

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB2.30 cents (equivalent to HK2.21 cents) per ordinary share for the six months ended 30 June 2005 (2004: Nil). The translation of RMB into Hong Kong dollars is made at the rate of HK\$1.00 = RMB1.0418, being the official exchange rate of RMB against Hong Kong dollars as quoted by the People's Bank of China on 25 August 2005. The dividend will be payable on or about 30 September 2005 to the shareholders whose names appear on the register of members of the Company on 23 September 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 20 September 2005 to Friday, 23 September 2005 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 16 September 2005.

CONNECTED TRANSACTIONS

Continuing connected transactions

For the six months ended 30 June 2005, the Group had the following transactions which constituted continuing connected transactions under the Listing Rules:

1. Sports organizing and promotion framework agreement (“Sports Organizing Agreement”) between Beijing Li Ning and 北京一動體育發展有限公司 (Beijing Edo Sports Development Co., Ltd.) (“Beijing Edo Sports”)

Beijing Edo Sports is a limited company established in the PRC, which is owned as to 80% by 上海寧晟企業管理有限公司 (Shanghai Ning Sheng Corporate Management Co., Ltd.) (“Shanghai Ning Sheng”). By reason of the interests of Mr. Li Ning (an executive director and chairman of the Company) and his family members in Shanghai Ning Sheng, Beijing Edo Sports is an associate of Mr. Li Ning and, hence, a connected person of the Company for the purposes of the Listing Rules.

Beijing Li Ning entered into the Sports Organizing Agreement dated 1 January 2004 with Beijing Edo Sports for a term of three years commencing from 1 January 2004, under which Beijing Li Ning engaged Beijing Edo Sports to carry out joint promotion of sports events in return for organizing fees payable to Beijing Edo Sports.

Payments from Beijing Li Ning to Beijing Edo Sports for the six months ended 30 June 2005 amounted to an aggregate of RMB2,170,000, which was below the relevant annual cap approved by the Hong Kong Stock Exchange.



2. Non-exclusive distributorship arrangement of KAPPA branded products by 北京動感九六體育用品有限公司 (Beijing Dong Gan Jiu Liu Sporting Goods Co., Ltd.) (“Dong Gan Jiu Liu”)

Dong Gan Jiu Liu is a limited company established in the PRC, which is owned as to 70% by Mr. Chen Yi Liang (a brother of Mr. Chen Yi Hong, an executive director of the Company) and as to 30% by a company beneficially owned by the family members of Mr. Chen Yi Hong. Dong Gan Jiu Liu is an associate of Mr. Chen Yi Hong and, hence, a connected person of the Company for the purposes of the Listing Rules.

On 1 January 2004, Beijing Dong Xiang (as supplier), a subsidiary of the Company, and Dong Gan Jiu Liu (as non-exclusive distributor) entered into a non-exclusive distributorship framework agreement for the sale of KAPPA branded products for a term of three years commencing from 1 January 2004.

Transaction value for the distribution of licensed products between Beijing Dong Xiang and Dong Gan Jiu Liu for the six months ended 30 June 2005 amounted to an aggregate of RMB9,663,000, which was below the relevant annual cap approved by the Hong Kong Stock Exchange.

3. Non-exclusive distributorship arrangement of LI-NING branded products by 北京動感競技經貿有限公司 (Beijing Dong Gan Jing Ji Trading Co., Ltd.) (“Dong Gan Jing Ji”)

Dong Gan Jing Ji is a limited liability company established in the PRC, which is owned as to 60% by Mr. Chen Yi Liang and 40% by Mr. Chen Yi Yong. Both of Mr. Chen Yi Liang and Mr. Chen Yi Yong are brothers of Mr. Chen Yi Hong, an executive director of the Company. Dong Gan Jing Ji is an associate of Mr. Chen Yi Hong and, hence, a connected person of the Company for the purposes of the Listing Rules.

