



Li Ning Company Limited

李寧有限公司



**Corporate  
Presentation**

# Agenda

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- **Major Accomplishments in 2004**
- **Financial Highlights**
- **Operational Review**
- **Future Plans and Strategies**
- **Open Forum**
- **Appendix**



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# ***Major Accomplishments in 2004***

# Major Accomplishments

- Successful listing on the Main Board of the HKEX in June 2004 and raised net proceeds of over HK\$559 million to strengthen its capital base
  - Named as one of constituent stock of the Hang Seng Composite Index Series and the Hang Seng Freefloat Index Series in January 2005
- Strengthened brand awareness and loyalty through a series of China and overseas sponsorship programmes
  - Sponsored the Chinese Delegation to the 2004 Athens Summer Olympic Games
  - Strategic marketing cooperation with NBA
- Enhanced its R&D through the establishment of a Hong Kong Design and R&D Centre in November 2004
- Extended product offering with the launch of professional and specialised products such as 'Tie' series soccer shoes and basketball footwear series
- Further extended its nationwide distribution network to a total of 2,887 outlets



# ***Financial Highlights***

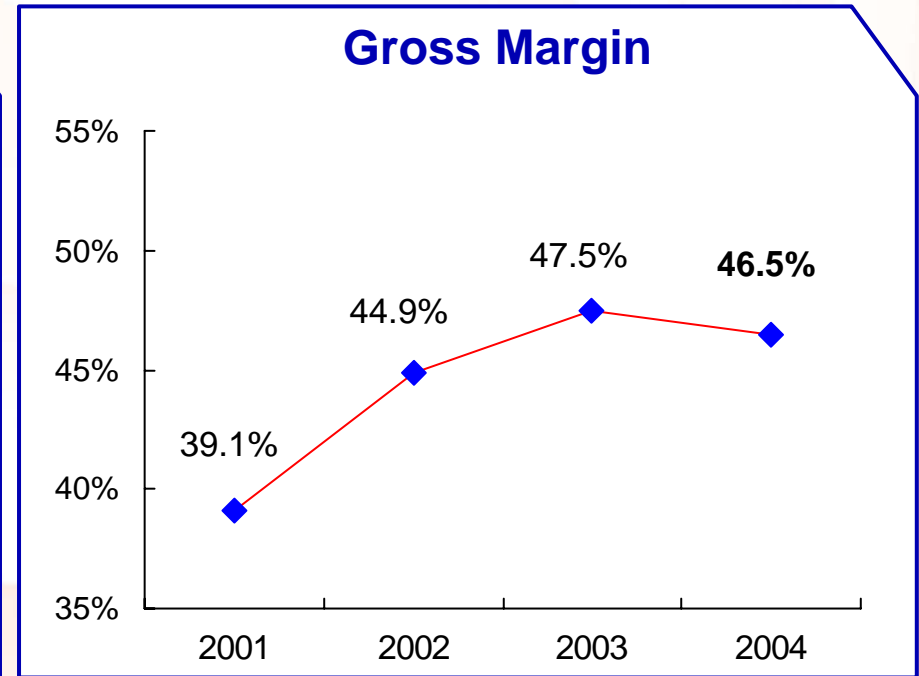
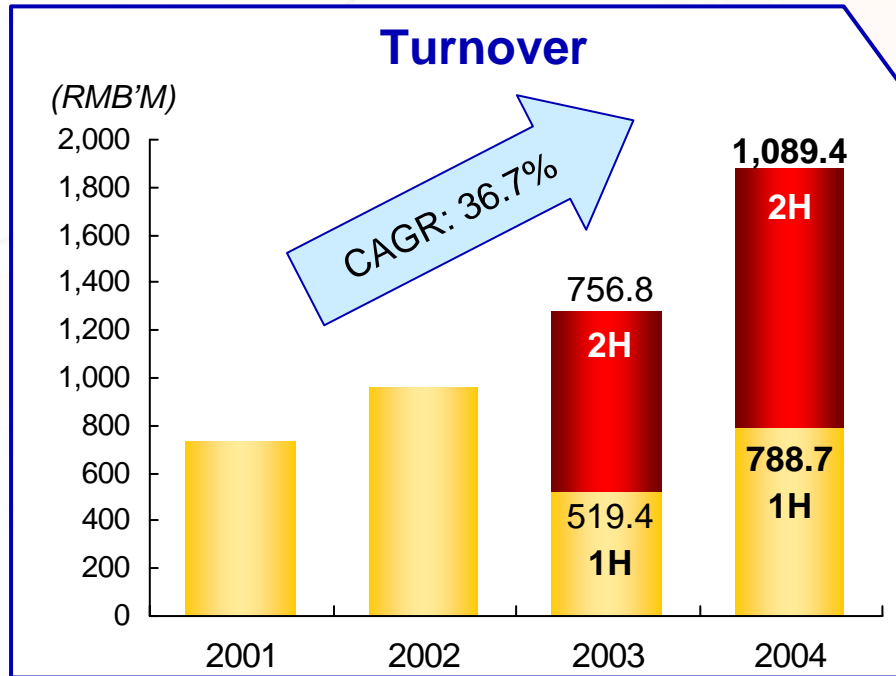
# Financial Summary

