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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Li Ning Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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**LI NING COMPANY LIMITED**

**(李寧有限公司)**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2331)**

**RE-ELECTION OF DIRECTORS  
GENERAL MANDATE TO ISSUE SHARES  
GENERAL MANDATE TO REPURCHASE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the first annual general meeting of Li Ning Company Limited to be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 12 May 2005 at 11:00 a.m. is set out in this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

18 April 2005

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“AGM”	the first annual general meeting of the Company to be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 12 May 2005 at 11:00 a.m., notice of which is set out in this circular
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	11 April 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	the United States dollar, the lawful currency of the United States

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## LETTER FROM THE CHAIRMAN

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### LI NING COMPANY LIMITED

(李寧有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

*Executive Directors:*

LI Ning (李寧) (*Chairman*)

ZHANG Zhi Yong (張志勇) (*Chief Executive Officer*)

TAN Wee Seng (陳偉成) (*Chief Financial Officer*)

CHEN Yi Hong (陳義紅)

*Non-Executive Directors:*

LIM Meng Ann (林明安)

Stuart SCHONBERGER

FONG Ching, Eddy (方正)

*Independent Non-Executive Directors:*

KOO Fook Sun, Louis (顧福身)

WANG Ya Fei (王亞非)

CHAN Chung Bun, Bunny (陳振彬)

*Registered Office:*

Century Yard

Cricket Square

Hutchins Drive

P. O. Box 2681GT

George Town

Grand Cayman

British West Indies

*Principal place of business:*

Suites 2804-5

Shell Tower, Times Square

Causeway Bay

Hong Kong

18 April 2005

*To Shareholders:*

Dear Sir or Madam,

**RE-ELECTION OF DIRECTORS  
GENERAL MANDATE TO ISSUE SHARES  
GENERAL MANDATE TO REPURCHASE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

### INTRODUCTION

The purpose of this circular is to give Shareholders information on matters to be dealt with at the forthcoming AGM, which include (i) re-election of Directors; and (ii) grant of general mandates to issue and repurchase Shares.

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## LETTER FROM THE CHAIRMAN

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### RE-ELECTION OF DIRECTORS

In relation to resolution numbered 3(a) in the notice of the AGM, Mr. Chen Yi Hong, Mr. Stuart Schonberger and Mr. Chan Chung Bun, Bunny will retire at the AGM by rotation pursuant to the Articles of Association and, being eligible, offer themselves for re-election as executive director, non-executive director and independent non-executive director of the Company respectively.

The biographical details and interests in the Shares of all the Directors to be re-elected at the AGM are set out in the “Directors and Senior Management” and “Report of the Directors” of the Company’s 2004 annual report with which this circular is enclosed. None of them has any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Chen Yi Hong, being an executive director of the Company, has entered into a service contract with the Company for a term of three years commencing from 28 June 2004. The annual basic salary payable to Mr. Chen is US\$155,000 and is subject to review by the Board at the end of each financial year. Mr. Chen is also entitled to a discretionary year-end bonus of an amount to be determined by the Board.

Mr. Stuart Schonberger and Mr. Chan Chung Bun, Bunny, being a non-executive director and an independent non-executive director of the Company respectively, have each entered into a service contract with the Company for a term of three years commencing from 28 June 2004. The annual fee payable to each of them is HK\$150,000.

The remuneration policy for the Directors are set out in the “Report of the Directors” of the Company’s 2004 annual report.

Under resolution numbered 3(a), the re-election of Directors will be individually voted on by Shareholders.

### GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

By a written resolution of the sole shareholder of the Company passed on 5 June 2004 (prior to the listing of the Shares on the Stock Exchange on 28 June 2004), general and unconditional mandates were given to the Directors to issue and purchase Shares and such general mandates will lapse at the conclusion of the forthcoming AGM. The Directors believe that a renewal of such general mandates is in the interest of the Company and Shareholders. Accordingly, the following ordinary resolutions will be proposed at the AGM to give the Directors general and unconditional mandates to exercise powers of the Company to issue and purchase Shares:

- (i) an ordinary resolution (resolution numbered 5) to give the Directors a general and unconditional mandate to allot, issue and deal with additional Shares up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the AGM (the “Issue Mandate”);

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## LETTER FROM THE CHAIRMAN

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- (ii) an ordinary resolution (resolution numbered 6) to give the Directors a general and unconditional mandate to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the AGM (the “Repurchase Mandate”); and
- (iii) conditional upon the passing of resolutions numbered 5 and 6 as stated above, an ordinary resolution (resolution numbered 7) to extend the Issue Mandate by an amount representing the aggregate nominal amount of Shares purchased by the Company under the Repurchase Mandate.

Shareholders are referred to the notice of the AGM set out in this circular for details of the abovementioned ordinary resolutions. An explanatory statement, as required by the Listing Rules to be sent to the Shareholders in connection with the Repurchase Mandate, is also set out in the Appendix of this circular. This contains all the information reasonably necessary to enable the Shareholders to make an informed decision on whether or not to vote for or against the ordinary resolution to grant the Repurchase Mandate at the AGM.

### **RIGHT TO DEMAND A POLL**

In accordance with the Articles of Association, resolutions proposed at the AGM shall be put to the voting of the meeting on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (i) the chairman of the AGM; or
- (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the AGM; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the AGM; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the AGM being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

For the sake of good corporate governance, the Chairman intends to demand poll voting for all the resolutions set out in the notice of the AGM.

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## LETTER FROM THE CHAIRMAN

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### RECOMMENDATION

The Directors believe that the proposals mentioned above, including the proposals for the re-election of the retiring Directors, the grant of the Repurchase Mandate and the grant of the Issue Mandate are in the interests of the Company and the Shareholders, and accordingly recommend the Shareholders to vote in favour of all the relevant resolutions to be proposed at the AGM.

Yours faithfully,

**LI Ning**

*Chairman*

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to Shareholders for consideration of the Repurchase Mandate.

## **SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,023,038,000 Shares. Subject to the passing of resolution 6 approving the Repurchase Mandate as set out in the notice of the AGM appearing in this circular and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 102,303,800 Shares until (i) the conclusion of the next annual general meeting; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held; or (iii) the revocation by ordinary resolution of Shareholders in general meeting, whichever is the earliest.

## **REASONS FOR REPURCHASES**

The Directors believe that it is in the best interests of the Company and Shareholders to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe such repurchases will benefit the Company and the Shareholders.

## **FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Cayman Islands.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the Company's listing prospectus dated 15 June 2004) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors may from time to time be appropriate for the Company.

## **TAKEOVERS CODE**

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code and the provision may apply as a result of any such increase.



As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Mr. Li Ning, Chairman of the Company, and his brother Mr. Li Chun were deemed to be interested in 405,424,000 Shares and 370,174,000 Shares, representing 39.63% and 36.18% of the issued shares of the Company respectively. Mr. Li Ning's deemed interest in Shares includes the interest held by Mr. Li Chun through controlled corporations and trust. In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, then (if the present shareholding otherwise remains the same) the interest held by Mr. Li Ning and Mr. Li Chun would be increased to approximately 44.03% and 40.20% of the issued share capital of the Company respectively. In the opinion of the Directors, such increase may give rise to an obligation to make a mandatory offer under rule 26 of the Takeovers Code. The Directors have no intention to exercise the Repurchase Mandate in such a way and to such extent that would give rise to an obligation on the part of Mr. Li Ning or Mr. Li Chun to make a mandatory general offer under rule 26 of the Takeovers Code. Save as the aforesaid, the Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

**GENERAL**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) has any present intention, if the Repurchase Mandate is exercised, to sell Shares to the Company or its subsidiaries.

