



## Chairman's Statement

# LI-NING. Flying high in China sports.



Dear Shareholders,

I am extremely pleased to report to you the first set of annual results of Li Ning Company Limited (the "Company") and its subsidiaries (collectively the "Group") as a publicly-listed company. Year 2004 was a tremendously successful year for us. The contributions made by all our staff marked several distinguished accomplishments in our corporate development history.

The Group made remarkable progress in its business development, greatly enhancing its brand awareness and reputation, enriching its product offering, developing cutting edge production technology and expanding its sales network. In addition, the Company's debut listing on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 28 June 2004 received overwhelming positive response from the international capital markets. Net proceeds of HK\$559.1 million were raised to strengthen the Group's financial position and to fund its future development. Since its listing, the Company has endeavoured to meet the highest levels of professional standards, including transparency to shareholders of the Company ("Shareholders") and best practices of corporate governance. I believe the positive share performance reflects investor confidence and trust in both the Group's business development strategy and its future outlook. The Company's reputation has further enhanced when it joined the Hang Seng Composite Index Series and the Hang Seng Free Float Index Series in January 2005.

For the year ended 31 December 2004, the Company delivered encouraging financial results. Consolidated turnover increased by 47.2% to RMB1,878.1 million, and net profit grew by 42.0% to



RMB133.4 million, compared to the previous year and exceeding the profit forecast set out in the Company's listing prospectus dated 15 June 2004 ("Listing Prospectus"). The Company further expanded its nationwide sales network to 2,887 outlets in the PRC during the year with the net addition of 742 outlets in 2004. We are enormously proud of these impressive accomplishments.

In view of the Group's strong business performance and sound financial position, the board of directors of the Company ("Board of Directors" or "Directors") has proposed a final dividend payment of RMB4.57 cents (equivalent to HK4.30 cents) per share to Shareholders.

Our mission is to be a trendsetter in China's sports industry and a leading operator and owner of sports brands that dominate the domestic market and compete with the world's renowned brands. The Group has equipped itself with several core competitive strengths to fulfill this corporate mission. It will continue to leverage on its leading, dynamic Chinese sports brand with extensive marketing promotion and sponsorship in China's sports industry to proactively participate in the sponsorship of domestic and international sports events. These initiatives have strengthened the reputation and awareness of the LI-NING brand. Furthermore, the Group's experienced team of professional managers has successfully extended its distribution and retail network deep into the most attractive consumer markets in China. Consequently, the Group has established an unparalleled distributorship and retail network to offer a one-stop comprehensive range of quality sporting products for consumers and capture a growing customer base, which is expected to generate attractive rewards for our Shareholders.



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During the year under review, the record-breaking performance of the Chinese Delegation to the 2004 Athens Olympic Games stimulated a massive sports fever in China, and further accelerated the development of the country's sports industry. The Company has sponsored four of China's gold medal winning Olympic teams, namely the Gymnastics, Table Tennis, Diving and Shooting Teams, as well as the uniforms for the entire Chinese Delegation during award ceremonies. In addition, the Company sponsored the France's National Gymnastic Team and the Spain's National Basketball Teams. As a result, the LI-NING brand achieved tremendous visibility in the premier sporting event in the world and brought the Company's brand to new heights.

To further improve the Group's brand image on the world stage, it entered into a three-year strategic marketing promotion partnership agreement with the National Basketball Association (NBA) in January 2005. This momentous move marks a breakthrough for both the Company and the Chinese sporting industry in terms of international cooperation as well as brand building.

In recent years, China's economic growth has been impressive. Increased consumer spending has cultivated a favourable operating environment for the Group. The upcoming 2008 Beijing Olympics has further increased the country's awareness and interest in sports, prompting greater enthusiasm and demand for sports products, and in turn, offering tremendous growth opportunities for the Group. Furthermore, the Beijing Olympics is expected to have a positive effect on the sports industry in the long-term, well beyond 2008.

Going forward, the Group will seize upon new market opportunities to meet its revenue and profit targets. The Group's professional management team will work aggressively to solidify its retail and distribution network position, by leveraging its leading brand image, unique market position, and extensive product offerings. The Group will continue to tap new markets and maintain a rapid pace of development. Meanwhile, the Group strives to foster the development of new and advanced technologies by strengthening its cooperation with international professional associations and drawing on the strengths of its design and R&D centre in Hong Kong. Bolstered by a corporate culture that actively promotes innovation, the Group is committed to developing new products with cutting-edge features, enhancing the quality of its sports products and successfully catering to the needs of this growing and dynamic market.



The Board of Directors and the Audit Committee are committed to working closely with the entire crew of the Company to develop business strategies and set objectives for the Group. This includes the creation of a management framework that enables the management to better control and balance business risks. The Company is striving to achieve excellence in corporate governance and fairness in decision making to the highest level of transparency. We are committed to maintaining an open dialogue with Shareholders and investors alike.

