



**LI NING COMPANY LIMITED**  
**(李寧有限公司)**

**Stock Code: 2331**

**2006 INTERIM RESULTS**

**Corporate Presentation**

**August 2006**



# Agenda

- ⊗ Financial Highlights
- ⊗ Review of Operations
- ⊗ Future Outlook and Strategies
- ⊗ Open Forum



# Financial Highlights

# Financial Highlights



<i>For the six months ended 30 June</i>	<b>1H2006</b> (RMB Mn)	<b>1H2005</b> (RMB Mn)	<b>Change</b>
<b>Turnover *</b>	<b>1,371.9</b>	1,104.3	24.2%
<b>Gross profit</b>	<b>683.6</b>	530.6	28.8%
<b>Operating profit</b>	<b>172.5</b>	113.2	52.4%
<b>Profit attributable to equity holders</b>	<b>129.9</b>	78.3	65.9%
<b>Basic EPS (RMB cents)</b>	<b>12.66</b>	7.65	65.3%
<b>Interim DPS (RMB cents)</b>	<b>3.80</b>	2.30	65.2%

\* Turnover of the LI-NING brand which represented 99.4% of total turnover, rose by 32.8% to RMB1,363.7 million.





# Strong Turnover Growth

- Boostered by strong product sales, in particular LI-NING brand footwear which surged by over 49.9%
- Rapid network expansion propelled product penetration and drove sales growth

## 1H2006 Sales Breakdown

LI-NING Brand Apparel

53.2%

LI-NING Brand Footwear

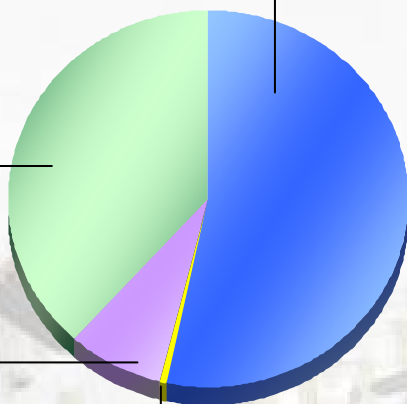
38.4%

LI-NING Brand Accessories

7.8%

AIGLE

0.6%



For the six months ended 30 June

## Store Expansion

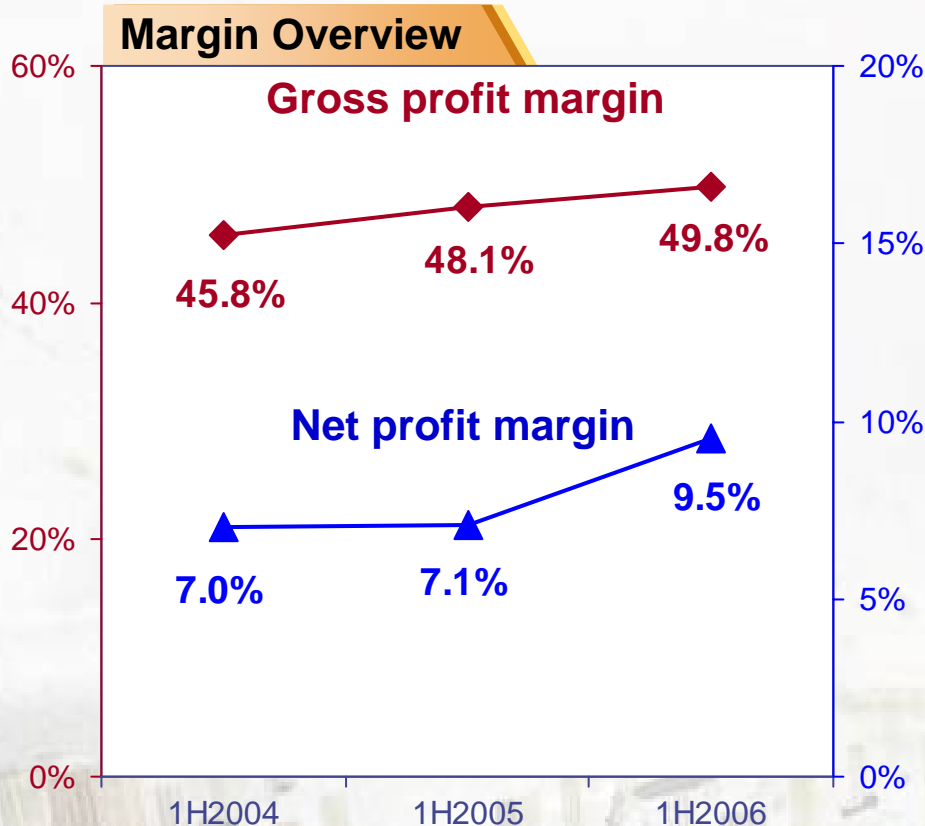
	1H 2006	1H 2005	Change
LI-NING Stores	3,630	3,058	18.7%
AIGLE Stores	21	-	N.A.

