

## Listed Company Information

LI NING<02331> - Results Announcement

Li Ning Company Limited announced on 25/08/2005:

(stock code: 02331 )

Year end date: 31/12/2005

Currency: RMB

Auditors' Report: N/A

Interim report reviewed by: Both Audit Committee and Auditors

	(Unaudited ) Current Period from 01/01/2005 to 30/06/2005 Note ('000 )	(Unaudited ) Last Corresponding Period from 01/01/2004 to 30/06/2004 ('000 ) (Restated-Note2)
Turnover	: 1,104,307	788,667
Profit/(Loss) from Operations	: 113,169	88,971
Finance income/(cost)	: 6,355	(1,957)
Share of Profit/(Loss) of Associates	: N/A	N/A
Share of Profit/(Loss) of Jointly Controlled Entities	: N/A	N/A
Profit/(Loss) after Tax & MI	: 78,313	54,903
% Change over Last Period	: +42.6 %	
EPS/(LPS)-Basic (in dollars)	: 0.0765	0.0728
-Diluted (in dollars)	: 0.076	N/A
Extraordinary (ETD) Gain/(Loss)	: N/A	N/A
Profit/(Loss) after ETD Items	: 78,313	54,903
Interim Dividend per Share (Specify if with other options)	: RMB2.30 cents : N/A	N/A N/A
B/C Dates for Interim Dividend	: 20/09/2005	to 23/09/2005 bdi.
Payable Date	: 30/09/2005	
B/C Dates for (-) General Meeting	: N/A	
Other Distribution for Current Period	: N/A	
B/C Dates for Other Distribution	: N/A	

Remarks:

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information is prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

This condensed financial information should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of this unaudited condensed financial information are consistent with those used in the annual accounts for the year ended 31 December 2004, except that the Group has changed certain of its accounting policies pursuant to a series of International Financial Reporting Standards ("IFRS") issued or revised by IASB which became effective for financial years beginning on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 and Note 3 below.

### 2. CHANGES IN ACCOUNTING POLICIES

In 2005, the Group adopted the following issued/revised IFRS that are relevant to the operations of the Group:

IAS 1 Presentation of Financial Statements  
 IAS 2 Inventories  
 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors  
 IAS 10 Events after Balance Sheet Date  
 IAS 16 Property, Plant and Equipment  
 IAS 17 Leases  
 IAS 21 The Effects of Changes in Foreign Exchange Rates  
 IAS 24 Related Party Disclosures  
 IAS 27 Consolidated and Separate Financial Statements  
 IAS 32 Financial Instruments: Disclosure and Presentation  
 IAS 33 Earnings per Share  
 IAS 39 Financial Instruments: Recognition and Measurement  
 IFRS 2 Share-based Payment  
 IFRS 3 Business Combination  
 IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

The adoption of IFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 January 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the profit and loss accounts of the respective periods.

The main impact of IFRS 2 on the Group is the expensing of share options granted under Employee Share Purchase Scheme and Pre-IPO Share Option Scheme. The effect of the change of policy has decreased the Group's profit for the period ended 30 June 2005 by RMB9,138,000 (2004: RMB1,269,000) as a result of increased staff costs, and a corresponding increase in equity's other reserve. In addition, such change of policy has decreased the basic and diluted earnings per share by RMB0.89 cent and RMB0.89 cent, respectively, for the six months ended 30 June 2005 (2004: decrease of basic earnings per share by RMB0.17 cent).

The adoption of the other standards as mentioned above, being IAS 1,2,8, 10,16,17,21,24,27,32,33,39, and IFRS 3 and 5 did not result in substantial changes to the Group's accounting policies, except that:

- IAS 1 has affected the presentation of minority interests and other disclosures.
- IAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- IAS 24 has affected the identification of related parties and some other related-party disclosures.

### 3. NEW ACCOUNTING POLICIES

- (a) Foreign currency translation
- (i) Functional and presentation currency

Items included in the financial information of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated accounts are presented in Renminbi, which is the functional currency of all entities comprising the Group and the presentation currency of the Company.

- (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

- (b) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

- (i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

- (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are included in accounts receivable and other receivables in the balance sheet.

- (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the six months ended 30 June 2005, the Group did not hold any investments in this category.

- (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realized and unrealized gains and

losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

(c) Share-based payment

The Group operates several equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

#### 4 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the six months ended 30 June 2005 of RMB78,313,000 (2004: RMB54,903,000) and the weighted average of 1,023,038,000 (2004: 753,891,000) shares issued during the period. The weighted average number of shares for six months period ended 30 June 2004 was based on the assumption that the current group structure had been in existence since 1 January 2004.

The calculation of diluted earnings per share for the six months ended 30 June 2005 is based on the Group's profit attributable to equity holders of the Company for the six months ended 30 June 2005 of RMB78,313,000 and the weighted average of 1,029,759,000 shares. The weighted average number of shares used in the calculation comprises the weighted average of 1,023,038,000 shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 6,721,000 shares assumed to have been issued at no consideration on the deemed exercise of options granted under the Company's Pre-IPO Share Option Scheme during the period.

Diluted earnings per share has not been calculated for the six months ended 30 June 2004 as no dilutive potential shares were in existence during the period.