



# LI NING COMPANY LIMITED

(李寧有限公司)

(Incorporated in the Cayman Islands with limited liability)

[For Immediate Release]

## Li Ning Announces First Annual Results Since Listing

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**Turnover and Net Profit Increased 47.2% and 42.0%**

### Financial Highlights

	For the year ended 31 December		Change (%)
	2004 RMB'M	2003 RMB'M	
Turnover	<b>1,878.1</b>	1,276.2	<b>+47.2%</b>
Gross profit	<b>873.5</b>	605.9	<b>+44.2%</b>
Operating profit	<b>191.4</b>	119.1	<b>+60.7%</b>
Net profit	<b>133.4</b>	94.0	<b>+42.0%</b>
Basic earnings per share (RMB cents)	<b>15.02</b>	12.53	<b>+19.9%</b>
Final dividend per share (RMB cents)	<b>4.57</b>	N/A	<b>N/A</b>

(29 March 2005 – Hong Kong) – **Li Ning Company Limited** ('Li Ning' or the 'Group'; stock code: 2331), one of the leading sports brand enterprises in the PRC, announced today its remarkable annual results for the year ended 31 December 2004.

During the year under review, the Group's turnover reached **RMB1,878.1 million**, representing a remarkable 47.2% increase against 2003. Turnover growth was driven by the expansion of our sales channels and product variety, as well as our increased advertising and promotional efforts. Moreover, the adverse impact of the Severe Acute Respiratory Syndrome in 2003 has faded out and positive economic development in the PRC provided impetus to the Group's business. Net profit increased by 42.0% to RMB133.4 million due to the improvement in economies of scale, reduction in operating expenses and effective cost control. Basic earnings per share were RMB15.02 cents (2003: RMB12.53 cents).

To reward shareholders' support, the Board recommends the payment of a final dividend of RMB4.57 cents for the year ended 31 December 2004.

Commenting on the encouraging annual results, Mr Li Ning, Chairman of the Group, said, "The IPO of Li Ning was a great accomplishment. Getting successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited and being named as one of the constituent stocks of the Hang Seng Composite Index Series and the Hang Seng Freefloat Index Series since January 2005, these marked an important milestone in recognition of the Group's leading market position, business and financial strengths."

"During the year, the Group has continued to implement our growth strategies to reinforce our sales channels by adopting a diversified retail format comprising franchised retail outlets and directly managed retail stores and concessions. Furthermore, we have strengthened customers' loyalty and expanded our customer base by implementing effective sales and marketing strategies. With our sustained efforts, we successfully upgraded our product design and development capabilities, improved our supply chain management and operating efficiency, which in turn contributed to our impressive performance."

For the year ended 31 December 2004, the Group's sales of apparel, footwear and accessories witnessed an increase of 64.4%, 26.8% and 33.6% respectively. The increase in sales for all product categories was mainly attributable to the provision of a comprehensive range of products under the LI-NING and KAPPA brands. Sales of LI-NING and KAPPA brand products were boosted by the rapid growth of the sales channels and gradual increase in same store sales growth, resulting in year-on-year growth of 43.4% and 163.5% in turnover for LI-NING and KAPPA brand products respectively.

During the year, the Group continued to pursue the strategy of expanding its domestic sales channels. As at 31 December 2004, the Group's total domestic distribution outlets amounted to 2,887, representing 34.6% increase. This retail network consisted of 2,526 franchised retail outlets for the LI-NING and KAPPA brands, and 120 directly managed retail stores and 241 directly managed concessions all over the PRC. Besides, three new flagship stores were opened at prime locations in Beijing and Shanghai with larger store space and modern store format and decoration, in order to enhance our brand image and identity.

As for sponsorship, marketing and promotional activities, the Group's LI-NING brand sponsored the Chinese Olympics delegation for the 2004 Athens Summer Olympic Games. The Group also sponsored various major Chinese national sports teams, including Table Tennis Team, Diving Team, Gymnastics Team and Shooting Team, as well as foreign sports teams such as the Spanish Men's and Women's Basketball Teams. Moreover, the Group deployed a significant amount of resources in adopting its advertising strategies to increase the mass appeal of its sporting goods, in particular its new footwear series. Our new advertising series with the theme "LI-NING. Flying High in China Sports." launched in April 2004 received an encouraging market response, and the notion "Anything is Possible!" promoted by the Group gained increasing awareness and popularity in the PRC.

During the year, the Group continued to expand its range of sporting goods to meet the needs of different sports-related consumer groups. The Group launched and promoted new specialised footwear series for sports categories such as soccer, basketball, tennis, running and fitness. For example, the professional "Tie" series soccer shoes designed for the Chinese soccer star, Li Tie, and the new basketball footwear series have received satisfactory response from the market.

To continue to invest in product research and development, in November 2004, the Group set up its design and R&D centre in Hong Kong, which focuses on establishing the overall design features of LI-NING brand products, initiating concepts and strategies on brand design, improving technological level, and concentrating on image design of high-end products. Currently, the centre is in co-operation with various institutions and professional organisations in Hong Kong and overseas.

The Group enhanced its supply chain management through the upgrading of its management information systems, the implementation of stringent internal control measures and the successful improvement in operating efficiency. The Group has implemented unified supply chain management for all franchised and self-operated retail outlets, being centralised systems for procurement, inventory and logistics. As a result, the Group achieved better efficiency and faster response to market changes, as well as expedited its pace of product development and order cycle through effective supply chain management.

Concerning the Group's future strategies, Mr Li stated, "the 2008 Beijing Olympic Games will significantly enhance public awareness of, and interest in, sports and fitness among the general public in the PRC, and thus stimulating the demand for sporting goods. The Group believes that, as a premier national sports brand in the PRC with solid business infrastructure, the Group is set to benefit from these market potentials. Leveraging on the core competitive edges, it is expected that by elevated product development capability, innovative ideas and improved application of proven technology, our product standard and performance will be further upgraded. We will also formulate branding and marketing strategies to create a unique market position of the LI-NING brand through differentiating it from the peers in market positioning, core consumers, price and types of sports. The management strives to create quality sporting goods for consumers, to foster a spirit of satisfaction and dedication for employees and generate greater returns for shareholders and investors by leveraging the Group's competitive edges.

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Li Ning Company Limited is one of the leading sports brand enterprises in the PRC. We have our own branding, research, design, manufacturing, distribution and retail capabilities. Our products include sports footwear, apparel and accessories for sport and leisure use primarily sold under the LI-NING brand, which is owned by us, and the KAPPA brand, which is exclusively licensed to us for use in the PRC and Macau. We have established an extensive distributorship and retail network in the PRC market.

For further information, please contact:

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