## Sales Composition

RMB million	1H 2006	1H2005	Change
LI-NING Apparel	728.9	591.0	23.3%
LI-NING Footwear	527.2	351.6	49.9%
LI-NING Accessories	107.6	83.9	28.3%
Other brands*	8.2	77.8	N.A.
<b>Total</b>	<b>1,371.9</b>	<b>1,104.3</b>	<b>24.2%</b>

\* Other brands in 2005 related to the KAPPA brand (disposed of in August 2005), and in 2006 it related to the AIGLE brand

# Margin Overview



- Margin expansion attributable to:
  - Continual enhancement in product design contributed to maintaining high gross margin
  - Efficient supply chain and logistics management
  - Continual improvements in inventory management
  - Efficient EPOS system

# Key Financial Indicators



<i>As at 30 June</i>	<b>1H2006</b>	<b>1H2005</b>	<b>Change</b>
<b>Inventory Turnover</b> (days)	<b>77</b>	97	-20.6%
<b>Avg. A/R Turnover</b> (days)	<b>58</b>	39	48.7%
<b>Avg. Trade Payables Turnover</b> (days)	<b>66</b>	65	1.5%
<b>R&amp;D Expenses</b> (as % to cost of sales)	<b>3.0%</b>	3.8%	-0.8%
<b>A&amp;P Expenses</b> (as % to turnover)	<b>17.5%</b>	15.7%	1.8%

# Strong Balance Sheet



<i>(RMB Mn)</i>	<b>1H2006</b>	<b>FY2005</b>	<b>Change</b>
<b>Cash and Cash Equivalents *</b>	<b>781.6</b>	731.5	6.8%
<b>Current Ratio (times)</b>	<b>3.2</b>	3.6	-0.4
<b>Short-term Liabilities</b>	<b>Nil</b>	Nil	N/A
<b>Long-term Liabilities</b>	<b>Nil</b>	Nil	N/A
<b>Net Cash**</b>	<b>781.6</b>	731.5	6.8%
<b>Total Liabilities to Total Assets Ratio</b>	<b>29.5%</b>	25.6%	3.9%