(RMB' 000)

For the year ended December 31

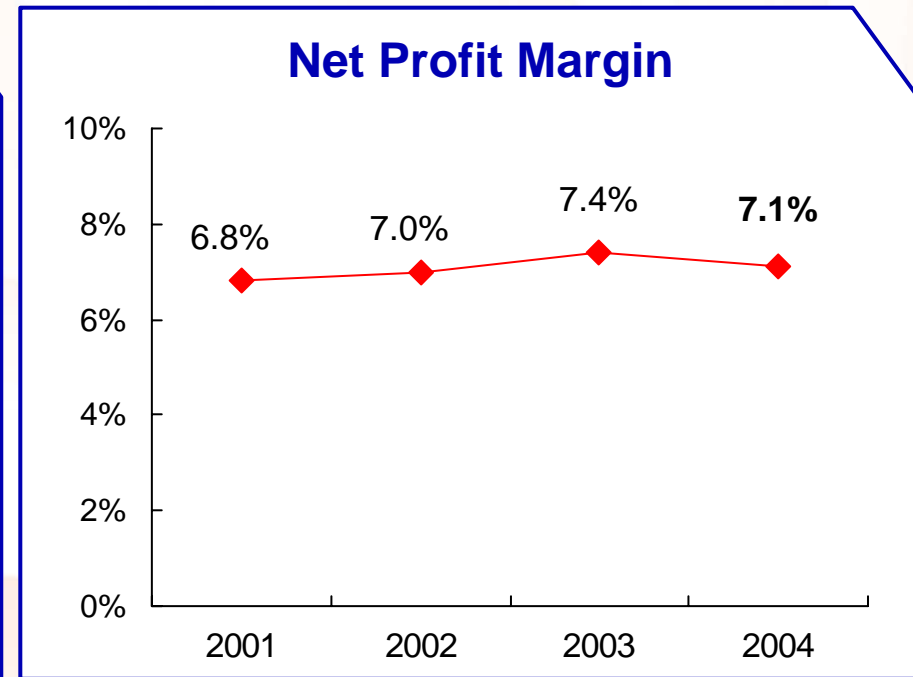
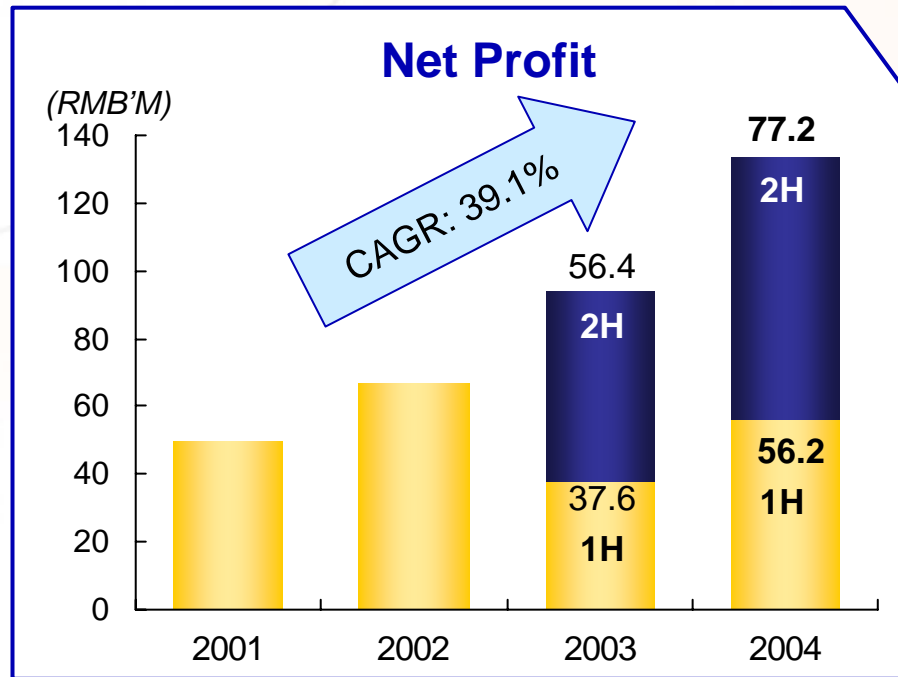
	2003	2004	Change
<b>Turnover</b>	1,276,224	<b>1,878,102</b>	<b>+47.2%</b>
<b>Gross profit</b>	605,919	<b>873,524</b>	<b>+44.2%</b>
<b>Operating profit</b>	119,109	<b>191,443</b>	<b>+60.7%</b>
<b>Profit before taxation</b>	114,563	<b>192,264</b>	<b>+67.8%</b>
<b>Profit for the year</b>	93,960	<b>133,439</b>	<b>+42.0%</b>
<b>Basic earnings per share (RMB cents)</b>	12.53	<b>15.02</b>	<b>+19.9%</b>
<b>Total dividend per share (RMB cents)</b>	N/A	<b>4.57</b>	N/A

