



# LI NING COMPANY LIMITED

( 李寧有限公司 )

(Incorporated in the Cayman Islands with limited liability)

[For Immediate Release]

## Li Ning Announces 2005 Interim Results

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### Profit Attributable to Equity Holders Surged by 42.6% to RMB 78.3 Million

#### Financial Highlights

	For the six months ended 30 June		Change (%)
	2005 RMB Million	2004 RMB Million	
Turnover	<b>1,104.3</b>	788.6	+40.0
Gross profit	<b>530.6</b>	361.5	+46.8
Profit attributable to equity holders	<b>78.3</b>	54.9	+42.6
Basic earnings per share (RMB cents)	<b>7.65</b>	7.28	+5.2
Interim dividend (RMB cents)	<b>2.30</b>	Nil	N/A

(25 August 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 unaudited interim results for the six months ended 30 June 2005.

During the period under review, turnover amounted to approximately RMB 1,104.3 million, an impressive growth of 40.0% as compared with the corresponding period the previous year. The significant growth in turnover was mainly attributable to the expansion of sales channels, the enhancement in product diversification and the strengthening of advertising and promotional efforts. Profit attributable to equity holders surged by 42.6% to approximately RMB 78.3 million. Basic earnings per share was RMB 7.65 cents (1H2004: RMB 7.28 cents).

The Board of Directors declared the payment of an interim dividend of RMB2.30 cents per share for the six months ended 30 June 2005. (1H2004: nil)

Commenting on the encouraging interim results, Mr Li Ning, Chairman of the Group, said, “The first half of 2005 showed very encouraging performance which was primarily attributed to the success of our growth strategy. Alongside our listing on the Main Board of the Stock Exchange of Hong Kong, we strengthened the LI-NING brand awareness and customer loyalty while enhancing our product design and development capabilities. With our continual efforts, we successfully improved our supply chain management and operating efficiency.”

For the six months ended 30 June 2005, the launching of new styles in footwear and apparel products boosted sales. In particular, significant improvements in footwear designs combined with a realignment of the pricing of major products and reinforced product marketing efforts led to a strong growth of 54.0%. The sales growth of apparel products was 42.8%. Sales of accessories decreased by 7.9% over the corresponding period last year as a result of the Group's reduced emphasis on accessories.

As a result of the rapid expansion of sales channels and rollout of numerous new products, sales of the LI-NING brand during the six months ended 30 June 2005 rose by 36.0% over the corresponding period last year.

During the first half of the year, the Group continued to pursue its expansion strategy in its domestic sales channels and distribution infrastructure. As at 30 June 2005, the Group owned a total of 117 directly-managed retail outlets and 253 concession counters in major provinces and cities in the PRC, and had over 330 distributors operating over 3,012 franchises for the LI-NING and KAPPA brands all over China. During the period, there was a net increase of 495 new stores, bringing the total number of stores under the Group to 3,382. The Group's brand image and identity was greatly enhanced with the opening of spacious flagship stores featuring stylish displays and interiors in prime locations in major cities in China, such as the newly opened 1,600 sqm store at Jie Fang Road in Wuhan, the 880 sqm store at Zhong Shan Road in Xiamen and the 436 sqm store at East main street in Xi'an.

The Group's Beijing LI-NING brand promoted itself by utilizing the extensive marketing and media resources of the National Basketball Association ("NBA") in the PRC market. To enhance public awareness of its new products, the Group managed to launch the "Li-Ning Netease Sports Channel", an information exchange platform for the Internet population featuring professional, comprehensive coverage of sports news. The channel will portray the power of sports through the Internet and accomplish the idea of "Anything is possible".

The Group continued to expand its range of sporting supplies to cater for the needs of different users. In the first half of 2005, the Group launched various specialized footwear series for distinct sports categories such as running, basketball, soccer, tennis and fitness, etc. The new basketball shoes “TopGun” series and the professional “Tie” series soccer boots designed in honour of Chinese soccer star Li Tie, received overwhelming market response. Additionally, the Group recently launched its “RUN FREE” ultra-light running shoes with internationally advanced air-flow standards in the PRC. The new product was well received by customers with highly positive response due to its internationally advanced air-flow standards.

For the six months ended 30 June 2005, an integrated supply chain management system was implemented for all franchised and directly-managed retail outlets of the Group to provide centralized procurement, inventory and logistics services. As a result of effective supply chain management, the Group managed to respond to market changes in a more efficient and flexible manner during the period.

On the Group’s future strategies, Mr Li stated, “The 2008 Beijing Olympic Games are set to cultivate amongst the Chinese public a strong passion and motivation for sporting activities, which will hopefully be translated into demand for sporting goods. The Group believes that, as a premium sports brand in the PRC with solid business and financial infrastructure, the Group will benefit from these favourable market potentials. Meanwhile, we will continue to build on our current strengths in sales network coverage and develop core competitive strengths in product research and brand marketing to match our sporting goods conglomerate. We endeavour to make major progress in our core strengths to compete internationally by the end of 2008. Lastly, by fully leveraging on our competitive strengths, the management is committed to launching premium sporting goods for customers, fostering job satisfaction for its employees and generating lucrative returns for shareholders and investors.”

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