus on sales network expansion and store efficiency enhancement so as to seek rapid and sustainable growth of the core business under the LI-NING brand. At the same time, the Group will also continue to adopt the multi-brand strategy in order to open new business fronts. This will enable the Group to increase its competitiveness and to add new components to propel future growth.

With the increasing purchasing power of the Chinese consumer, the increased demand for sports and leisure activities and the opportunities afforded by the Beijing 2008 Olympic Games, the prospects for China's sports product sector are both immense and bright. Meanwhile, strong enterprises in the industry are boosting their efforts in an attempt to expand market share, in anticipation of more intense competition in the industry in future as well as increased challenges and opportunities. The Group will continue to leverage its strengths, which include its market position as the PRC's leading sports brand, prudent business strategies and outstanding and professional management team. The Group will take all challenges in its stride and will grasp the opportunity brought about by the 2008 Olympic Games. It will do its utmost to increase the brand's competitiveness and bring forth new potential with innovation to bring its business to new heights and generate attractive returns for shareholders and investors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company had not redeemed any of its shares during the year ended 31 December 2007. Except for the Company's Restricted Share Award Scheme Trust, neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

The Company is committed to establishing a high standard of corporate governance by continual review and enhancement of its corporate governance practices. During the year 2007, the Board has complied with all the code provisions and most of the recommended practices set out in Appendix 14 of the Code on Corporate Governance Practices to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Details of the Company's corporate governance practices can be found in the Corporate Governance Report set out in the Company's annual report for the year ended 31 December 2007.

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 annual results for the year ended 31 December 2007.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 9 May 2008 at 11:00 a.m. A notice of the annual general meeting will be published on the Company's websites at www.lining.com and www.irasia.com/listco/hk/lining and The Stock Exchange of Hong Kong Limited's website at www.hkex.com.hk, on or about 10 April 2008 and will be dispatched to the shareholders together with the Company's annual report 2007.

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

This results announcement is published on the Company's websites at www.lining.com and www.irasia.com/listco/hk/lining and The Stock Exchange of Hong Kong Limited's website at www.hkex.com.hk.

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

Hong Kong, 18 March 2008