# Sustainable Turnover Growth



- Rapid sales growth driven by enhanced market presence, extended sales channels and enriched product portfolio
- Stable gross margin resulting from economies of scale that led to stronger bargaining power in procurement

# Promising Net Profit Growth



- Achieved net profit CAGR of 39.1% in 2001-2004
- Actual net profit in 2004 outperformed the profit forecast
- Net profit margin dropped slightly as a result of higher effective tax rate



# Turnover By Products and Brands

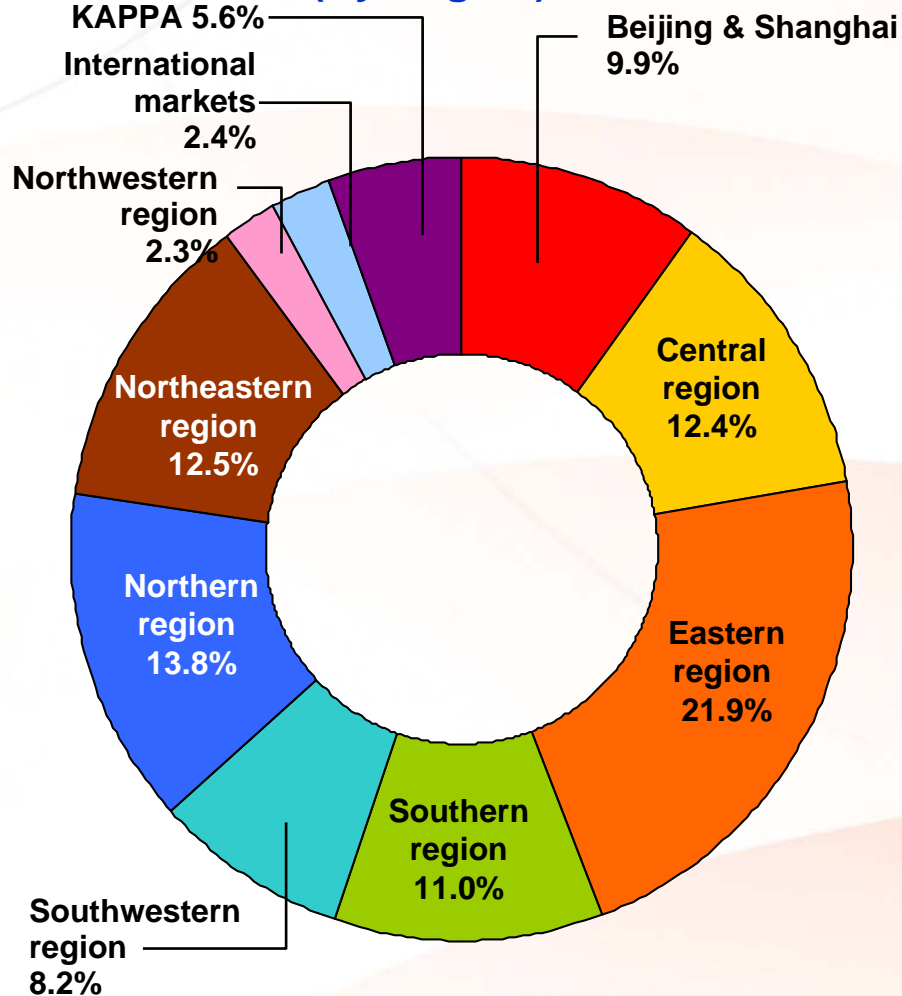
(RMB' M)

