



LI NING COMPANY LIMITED

(李寧有限公司)

(Incorporated in the Cayman Islands with limited liability)

[For Immediate Release]

The Leading PRC's Sports Brand
Li Ning Offers 246.5 Million Shares
to Raise HK\$433.9 Million to HK\$549.7 Million

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Capturing immense opportunities from the 2008 Beijing Olympic Games and flying high to become the leader in PRC's sports industry

(14 June 2004 – Hong Kong) – **Li Ning Company Limited** ('Li Ning' or the 'Group'; HKSE stock code: 2331), one of the leading sports brand enterprises of sports footwear, apparel and accessories for sport and leisure use in the PRC, announced today its proposed listing on the Main Board of The Stock Exchange of Hong Kong Limited ('Hong Kong Stock Exchange').

The Share Offer comprises an International Placing and a Hong Kong Public Offer. A total of 246,516,000 shares will be issued under the Share Offer. 221,864,000 shares, which comprise 211,410,000 New Shares and 10,454,000 Sale Shares, will be allocated for subscription and purchase under the International Placing. The remaining 24,652,000 New Shares will be allocated for subscription under the Hong Kong Public Offer. The proposed Offer Price range is between HK\$1.76 and HK\$2.23 per Offer Share.

The Hong Kong Public Offer will be opened from Tuesday, 15 June 2004 (9:00 a.m.) to Friday, 18 June 2004 (12:00 noon). Dealings in the shares on the Main Board of The Hong Kong Stock Exchange are expected to commence on Monday, 28 June 2004. DBS Asia Capital Limited is the Global Coordinator, Bookrunner, Lead Manager and Sponsor of the Share Offer.

Established by Mr. Li Ning in 1989, the Group is principally engaged in product design, research & development, brand management, supply chain management and distribution of LI-NING branded sports products. In addition, the Group also manages the branding, research, design, manufacturing, sales and marketing of international sports brands, such as KAPPA, in the PRC. Li Ning prides itself on its extensive distribution network, and effective marketing and sponsorship strategies that complement the promising development and growth of its brand name. The LI-NING brand is one of the top-tier brands in terms of customer satisfaction, price and quality. According to an independent PRC research report, LI-NING is one of top three sports footwear brands in terms of overall brand equity in the PRC market.

Mr. Li Ning, the Chairman of the Group said, "Li Ning is one of the largest sponsors of the PRC's sporting industry. As the official partner of the Chinese Olympic Committee who regularly sponsored various major Chinese National Teams in four consecutive Olympic Games, Li Ning has abundant marketing and sponsorship resources to promote the brand's friendly, energetic and dynamic image. In addition, we also take pride of our effective marketing and promotion activities and extensive nationwide distribution and retail network to build upon our prominent market presence. With our mission set to "*LI-NING - Flying High in China Sports*", the LI-NING brand aims to become the leader in the PRC's sports industry and operator and owner of international sports brands."

Riding on the immense business opportunities emerging from the fast growing PRC retail industry and the Government's strong support in sports events, the PRC's branded sports industry is expected to grow rapidly over the next five years. Such growth momentum is not only evident in first-tier cities such as Beijing, Shanghai and Guangzhou which consumers have a mature consumption behavior, but also in second- and third-tier cities where domestic brands (particularly LI-NING) are more competitive.

Such unique and strong nationwide market position is attributable to the Group's diversified retail formats. As at 31 May 2004, the Group has a total of 2,207 franchised LI-NING and KAPPA retail outlets, 110 directly-managed LI-NING and KAPPA retail stores in high pedestrian flow commercial and residential areas, as well as 199 directly-managed LI-NING and KAPPA concessions in large scale department stores and prime shopping arcades.

