



A DISTINCTIVE CORPORATE CULTURE

We believe that a good corporate culture is an indispensable element for nurturing high-calibre employees. Being a professional sports goods enterprise, we advocate sports and the spirit of sports. We endeavour to achieving our mission of “Through sports, we inspire people the desire and power to make breakthroughs”. We look forward to fulfilling our vision of becoming “A world’s leading brand in the sports goods industry”. We believe in “Integrity, professionalism, passion, breakthroughs and trust” as our core values. With these core believes, the Group has strengthened itself over the years, and so has its workforce. We deeply believe that talent is an invaluable asset to the Company and we are pleased to see that our combined efforts in offering a good working environment, a wide range of training and personal development programs, as well as an attractive remuneration package, have enabled us to retain a team of talented workforce that fully appreciates the Group’s corporate culture.

The Group organizes an array of activities so that each and every individual staff can effectively experience the culture advocated by the Company. The theme activities held during the year under review included 2005 Corporate Games, 15th Anniversary Celebration, Product Culture Festival, Christmas family activities and Innovation Contest. As a result of these activities, we develop mutual trust among staff and generate the enthusiasm and conviction to motivate all staff to contributing towards a

common goal. In addition, the Group has set up 15 staff clubs throughout the PRC with sports facilities for soccer, basketball, tennis, running, gymnasium exercises, table tennis, badminton, golf, swimming and other outdoor activities. These clubs enabled our employees to experience the spirit of sports and the passion and power of sports activities. They provide the drive and motivation for the staff, bringing the potential of individuals and teams into full play. We take pride to announce that these efforts had earned us two major recognitions:

- on 17 November 2005, the Company was honored as “The 2005 WorkChina™ Best Company to Work For” in a survey jointly organized by Watson Wyatt and Fortune Magazine (Chinese Edition) on employees commitment to the enterprises they work for in the PRC; and
- the Company was also nominated as a “二零零五年度最佳僱主”(“2005 Best Employer”) in a survey organized by the Economic Channel of CCTV in the PRC.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2005, the Group had about 2,890 employees (31 December 2004: 4,402 employees). The decrease in the number of employees was mainly due to the outsourcing of sales activities which led to a reduction in sales staff during the year under review.

The Group endeavours to motivate staff with a performance-based remuneration system. On top of basic salary, staff with outstanding performances are rewarded with bonuses in the form of cash, share options, honorary awards, or a combination of these. These effectively align the benefits of the staff with the growth of the Group.

In addition, the Company entered into cooperation with internationally acclaimed human resources management consultants such as Watson Wyatt, Mercer Human Resource Consulting and Towers Perrin, in respect of long-term enhancement of the Group’s incentive system. We are confident that our remuneration system is competitive in retaining quality staff.

COMPREHENSIVE LEARNING AND DEVELOPMENT SYSTEM

The Group has always positioned itself as an organization that advocates lifetime learning. While a good corporate culture provides employees with good working environment and atmosphere, a comprehensive learning and development system provides the staff with paths and opportunities for further development.

During the year under review the Group implemented an all-round internal learning and development system that encompassed various trainings including leadership and management skills, job-related professional skills and personal development. A total of 1,627.1 days of training in connection with the adaptation of corporate culture, leadership and management skills were provided to the Group’s core management members. On the basis of a core management team of 204 staff, the average training time per capita was 8.0 days. On the other hand, a total of 5,172.3 days of training in connection with the adaptation of corporate culture, professional knowledge and skills were provided to the Group’s management and technical staff. On the basis of 690 staff in this group, the average training time per capita was 7.5 days.

SOCIAL RESPONSIBILITY

In the course of its relentless pursuit for brand excellence, the Group is also committed to undertaking responsibilities and obligations as a member of the community by contributing to the society.

The Group has been actively involved in sports welfare activities since its inception. Resources have been deployed to promote the following three major types of activities:

- sports and sports-related activities;
- educational activities; and
- activities that promote a green environment.

Internally, as a socially responsible corporate citizen, the Company has used its best endeavour in realizing the ideal of a “Green Earth” by strongly advocating the use of environmental-friendly materials to reduce and avoid pollution.

Externally, the Company has been a keen supporter for the setting up of 中華體育基金會 (China Sports Foundation). It started participating in the charitable “Lifeline Express” and construction of 李寧希望小學 (Li Ning Hope Primary School) in 2003 and 2005, respectively. The Company will further deploy resources on sports welfare and youth development charitable activities. The Company will continue to play an active role in the participation, and promote staff voluntary participation, in various other charitable and fund-raising activities. On-site visits will also be arranged for our employees with an aim of cultivating their sense of social responsibility and fulfilling the obligations of the Company as a corporate member of the community. The sense of social responsibility of our staff can be reflected in their voluntary participation in bone marrow and blood donation in 2005.

The Company took part in the following charitable events in 2005:

- In January 2005, the Company’s staff made donations to the tsunami victims in Southeast Asia through the National Headquarters of the Red Cross Society of China;
- In July 2005, to mark its 15th Anniversary, the Company sponsored all the clothes of the 西藏光明行 (Tibet Sunlight Tour) campaign with four of its staff joining the program as a gesture of its compassion for the community;
- In August 2005, the Company successfully raised RMB260,000 from its staff through an internal fund-raising campaign for 李寧希望小學 (Li Ning Hope Primary School). The funds raised will be used for improving facilities of 李寧希望小學 (Li Ning Hope Primary School) in Hebei and Guangxi;
- In November 2005, the Company donated sportswear, footwear and athletic equipment to 黃庄小學 (Huangzhuang Primary School), a school attended by children of workers in Beijing, to help realize their athletic dreams; and
- In December 2005, the Company made donations in kind of over RMB13 million to areas suffering from disasters and poverty through the National Headquarters of the Red Cross Society of China.

The Group will continue to deploy resources in supporting welfare activities and commit to contributing towards developing a harmonious society.