For the year ended December 31

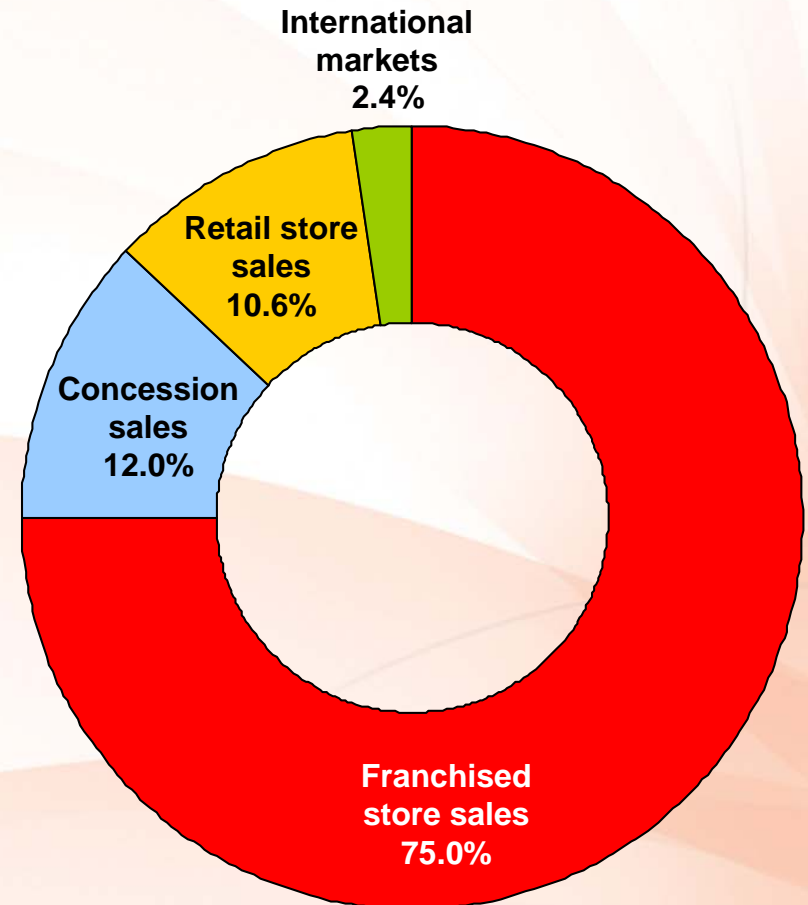
	2003	2004	Change
<b>By product categories:</b>			
<b>Apparel</b>	658.6	1,083.1	+64.4%
<b>Footwear</b>	443.8	562.9	+26.8%
<b>Accessories</b>	173.8	232.1	+33.6%
<b>By brands:</b>			
<b>LI-NING</b>	1,236.2	1,772.6	+43.4%
<b>KAPPA</b>	40.1	105.5	+163.5%