On 1 January 2004, Beijing Li Ning (as supplier) and Dong Gan Jing Ji (as non-exclusive distributor) have entered into a non-exclusive distributorship agreement for the sale of LI-NING branded products at a retail shop in Beijing for a term of three years commencing from 1 January 2004.

Transaction value for the distribution of products between Beijing Li Ning and Dong Gan Jing Ji for the six months ended 30 June 2005 amounted to an aggregate of RMB345,000, which was below the relevant annual cap approved by the Hong Kong Stock Exchange.

Disposal of Beijing Dong Xiang

On 30 June 2005, Shanghai Yue Ao, a subsidiary of the Company, agreed to transfer its entire 80% equity interest in Beijing Dong Xiang to Shanghai Tai Tan for a consideration of RMB8,614,000. Shanghai Tai Tan is a company owned as to 93% by Mr. Chen Yi Hong (an executive director of the Company) and his spouse and is therefore a connected person of the Company under the Listing Rules. Concurrent with such disposal, Shanghai Li Ning, a subsidiary of the Company, agreed to assign all its rights in the outstanding debts in the sum of RMB36,200,000 owed to it by Beijing Dong Xiang to Shanghai Tai Tan for a consideration of RMB36,200,000.

The transaction was approved by independent shareholders of the Company at the extraordinary general meeting held on 11 August 2005. Upon completion of such disposal, Beijing Dong Xiang would cease to be a subsidiary of the Company. Please refer to pages 16 and 17 of this interim report for more information of such disposal.

EMPLOYEE SHARE OPTION SCHEMES

1. Employee Share Purchase Scheme

Details of the ESP Scheme of Alpha Talent, a company owned by Mr. Li Ning, a substantial shareholder and chairman of the Company, are set out in Note 22(a) to the unaudited interim financial information. During the six months ended 30 June 2005, no options were granted or exercised under the ESP Scheme. Details of movements of share options under the ESP Scheme during the period are as follows:

	Number of share options as at 1 January 2005	Number of share options lapsed during the period	Number of share options as at 30 June 2005	Exercise price HK\$	% of options	Vesting date	Exercise period
Executive Directors							
Mr. Zhang Zhi Yong	9,750,000	—	9,750,000	0.43	40	28 December 2004	28 December 2004 to 8 June 2010
					30	28 December 2005	28 December 2005 to 8 June 2010
					30	28 December 2006	28 December 2006 to 8 June 2010
Mr. Tan Wee Seng	2,700,000	—	2,700,000	0.86	50	28 December 2004	28 December 2004 to 8 June 2010
					50	28 December 2005	28 December 2005 to 8 June 2010
Mr. Chen Yi Hong	750,000	—	750,000	0.86	50	28 December 2004	28 December 2004 to 8 June 2010
					50	28 December 2005	28 December 2005 to 8 June 2010
Other employees of the Group							
In aggregate	11,430,000	—	11,430,000	0.86	50	28 December 2004	28 December 2004 to 8 June 2010
					50	28 December 2005	28 December 2005 to 8 June 2010
	24,630,000	—	24,630,000				



2. Pre-IPO Share Option Scheme

Details of the Pre-IPO Share Option Scheme of the Company are set out in Note 22(b) to the unaudited interim financial information. During the six months ended 30 June 2005, no options were exercised under the Pre-IPO Share Option Scheme. Details of movements of share options under the Pre-IPO Share Option Scheme during the period are as follows:

