

**LI NING COMPANY LTD :
THE FOUNDER – FROM AN ATHLETE TO ESTABLISHING
A MULTI-BILLION DOLLAR GARMENT EMPIRE**

In the People's Republic of China (PRC), success in business and politics, more often than not, may be achieved by knowing the right people in Government.

But there is another way, too: Being an athletic hero of the PRC.

Mr Li Ning was considered one of the most-outstanding athletes of the PRC of the 20th Century, having been a member of Chinese National Gymnastics Team at the age of 17 years; and, then, gaining international recognition in 1982 at the 6th World Cup Competition where he won 6 gold medals.

That record was topped at the 1984 Los Angeles Olympic Games where he won 3 gold medals, 2 silver medals and one bronze medal.

Truly it was an impressive record for any gymnast, anywhere in the world, and at any time.

And, today, Mr Li Ning is gaining a reputation as a businessman par excellence: He heads his own publicly listed company, Li Ning Company Ltd (Code: 2331, Main Board, The Stock Exchange of Hongkong Ltd).

Li Ning Company went public in the Hongkong Special Administrative Region (HKSAR) of the PRC on June 15, 2004 , when it pitched an international Placing and HKSAR Public Offer of 246,516,000, 10-cent Shares at an Offer Price of \$HK2.15 per Share.

The Initial Public Offering (IPO) was broken down into the HKSAR Public Offering of 123,258,000 Shares, while 221,864,000 Shares were Placed with international institutions.

The HKSAR Public Offering was oversubscribed about 132.20 times, while the International Placing tranche was oversubscribed about 11 times.

The IPO was a success, to be sure.

At the time of the flotation of this manufacturer and distributor of sports footwear, apparel and accessories in the PRC, proper, as opposed to the HKSAR of the PRC, the Company was forecasting that the Consolidated Net Profit Attributable to Shareholders for the Financial Year, ended December 31, 2004 , would not be less than 122.50 million renminbi (about \$HK115.60 million: \$HK1.00 = 1.06 renminbi)

The Interim Results of Li Ning Company for the 6-month period, ended June 30, 2004 , published on September 10, 2004 , put the Net Profit Attributable to Shareholders at about 56.17 million renminbi.

That result was an increase, Year-on-Year, of about 18.60 million renminbi, equivalent to about 49.50 percent.

The Turnover of the Company rose, during this 6-month period, from the 2003 like period of about 519.44 million renminbi to about 788.67 million renminbi, a boost of about 269.23 million renminbi, or 51.83 percent.

The Company, at the half-way stage, appeared to be on target for another record-breaking, Financial Year.

The Flotation

TARGET can find no valid reason for Li Ning Company to have gone public, at all, actually, because, by the looks of things, the Company was flying high at the time of its flotation, in any event.

Pages 102 and 103 of the Prospectus stated that the Net Proceeds from the International Placing and the HKSAR Public Offering, on the basis that the Shares would be pitched at \$HK1.995 each, that being the halfway point between \$HK1.76 per Share and \$HK2.23 per Share, being the minimum and maximum acceptable Offer Prices, respectively, would be about \$HK440 million.

This amount of money, it was stated, would be used for the following purposes:

1. \$HK100 million to be used for expansion and improvement of the coverage of the Company's distributorship and retail network;
2. \$HK110 million to be used to promote the Company's brand names and for other promotional activities;
3. \$HK15 million to be used for research and development;
4. \$HK35 million to be used to improve management information systems and logistical operations;
5. \$HK40 million to be used for the acquisition of management rights or licences of other international brands in the PRC marketplace;
6. \$HK60 million to be used for the establishment of a centralised operating headquarters in Beijing ;
7. \$HK40 million to be used to make acquisitions when they are recognised to be complementary to the Company's existing operations; and,
8. \$HK40 million to be tipped into the General Working Capital Account.

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