# Turnover Analysis

## Turnover Breakdown in 2004 (By Region)



## Turnover Breakdown in 2004 (By Retail Format)












# Other Key Financial Indicators

<i>(RMB' M)</i>	<i>As at 31 Dec 2003</i>	<i>As at 31 Dec 2004</i>	<i>Change</i>
<b>Inventories</b>	296.2	<b>318.3</b>	<b>+7.5%</b>
<b>Avg. Inventories Turnover (days)</b>	143	<b>112</b>	<b>-31</b>
<b>Avg. Accounts Receivable Turnover (days)</b>	29	<b>33</b>	<b>+4</b>
<b>Avg. Trade Payables Turnover (days)</b>	75	<b>77</b>	<b>+2</b>
<b>Short-term Loans</b>	85	<b>40</b>	<b>-52.9%</b>
<b>Long-term Liabilities</b>	n/c	<b>n/c</b>	<b>n/c</b>
<b>Cash &amp; Cash Equivalents</b>	224.5	<b>322.6</b>	<b>+43.7%</b>

# ***Operational Review***

# A Nationwide Distribution & Retail Network

<b>LI-NING brand</b>	<b>31 Dec 2003</b>	<b>31 Dec 2004</b>	<b>change</b>
 <b>Franchised retail outlets</b>	1,722	2,272	+31.9%
 <b>Directly managed retail stores</b>	87	117	+34.5%
 <b>Directly managed concessions</b>	176	233	+32.4%
<b>Total</b>	<b>1,985</b>	<b>2,622</b>	<b>+32.1%</b>
<b>KAPPA brand</b>			
 <b>Franchised retail outlets</b>	144	254	+76.4%
 <b>Directly managed retail stores</b>	3	3	+0.0%
 <b>Directly managed concessions</b>	13	8	-38.5%
<b>Total</b>	<b>160</b>	<b>265</b>	<b>+65.6%</b>
<b>Overall</b>			
 <b>Franchised retail outlets</b>	1,866	2,526	+35.4%
 <b>Directly managed retail stores</b>	90	120	+33.3%
 <b>Directly managed concessions</b>	189	241	+27.5%
<b>Total</b>	<b>2,145</b>	<b>2,887</b>	<b>+34.6%</b>

# New Flagship Stores in Beijing & Shanghai



# Diversified Product Range

- Launched new specialised footwear series for distinct sports categories
  - Soccer
  - Basketball
  - Tennis
  - Running
  - Fitness
- Launched professional 'Tie' series soccer shoes designed for famous soccer star Mr. Li Tie
- New basketball footwear series well received by the market



Footwear



Sportswear



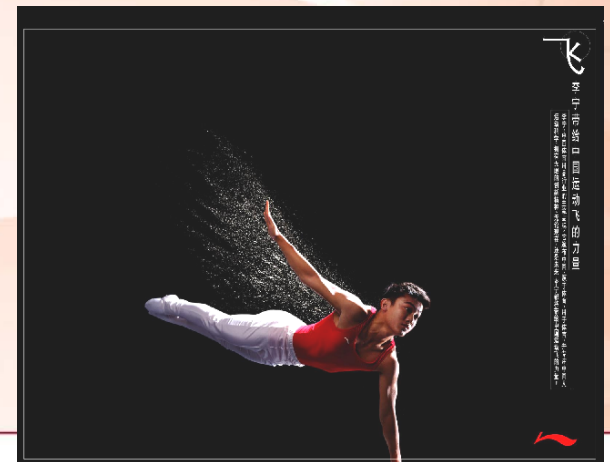
Outdoor/  
casual wear



Accessories

# Effective Marketing & Promotion Programmes

- Marketing and promotional expenses:
  - 14.3% of total turnover in 2004
  - Allocating 13%-15% of total turnover in coming years
- Advertising slogan “**Anything is possible**” is widely recognised in the market
- New advertising series – “**LI-NING. Flying High in China Sports.**” – launched in April 2004 with a very encouraging response





# Participation in 2004 Athens Summer Olympic Games

- LI-NING was the official partner of the Chinese Olympic Committee
- Sponsored the Chinese sports delegation and four Chinese National teams for the 2004 Athens Summer Olympic Games
- Recurring media exposure of various teams wearing LI-NING sponsored apparel enhanced brand recognition in the international arena