	Number of share options as at 1 January 2005	Number of share options lapsed during the period	Number of share options as at 30 June 2005	Exercise price <i>HK\$</i>	% of options	Vesting date	Exercise period
Executive Directors							
Mr. Zhang Zhi Yong	1,597,000	—	1,597,000	1.8275	33.3	28 June 2005	28 June 2005 to 5 June 2010
					33.3	28 June 2006	28 June 2006 to 5 June 2010
					33.4	28 June 2007	28 June 2007 to 5 June 2010
Mr. Tan Wee Seng	1,287,000	—	1,287,000	1.8275	33.3	28 June 2005	28 June 2005 to 5 June 2010
					33.3	28 June 2006	28 June 2006 to 5 June 2010
					33.4	28 June 2007	28 June 2007 to 5 June 2010
Other employees of the Group							
In aggregate	12,757,000	(408,000)	12,349,000	1.8275	33.3	28 June 2005	28 June 2005 to 5 June 2010
					33.3	28 June 2006	28 June 2006 to 5 June 2010
					33.4	28 June 2007	28 June 2007 to 5 June 2010
	15,641,000	(408,000)	15,233,000				

3. Share Option Scheme

Details of the Share Option Scheme of the Company are set out in Note 22(c) to the unaudited interim financial information. As at 30 June 2005, no option was granted by the Company under the Share Option Scheme.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the interests and short positions of the Directors in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Mr. Li Ning

	Number of Shares held	Type of interest	Approximate % in total issued share capital
Interest in the Shares			
<i>Long position</i>			
— Shares	405,424,000	Corporate	39.63
<i>Short position</i>			
— Shares	25,230,000	Corporate	2.47

Note: Mr. Li Ning is taken to be interested in an aggregate of 405,424,000 Shares held by Victory Mind Assets Limited, Champion Link Capital Limited and Alpha Talent Management Limited respectively as follows:

- (a) 220,174,000 Shares are held by Victory Mind Assets Limited which is owned as to 62.106% by Mr. Li Ning and 37.894% by Mr. Li Chun, the brother of Mr. Li Ning. Mr. Li Ning is taken to be interested in 220,174,000 Shares that Victory Mind Assets Limited is interested.
- (b) 150,000,000 Shares are held by Champion Link Capital Limited. The entire interest in Champion Link Capital Limited is held by Dragon City Management Limited in its capacity as trustee of the Three-River Unit Trust, which is a unit trust, the units of which are owned as to 60% by Cititrust (Cayman) Limited as trustee of the Palm Trust and as to 40% by Cititrust (Cayman) Limited as trustee of the Gingko Trust. Both of the Palm Trust and the Gingko Trust are irrevocable discretionary trusts, the objects of which include the respective family members of Mr. Li Ning and his brother, Mr. Li Chun. Mr. Li Ning is the settlor of the Palm Trust and is taken to be interested in 150,000,000 Shares that Champion Link Capital Limited is interested.
- (c) 35,250,000 Shares are held by Alpha Talent Management Limited, which is established and solely owned by Mr. Li Ning for the purpose of holding the relevant Shares under the ESP Scheme of Alpha Talent Management Limited. Mr. Li Ning is taken to be interested in 35,250,000 Shares that Alpha Talent Management Limited is interested.

Mr. Li Ning is taken to have a short position in 25,230,000 Shares, among the total of 35,250,000 Shares, held by Alpha Talent Management Limited in the Company. As at 30 June 2005, Alpha Talent Management Limited had granted options to purchase 25,230,000 Shares pursuant to the ESP Scheme and no options had been exercised to subscribe for such shares under the ESP Scheme. Mr. Li Ning is the sole shareholder of Alpha Talent Management Limited, a controlled corporation of Mr. Li Ning, he is thus taken to have a short position in the 25,230,000 Shares.



Mr. Zhang Zhi Yong

	Number of Shares/options held	Type of interest	Approximate % in total issued share capital
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Interest in the Shares*Long position*

— Shares and options	15,047,000	Personal	1.47
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Note: Mr. Zhang Zhi Yong is taken to be interested in an aggregate of 15,047,000 Shares. In addition to the 3,700,000 Shares held upon completion of the share offer of the Company in June 2004, Mr. Zhang Zhi Yong is also taken to be interested as a grantee of option to purchase 9,750,000 Shares under the ESP Scheme and options to subscribe for 1,597,000 Shares under the Pre-IPO Share Option Scheme.