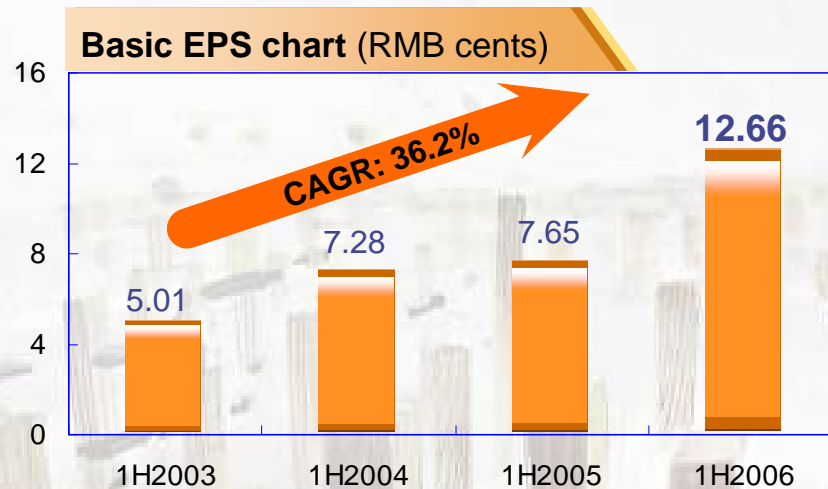
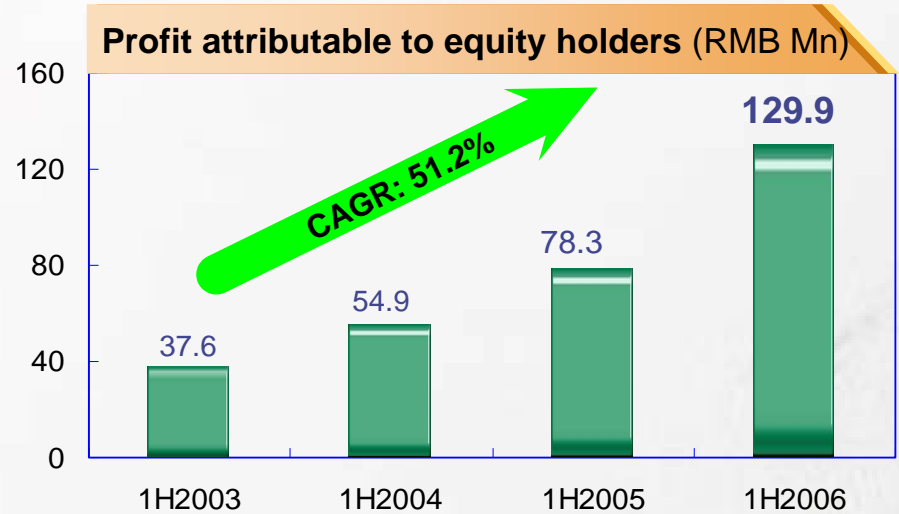
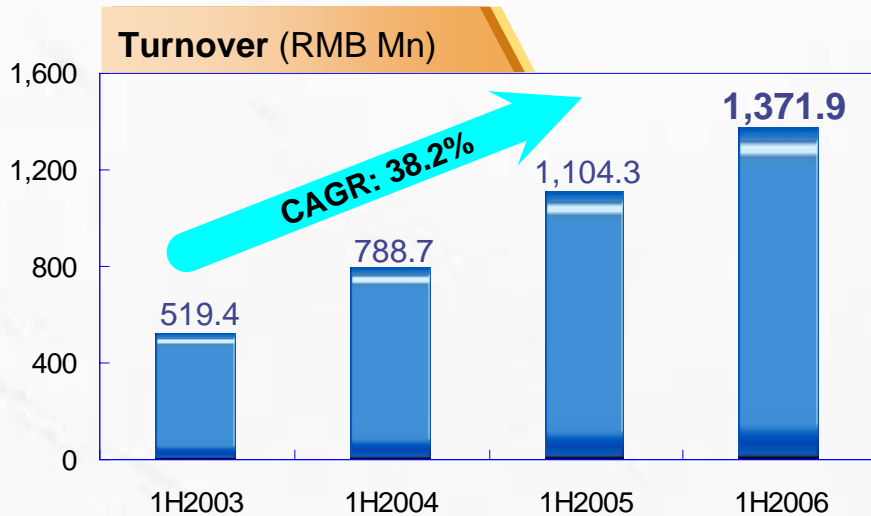
*\* Including fixed deposits*