# Recent Updates on Sports Sponsorship

- Sponsor four gold medal national teams in the **29th Beijing Olympic Games** in 2008
  - Table tennis
  - Diving
  - Gymnastics
  - Shooting
  
- Regular sponsor of three international teams:
  - Gymnastic Federation of France
  - Spanish Men's Basketball Team
  - Spanish Women's Basketball Team

# Strategic Marketing Partnership with NBA

- ➡ Entered into a 3-year strategic marketing partnership with **NBA Properties Inc.**
- ➡ Under the agreement:
  - Use NBA-owned logos and names and gain the designation “Official Sponsor of the NBA” in PRC
  - Sign selected NBA contract Players and sponsor NBA related events and programmes
  - Provided with commercial timeslot in NBA games broadcast by CCTV



# Excellent Capabilities in Product Development and Design

- R&D expenses represented approx. 3.6% of total cost of sales
- Established Hong Kong Design and R&D Centre in November 2004
- Extensive experience in R&D and product development
  - Professional R&D team of 69 people
  - European design consultants to assist product development
- Improve product performance through partnerships with various global professional organisations
  - Such as universities in Hong Kong, and professional sports footwear design and R&D specialists in the US



# Our Core Competitive Strengths





# ***Future Plans & Strategies***

# Future Outlook

## Immense business opportunities emerging for the retail and sports-related sectors

- Retail industry continues to play an important role in PRC's national economy
- Consumer goods retail sales growth outperformed GDP growth in 2004, and the trend is expected to continue
- 2008 Beijing Olympic Games
  - Government actively supports and encourages sporting activities
  - Beijing Olympic Game is expected to boost public passion and awareness for sports and fitness in the PRC

# Future Strategies

## Expand sales channels and enhance retail infrastructure

### Roll out plan for new retail outlets

	Total
2005	3,200
2006	3,500
2007	3,900

- Increase the number of retail outlets to a total of 3,900 in 2007
- Launch flagship stores in prime locations in 1<sup>st</sup>-tier cities
- Modernise and upgrade store image
- Install EPOS system

## Enhance product design, development and research platform

- Establish own basic research team
- Collaborate with local and international suppliers and manufacturers on new materials and technologies to enhance product performance (running, basketball, soccer and tennis)

## Further strengthen the Group's mission and core values



# Future Strategies

## Strengthen brand awareness and loyalty

- Launch specialised footwear series for running, soccer, basketball, tennis, etc.
- Conduct advertising campaigns to increase mass appeal
- Capture business opportunities emerging from the 2008 Beijing Olympic Games

## Capture the full potential of the network to maximise revenues and profitability

- Continue to expand market shares of existing brands in the PRC
- Develop a multiple brand portfolio through market segmentation strategies

## Enhance supply chain management

- Achieve a faster response to market changes and better efficiency
- Install and upgrade electronic POS systems connecting HQ with all retail outlets
- Embark on a rolling sales ordering system