Mr. Tan Wee Seng

	Number of options held	Type of interest	Approximate % in total issued share capital
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Interest in the Shares*Long position*

— Options	3,987,000	Personal	0.39
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Note: Mr. Tan Wee Seng is interested in an aggregate of 3,987,000 Shares. He is taken to be interested as a grantee of options to purchase 2,700,000 Shares under the ESP Scheme and options to subscribe for 1,287,000 Shares under the Pre-IPO Share Option Scheme.

Mr. Chen Yi Hong

	Number of options held	Type of interest	Approximate % in total issued share capital
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Interest in the Shares*Long position*

— Shares and options (Note 1)	17,676,000	Personal, family	1.73
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Interest in associated corporation — 北京動向體育發展有限公司 Beijing Dong Xiang Sports Development Co., Ltd. (“Beijing Dong Xiang”)

	Number of shares held	Type of interest	Approximate % in total registered capital
<i>Long position</i>			
— Equity interest (Note 2)	—	Corporate	20

Notes:

1. Mr. Chen Yi Hong is interested in 14,476,000 Shares registered in his name and is additionally taken to be interested in the 2,450,000 Shares registered in the name of his wife, Ms. Liu Pei Ying. Mr. Chen Yi Hong is also taken to be interested as a grantee of options to purchase 750,000 Shares under the ESP Scheme.
2. The registered capital of Beijing Dong Xiang is held as to 20% by Shanghai Lei De Sports Development Co., Ltd., which a controlled corporation of Mr. Chen Yi Hong. As Beijing Dong Xiang is a limited liability company established in the PRC with its issued capital represented by equity interest, Mr. Chen Yi Hong's interest in Beijing Dong Xiang is represented by a percentage of the equity interest and not by shares.

On 11 August 2005, the independent shareholders of the Company approved the Group's disposal of its entire 80% equity interest in Beijing Dong Xiang to a company controlled by Mr. Chen Yi Hong. Upon completion of such disposal, Beijing Dong Xiang would cease to be a subsidiary of the Company. Please refer to pages 16 and 17 of this interim report for details of such disposal.

Save as disclosed above, so far as was known to any Director, as at 30 June 2005, none of the Directors or chief executives of the Company had any interest or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, the register of substantial shareholders maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Name of shareholder	Number of Shares held	Capacity	Type of interest	Approximate % in total issued share capital
Li Chun (Note 1)	370,174,000 (Long position)	Interest of controlled corporation	Personal	36.18
Victory Mind Assets Limited (Note 1(a))	220,174,000 (Long position)	Beneficial owner	Corporate	21.52
Champion Link Capital Limited (Note 1(b))	150,000,000 (Long position)	Beneficial owner	Corporate	14.66

Name of shareholder	Number of Shares held	Capacity	Type of interest	Approximate % in total issued share capital
Dragon City Management Limited (Note 1(b))	150,000,000 (Long position)	Trustee	Corporate	14.66
Cititrust (Cayman) Limited (Note 1(b))	150,000,000 (Long position)	Trustee	Corporate	14.66
Tetrad Ventures Pte. Ltd. (Note 2)	149,737,500 (Long position)	Beneficial owner	Corporate	14.64
Government of Singapore Investment Corporation (Ventures) Pte. Ltd. (Note 2)	149,737,500 (Long position)	Interest of controlled corporation	Corporate	14.64
GIC Special Investments Pte. Ltd. (Note 2)	149,737,500 (Long position)	Interest of controlled corporation	Corporate	14.64
Government of Singapore Investment Corporation Pte. Ltd. (Note 2)	149,737,500 (Long position)	Interest of controlled corporation	Corporate	14.64
Minister of Finance (Incorporated) (Note 2)	149,737,500 (Long position)	Interest of controlled corporation	Corporate	14.64
JPMorgan Chase & Co	48,686,000 (Long position)	Investment manager	Corporate	4.76
	15,912,000 (Long position) (Note 3)	Custodian corporation/ Approved lending agent	Corporate	1.56
Fidelity International Limited	60,688,000 (Long position)	Investment manager	Corporate	5.93