The Group is highly regarded for its professional and experienced R&D team of over 50 people and expert European design consultants for product development. The LI-NING brand offers the best "value for money" for its comprehensive product range, which spans across specialised products for soccer, basketball, golf series, etc. It is the most "easy to purchase", thanks to its nationwide sales network and supply chain management. Li Ning adopts a comprehensive supply chain management approach, including the sophisticated management information system SAP ERP and centralised POS systems in all retail outlets, so as to improve the logistics cycle, stringent inventory and cash controls.

The Group's proven track record is a testimony of the hard work and dedication of its experienced management team. Under the leadership of the competent management team and board of directors, Li Ning has successfully established a name for itself and become synonymous with Chinese pride and athletic spirit.

The net proceeds of the Share Offer, after deducting related expenses, are estimated to amount to approximately HK\$440 million (assuming that the over-allotment option is not exercised and assuming an Offer Price of HK\$1.995 per Share, being the mid-point of the stated price range). Li Ning intends to use the net proceeds on expansion opportunities in the following areas:

- Approximately HK\$100 million for the expansion and improvement of the coverage of our distributorship and retail network;
- Approximately HK\$110 million for brand promotional and marketing activities;
- Approximately HK\$15 million for establishing our basic product research capabilities, developing new product series and setting up our design and development centre in Hong Kong;
- Approximately HK\$35 million for improving management information systems and logistics operations;
- Approximately HK\$40 million for acquisition and operation of management rights or licenses of other international brands in the PRC market;
- Approximately HK\$60 million for establishing a centralised operating headquarters in Beijing;
- Approximately HK\$40 million for strategic acquisitions that are complimentary to our business (if suitable opportunities arise); and
- The remaining balance of approximately HK\$40 million will be used as general working capital.

The 2008 Beijing Olympic Games is expected to boost consumption and overall market growth by further propelling the country's strong sense of patriotism, sportsmanship and national pride. Looking to the future, the Group will aggressively strengthen its brand awareness and loyalty, by launching specialized footwear series, conducting advertising campaigns to increase mass appeal and capturing potential opportunities from the highly anticipated 2008 Olympic Games.

"Most importantly, our top priority is to capture the full potential of our extensive distribution and retail network to maximise revenues and profitability. The Group aims to open over 1,000 retail outlets (including franchised and directly-managed stores) to a total of approximately 3,500 retail outlets in 2006. In addition to becoming the leading brand of the PRC sports industry, we will actively acquire the management rights and licenses of other international brands in the PRC market. The Group will also seek after collaboration or acquisition opportunities to venture into other related and synergistic businesses, so as to create and provide quality sporting goods for people pursuing a healthy lifestyle and to cultivate promising value for its shareholders in the years to come," Mr. Li Ning concluded with confidence.

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For further information, please contact:

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FACT SHEET AT A GLANCE

ISSUE STATISTICS

Offer size	:	246,516,000 Shares, comprising 236,062,000 New Shares and 10,454,000 Old Shares (Subject to over allotment option, up to an additional aggregate of 15% of the offering)
Offering structure	:	90% International Placing 10% Hong Kong Public Offer
Offer price	:	HK\$1.76 – HK\$2.23 per Share
Total amount raised	:	HK\$433.9 million – HK\$549.7 million
Pro forma fully diluted 2004 P/E	:	15.0 times – 19.0 times
Weighted average 2004 P/E	:	13.3 times – 16.8 times
Forecast net profit for the year ended 31 December 2004	:	Not less than RMB 122.5 million

TRADING RECORD

	Year ended 31 December,		
	2001 <i>RMB' 000</i>	2002 <i>RMB' 000</i>	2003 <i>RMB' 000</i>
Turnover	734,935	958,005	1,276,224
Gross profit	287,199	429,857	605,919
Gross profit margin	39.1%	44.9%	47.5%
Operating profit	65,201	103,347	119,109
Profit before taxation	59,090	95,955	114,563
Net profit	49,620	66,889	93,960
Net profit margin	6.8%	7.0%	7.4%
Basic earnings per Share (RMB cents)	6.62	8.92	12.53