# Vision, Mission & Core Values



# ***Open Forum***

***To know more about us, please visit the following websites:***

***<http://www.lining.com/>***

***<http://www.irasia.com/listco/hk/lining/>***



# ***Appendix***

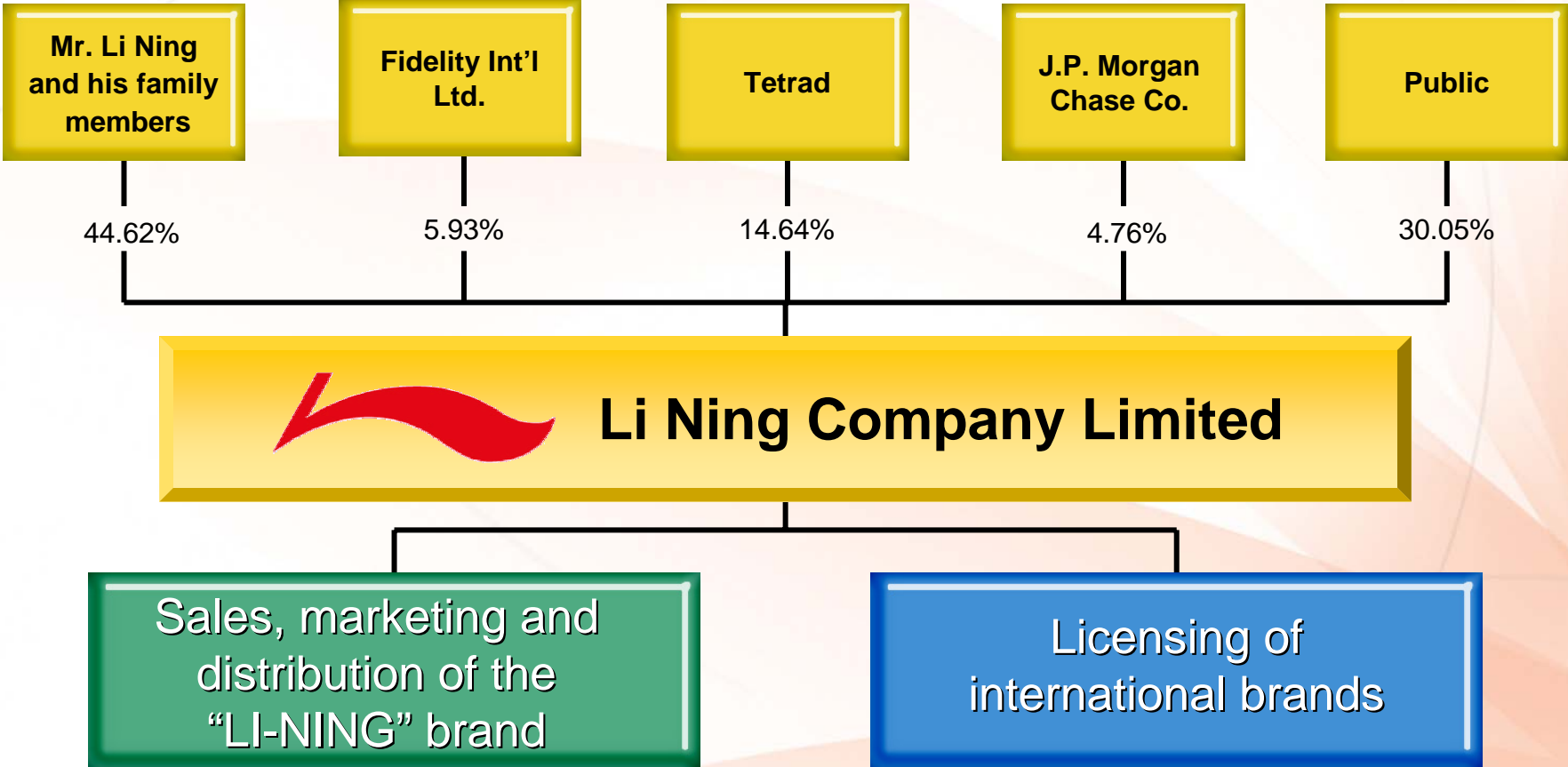
# About “LI-NING”

- ➡ A leader in the PRC’s fast-growing sporting goods industry with:
  - One of the PRC’s best known brands
  - Extensive distribution network
  - Effective marketing / sponsorship strategy
  - Solid financials and strong earnings growth

# Business Overview

- Sales and marketing of LI-NING branded sports products:
  - Product design, marketing and research development
  - Supply chain management and distribution
  - Retail sales
  
- Product portfolio includes:
  - Sports footwear
  - Sports and leisure apparel
  - Sports accessories
  
- Sales and marketing of international sports brands in the PRC

# Shareholding Structure (as at Jan 2005)



# Corporate Milestones



**1989**

- Established in Guangdong and registered the *LI-NING* trademark



**Aug 90**

- Sponsored the Chinese national team in Asian Games



**Mar 1998**

- Set up the 1st design and R&D center in Foshan, Guangdong



**Oct 2001**

Set up the 1st overseas store in Spain

**1997**

- Established a nationwide retail network



**Nov 04**

- Established Hong Kong design, and R&D centre



**June 04**

- Listed on Main Board of HKEX

**Jan 05**

- Became constituent stock of Hang Seng Composite Index Series and Hang Seng Freefloat Index Series
- Formed strategic alliance with NBA