Listed Company Information

LI NING<02331> - Results Announcement

Li Ning Company Limited announced on 22/03/2006:
(stock code: 02331)
Year end date: 31/12/2005
Currency: RMB
Auditors' Report: Unqualified

	Note	(Audited) Current Period from 01/01/2005 to 31/12/2005 ('000)	(Audited) Last Corresponding Period from 01/01/2004 to 31/12/2004 (As restated - Note 2) ('000)
Turnover		: 2,450,536	1,878,102
Profit/(Loss) from Operations		: 271,497	180,418
Finance income		: 1,954	821
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		: 186,800	122,414
% Change over Last Period		: +52.6 %	
EPS/(LPS)-Basic (in dollars)		: 0.1825	0.1378
-Diluted (in dollars)		: 0.1813	0.1375
Extraordinary (ETD) Gain/(Loss)		: N/A	N/A
Profit/(Loss) after ETD Items		: 186,800	122,414
Final Dividend per Share		: RMB 5.00 cents	RMB 4.57 cents
(Specify if with other options)		: N/A	N/A

B/C Dates for Final Dividend	: 09/05/2006	to 12/05/2006 bdi.
Payable Date	: 22/05/2006	
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 PRESENTATION AND PRINCIPAL ACTIVITIES

The Company and its subsidiaries have its own brand and are principally engaged in brand development, design, manufacturing, sale and distribution of sports-related footwear, apparel and accessories in the PRC.

The Company was incorporated on 26 February 2004 in the Cayman Islands as an exempted company with limited liability under the Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation dated 5 June 2004, the Company acquired the entire issued share capital of RealSports Pte. Ltd. ("RealSports"), the then holding company of the other companies comprising the Group and became the holding company of the Group. The reorganisation has been accounted for in a manner similar to pooling-of-interests, under which the consolidated income statement and cash flow statement for the year ended 31 December 2004 included the results of operations and cash flows of the companies comprising the Group from 1 January 2004 or since their dates of incorporation or dates of becoming members of the Group, whichever is later, to 31 December 2004. The balance sheets as at 31 December 2004 have been prepared to present the financial positions of the Company and the Group as if the current group structure had been in existence since 1 January 2004.

2. CHANGES IN ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The accounting policies used in the preparation of these financial statements are consistent with those used in the annual accounts for the year ended 31 December 2004, except that the Group has adopted certain of its accounting policies pursuant to a series of 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/revised policies are set out below.

Standards and amendments to published standards effective in 2005.

In 2005, the Group adopted the following new/revised IFRS that are relevant to the operations of the Group. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

- 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 Combinations
- 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 Directors and employees did not result in an expense in the income statement. Effective on 1 January 2005, the Group expenses the cost of share options in the income statement. In accordance with IFRS 2, the cost of share options granted after 7 November 2002 and not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

The main impact of IFRS 2 on the Group is the expensing of share options granted under the share option schemes. The effect of the change of policy has decreased the Group's profit for the year ended 31 December 2005 by RMB27,557,000 (2004: RMB11,025,000) as a result of increased staff costs, and a corresponding increase in other reserves. In addition, such change of policy has decreased basic earnings per share by RMB2.69 cents for the year ended 31 December 2005 (2004: RMB1.24 cents).

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. Also in accordance with IAS 21, the functional currency of each of the companies comprising the Group has been re-evaluated based on the guidance under the revised standard.

Standards, amendments and interpretations to published standards that are not effective in 2005

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006, which the Group has not early adopted, as follows:

-	IAS 19 (Amendment)	Employee Benefits
-	IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
-	IAS 39 (Amendment)	The Fair Value Option
-	IAS 39 and IFRS 4 (Amendment)	Financial Guarantee Contracts
-	IFRS 1 (Amendment)	First-time Adoption of IFRS
-	IFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
-	IFRS 7	Financial Instruments: Disclosures
-	IFRIC 4	Determining whether an arrangement contains a lease
-	IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
-	IFRIC 6	Liabilities arising from Participation in a Specific Market - Waste Electrical and Electronic Equipment

The Directors have assessed the impact of these new standards and have concluded that IAS 19, IFRS 1, IFRS 6, IFRIC 5 and IFRIC 6 are not relevant to the Group's situations. The Group is currently assessing the impact of the remaining standards or interpretations and will adopt them as appropriate in the 2006 financial statements.

3. NEW ACCOUNTING POLICIES

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements 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 financial statements 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 income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognized as a separate component of equity.

(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. As at 31 December 2004 and 2005, the Group did not hold any investments in this category.

(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. As at 31 December 2004 and 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. As at 31 December 2004 and 2005, the Group did not hold any investments in this category.

Purchases and sales of investments are recognized on trade-date. 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 income statement 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 income statement as gains or losses from investment securities. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(c) Share-based payments

The Group maintains several equity-settled, share-based compensation plans. The fair value of the Director and employee services received in exchange for the grant of the options is credited to other reserves and recognized as an expense over the vesting period, and 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 Group revises its estimate 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 income statement, 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

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005	2004
Profit attributable to equity holders of the Company	186,800	122,414
Weighted average number of ordinary shares in issue (thousands)	1,023,827	888,392
Basic earnings per share (RMB cents)	18.25	13.78

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be issued under its share option schemes. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options, with the difference being adjusted in arriving at the weighted average number of shares for diluted earnings per shares, of which details are as follows.

	2005	2004
Profit attributable to equity holders of the Company, used to determine diluted earnings per share	186,800	122,414
Weighted average number of ordinary shares in issue (thousands)	1,023,827	888,392
Adjustment for share options (thousands)	6,750	1,871
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,030,577	890,263
Diluted earnings per share (RMB cents)	18.13	13.75