No connected person (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

**SHARE REPURCHASE MADE BY THE COMPANY**

The Company has not purchased any Shares (on the Stock Exchange or otherwise) during the six months prior to the Latest Practicable Date.

SHARE PRICES

The shares of the Company have become listed on the Stock Exchange since 28 June 2004. The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the 10 months prior to the Latest Practicable Date were as follows:

	Per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2004</b>		
June	2.450	2.250
July	2.475	1.950
August	2.525	2.200
September	2.975	2.350
October	3.400	2.850
November	3.800	3.075
December	4.050	3.400
<b>2005</b>		
January	4.275	3.400
February	4.050	3.475
March	4.000	3.525

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## NOTICE OF ANNUAL GENERAL MEETING

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### LI NING COMPANY LIMITED

(李寧有限公司)

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2331)**

**NOTICE IS HEREBY GIVEN THAT** the first annual general meeting of Li Ning Company Limited (the “Company”) will be held at Chatham Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 12 May 2005 at 11:00 a.m. for the following purposes:

As ordinary business:

1. To receive and adopt the Audited Financial Statements and the Reports of the Directors and the Auditors of the Company for the year ended 31 December 2004.
2. To declare a final dividend for the year ended 31 December 2004 to the shareholders of the Company.
3. (a) To re-elect the following directors of the Company:
  - (i) Mr. Chen Yi Hong as an executive director;
  - (ii) Mr. Stuart Schonberger as a non-executive director; and
  - (iii) Mr. Chan Chung Bun, Bunny as an independent non-executive director.
- (b) To authorise the board of directors of the Company to fix the directors’ remuneration.
4. To re-appoint Messrs. PricewaterhouseCoopers, Certified Public Accountants, as the auditors of the Company and authorise the board of the directors of the Company to fix their remuneration.

As special business, to consider and, if thought fit, to pass with or without modification, the following resolutions as ordinary resolutions of the Company:

5. “**THAT:**

- (a) subject to paragraph (c) below, a general mandate be and is hereby unconditionally granted to the directors of the Company (“Directors”) to exercise during the Relevant Period (as defined in paragraph (d) below) all the powers of the Company to allot, issue and deal with additional shares in the Company and to make or grant offers, agreements, options or warrants which would or might require the exercise of such powers;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the mandate in paragraph (a) shall authorise the Directors during the Relevant Period (as defined in paragraph (d) below) to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period (as defined in paragraph (d) below);
- (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the mandate in paragraph (a), otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement pursuant to the articles of association of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution and the said mandate shall be limited accordingly;
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company’s articles of association or any applicable law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

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## NOTICE OF ANNUAL GENERAL MEETING

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6. “**THAT**:

(a) a general mandate be and is hereby unconditionally given to the directors of the Company to exercise during the Relevant Period (as defined in paragraph (b) below) all the powers of the Company to purchase or otherwise acquire shares of HK\$0.10 each in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, provided that the aggregate nominal amount of shares so purchased or otherwise acquired shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution.

(b) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company’s articles of association or any applicable law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

7. “**THAT**, conditional upon the passing of Resolutions 5 and 6 set out in the notice convening this meeting, the aggregate nominal amount of the shares which are purchased or otherwise acquired by the Company pursuant to Resolution 6 shall be added to the aggregate nominal amount of the shares which may be issued pursuant to Resolution 5.”

By order of the Board

**TAN Wee Seng**

*Executive Director & Joint Company Secretary*

Hong Kong, 18 April 2005

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

- (1) A shareholder entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) A form of proxy for use at the above meeting (or at any adjournment thereof) is enclosed in the 2004 annual report of the Company. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof.
- (3) The register of members of the Company will be closed from Monday, 9 May 2005 to Thursday, 12 May 2005 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to attend the above meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited at the above address not later than 4:00 p.m. on Friday, 6 May 2005.
- (4) A circular providing information in relation to Resolutions 3(a) and 5 to 7 is enclosed in the Company's 2004 annual report.