Notes:

- Mr. Li Chun is taken to be interested in an aggregate of 370,174,000 Shares held by Victory Mind Assets Limited and Champion Link Capital Limited, respectively, as follows:
 - 220,174,000 Shares are held by Victory Mind Assets Limited which is owned as to 37.894% by Mr. Li Chun, and 62.106% by Mr. Li Ning, the brother of Mr. Li Chun. Mr. Li Chun is taken to be interested in 220,174,000 Shares that Victory Mind Assets Limited is interested; and
 - 150,000,000 Shares are held by Champion Link Capital Limited. The entire interest in Champion Link Capital Limited is held by Dragon City Management Limited in its capacity as trustee of the Three-River Unit Trust, which is a unit trust, the units of which are owned as to 60% by Cititrust (Cayman) Limited as trustee of the Palm Trust and as to 40% by Cititrust (Cayman) Limited as trustee of the Gingko Trust. Both of the Palm Trust and the Gingko Trust are irrevocable discretionary trusts, the objects of which include the respective family members of Mr. Li Chun and his brother, Mr. Li Ning. Mr. Li Chun is the settlor of the Gingko Trust and is taken to be interested in the 150,000,000 Shares that Champion Link Capital Limited is interested.
- 149,737,500 Shares are held by Tetrad Ventures Pte. Ltd., a wholly-owned subsidiary of Government of Singapore Investment Corporation (Ventures) Pte. Ltd., which in turn is a wholly-owned subsidiary of Minister of Finance (Incorporated). Tetrad Ventures Pte. Ltd. is also an investment vehicle managed by GIC Special Investments Pte. Ltd., the private equity investment arm of Government of Singapore Investment Corporation Pte. Ltd., which in turn is a wholly-owned subsidiary of Minister of Finance (Incorporated).
- 15,912,000 Shares are held in the lending pool by JPMorgan Chase & Co.
- Mr. Li Ning is also a substantial shareholder of the Company. Please refer to the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" for the disclosure of interests of Mr. Li Ning.

Save as disclosed above, as at 30 June 2005, the Company has not been notified of any interests and short positions held by any substantial shareholders and other persons in the shares and underlying shares of the Company which is required to be recorded in the register kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance by continuing to review and enhance corporate governance practices. During the period, the Board has reviewed the Company's governance practices in the light of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules in force from 1 January 2005 and has taken action to comply with all the code provisions under the Code, including inter alia, the adoption of revised terms of reference for the Audit Committee and the Remuneration Committee as specified in the Code, the formation of a Nomination Committee and adoption of its written terms of reference as specified in the Code (which is being one of the recommended best practices under the Code). During the period, the Company has also engaged external professional adviser and initiated a project to review its financial, operational and compliance controls and risk management functions with a view to further enhance the effectiveness of the Group's internal control system. None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2005 unaudited interim financial information, in compliance with the applicable provisions of the Code.

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers issued by the Hong Kong Stock Exchange as its own code governing securities transactions of the Directors. Having made specific enquiry of all Directors, during the six months ended 30 June 2005, all the Directors complied with their obligations under the said model code regarding their dealings in the shares of the Company.

The Audit Committee of the Company, consisting of three non-executive Directors (two of whom are independent non-executive Directors), has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal control and financial reporting matters, including the review of the interim results for the six months ended 30 June 2005, with the management and the external auditors.



In addition, the Company's external auditors, PricewaterhouseCoopers, have performed an independent review of the interim financial information for the six months ended 30 June 2005 in accordance with the International Standards on Auditing applicable to review engagements issued by the International Federation of Accountants. On the basis of their review, which does not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention that causes them to believe that the interim financial information has not been properly prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

By order of the Board
Li Ning Company Limited
LI Ning
Chairman

Hong Kong, 25 August 2005