The Group is proud of its Board of Directors who exemplify the highest professional standards. Spearheaded by the members of this visionary Board, I am confident that the Company will continue to grow and prosper. I would like to take this opportunity to express my heartfelt gratitude to all members of the Board for their invaluable advice during the year. I would also like to thank our Shareholders for their support, and our customers for their loyalty. Without doubt, pivotal to our success is the endeavour and hard work of our staff, and to them, I am extremely grateful. LI-NING will in the future make every effort to attract and retain the best talent to enable the Company to grow and prosper.

Pioneering in China's sports industry and determined to develop an internationally recognised sports brand, we will continue to strive to achieve our corporate motto of "LI-NING. Flying high in China sports.". We are also dedicated to creating value for our customers while also consistently delivering attractive returns to our Shareholders.

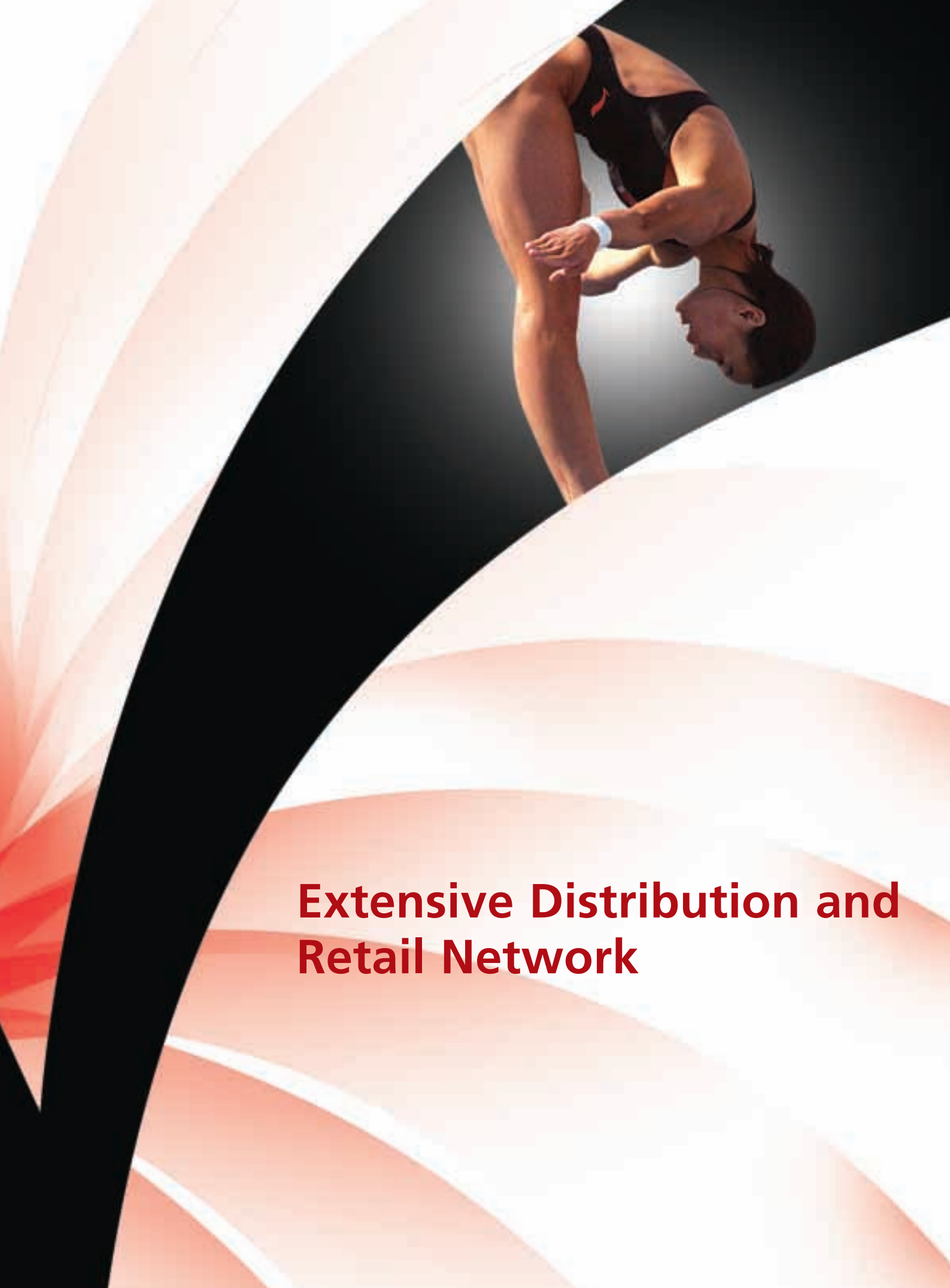
## **Li Ning**

*Chairman*

Hong Kong, 29 March 2005







**Extensive Distribution and  
Retail Network**