



Release
the **Power**





Mr. LI Ning, *Chairman*

Dear Shareholders,

I am delighted to report to you the encouraging annual results of Li Ning Company Limited and its subsidiaries for its second year as a publicly-listed entity.

ANOTHER YEAR OF SOLID GROWTH

Fuelled by a favourable market environment characterized by continued economic growth, rising consumer purchasing power and the growing popularity of sports activities in the PRC, the Group continued to make remarkable strides on all fronts in 2005. In solidifying our position at the forefront of the PRC's sports goods industry, we placed strong emphasis on three core areas that are crucial to our success: superior brand building and marketing strategies, inspiring product design and development capabilities, and flexible and efficient supply chain management.

Leveraging on our extensive network and resources in the PRC's sports goods industry, the Group implemented a range of high value-creating marketing initiatives that effectively increased awareness of the LI-NING brand. Our dedicated research and development efforts enriched our product offer. The diversified product range offers a wide selection for professional athletes and sports lovers, as well as consumers who are fond of fashionable sportswear. In addition, the Group implemented centralized supply chain management which helped reducing the lead time from product development to market rollout and accelerating both our response time and our time to market.

I am pleased to see that the Group's accomplishments were recognized by the investment community and reflected positively in our share price performance. Additional acknowledgement of our success was evidenced by the Company's inclusion as a constituent stock of the Hang Seng Composite Index Series and the Hang Seng Freefloat Index Series, as well as the MSCI China Index Series, during the year under review.

FINANCIAL RESULTS

For the year ended 31 December 2005, the Group's consolidated turnover rose by 30.5% to RMB2,450.5 million (2004: RMB1,878.1 million), while profit attributable to equity holders surged by 52.6% to RMB186.8 million (2004: RMB122.4 million). Basic earnings per share also increased to RMB18.25 cents (2004: RMB13.78 cents).

In view of the strong business growth and solid financial position, the Board of Directors has proposed a final dividend payment of RMB5.00 cents per ordinary share (2004: RMB4.57 cents) to Shareholders.

STRATEGIC ALLIANCES

Our core brand, LI-NING, is the cornerstone of our success. The Group embarked on multi-faceted brand building initiatives that leverage on our comprehensive network and substantial resources in the sports goods industry. The fostering of alliances with acclaimed brands also contributed to establishing a presence for the LI-NING brand in the international arena. An example of this is our three-year strategic marketing alliance with NBA, inaugurated in January 2005. To further enhance the LI-NING brand image on the world stage, the Group proudly announced an agreement with NBA star Damon Jones of the Cleveland Cavaliers in January 2006. This pivotal event established LI-NING's unique foothold as the first-ever Chinese sports goods brand to be featured in globally televised NBA league games and represented a major milestone for both the Group's and the PRC's sports goods industry as a whole. And on top of that, in March 2006, we announced a seven-year official marketing partnership with ATP, the world's premier men's professional tennis tournament association, to further strengthen our foothold in the professional tennis arena, in the PRC and internationally.



MULTI-BRANDING STRATEGY

The Group endeavours to be a leader in the PRC's sports goods industry and a premier operator and owner of sports goods brands, with a strong product portfolio. The Group's ambition is to further develop long-term relationships with reputable sports goods brands through facilitating their introduction to the rapidly growing PRC market. Our cooperation with the French outdoor sports goods brand "AIGLE" is an example of the Group's acumen in fulfilling this objective. The Group entered into a landmark 50-year agreement with AIGLE for the formation of a 50-50 joint venture which exclusively markets and distributes "AIGLE" brand products in Mainland China. Not only did this move broaden the Group's brand portfolio, but it also contributed to developing a new revenue stream.

The Group will continue to leverage on its expertise in the PRC's sports goods retailing industry to seek mutually beneficial partnerships, and ultimately develop itself into a multi-brand operator with a portfolio of superior brands.

PERFECTLY PLACED TO BENEFIT DURING THE RUN-UP TO THE BEIJING 2008 OLYMPICS

Going forward, the Beijing 2008 Olympic Games is expected to create an unprecedented wave of interest in sports. The Group is well positioned to be a beneficiary of this positive trend. With an extensive nationwide retail distribution network comprising 3,373 stores (2004: 2,622 stores) of the LI-NING brand as at 31 December 2005, and armed with a carefully planned sponsorship strategy, the Group believes that it has a solid foundation from which to capture opportunities arising during the run-up to the Beijing 2008 Olympics.

PROFESSIONALLY DESIGNED PRODUCTS PAVE THE WAY FOR FUTURE GROWTH

In realizing the motto that "Anything is Possible", the Group employs a team of highly competent research and development professionals complemented by cooperation with international partners. The consummation of these resulted in the introduction of professional calibre products featuring innovative designs that were well-received by our customers.

On the product development front, the Group will deploy resources to engineer footwear products for five major sports that offer the most attractive potential in the PRC, namely running, basketball, soccer, tennis and fitness. Catering to the needs of different customers, the Group not only offers professional products to athletes and sports lovers, but also designs and develops a range of related products in trendy styles.

STEERED BY A COMMITTED BOARD AND MANAGEMENT TEAM

The Group takes pride in its Board of Directors and senior management team, who endeavour to uphold a high level of corporate governance, provide a sound management framework to drive the Group's development, effectively manage business risks and fulfill its commitment to maximize Shareholders' value.

A WORD OF APPRECIATION

I would like to take this opportunity to express my sincere gratitude to all members of the Board for their invaluable contribution during the year. I would also like to thank our shareholders, suppliers, business partners and customers for their loyal support. I am extremely grateful for the hard work of our staff throughout the year. We could not have made such remarkable strides without all of you on our side.

I am confident that the Group will continue to deliver steady growth in the years ahead, and I look forward to sharing with our shareholders the fruits of our success.

LI Ning

Chairman

Hong Kong, 22 March 2006