*\*\* Net Cash = Cash and Cash Equivalents – Bank Borrowings*





# Sustainable and Remarkable Growth





# Review of Operations



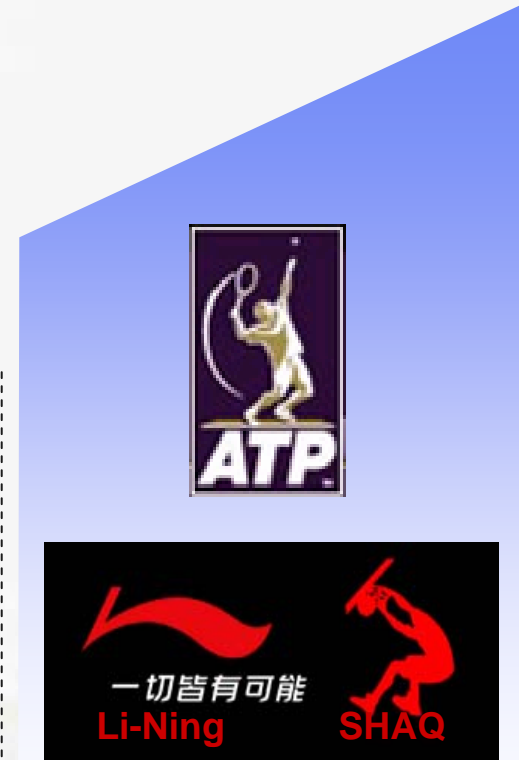
# A Multi-brand Operator



Principal Brand

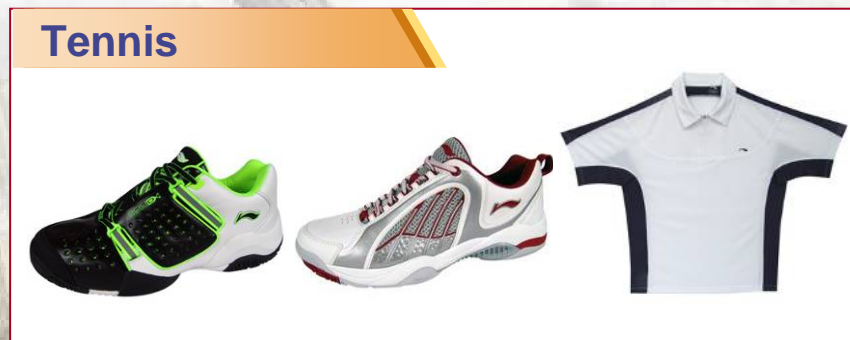


Strategic  
Cooperation



Co-branding

# Product Strategy Supported by Cost-effective Marketing





# Cooperation with Shaquille O'Neal



- ❖ Strengthened the competitiveness of the LI-NING brand in the middle- to high-end market while enhancing its influence in the international arena
- ❖ 5-year cooperation agreement with Shaquille O'Neal in the greater China market (Hong Kong, Macau and Taiwan inclusive)





# Basketball

## Strategic Alliances with NBA



- Enhanced international profile and professional image of the LI-NING brand
- Joint marketing campaigns with NBA Jam Van tour in China
- Entered into agreement with two NBA stars to become the first-ever Chinese sports brand featured in NBA league games



# Soccer

## Sponsorship for CUFL



- ❁ 10-year cooperation with the Federation of University Sports of China
- ❁ Jointly launched the new LI-NING China University Football League (“CUFL”), which involves the largest number of universities with the highest level of skills and exerts the most extensive influence in the PRC
- ❁ Promoted brand position among university students in the PRC through event naming, event promotion, brand promotion and provision of apparel and sports gears for football matches





# Cooperation with ATP

- Strengthened promotion of products with professional features
- 7-year cooperation agreement with Associate Tennis Professional (“ATP”) as an Official partner of ATP in the greater China market (Hong Kong, Macau and Taiwan inclusive)
  - Exclusive franchise rights to Li Ning
  - Join hands in organizing promotional campaigns
  - ATP will assist in signing players endorsement



# Running

## Sponsorship for Professional Athletic Teams



- Enhanced professional image for the running series
- Sponsorship for the domestic and overseas professional athletic teams
  - National Athletic Team of the Republic of Sudan
  - Running teams of Shandong and Gansu provinces





# Product Design and Development



- Remarkable improvements in design capabilities through recruiting new designers with international exposure



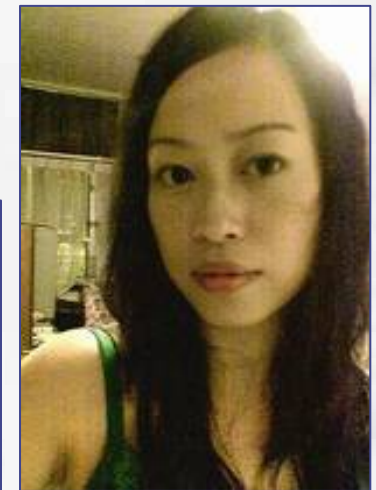
**Ruby Li**  
**Sports Fashion**  
**Creative**  
**Supervisor &**  
**Chief Designer**

**Steffen Aas**  
**Chief Designer**  
**of Apparel**  
**Function**



**Silvio Chan**  
**Executive**  
**Creative**  
**Supervisor**

**Alan Yip**  
**Accessories**  
**Designer**



**Zhang Mei**  
**Sports Life**  
**Apparel**  
**Consultant**



# 4<sup>th</sup> Generation Stores



# JV with **AIGLE**



- ❁ Developed a multi-brand business and enhanced overall competence
- ❁ Established a long-term alliance via the formation of a joint venture with exclusive rights to manufacture, market, distribute and sell AIGLE products for 50 years
- ❁ Opened a total of 21 AIGLE stores (as at 30 June 2006)



# Supply Chain Management



- ❁ Organized 2 large-scale trade fairs for distributors to shorten the lapse between product development and order placements
- ❁ Reformed the traditional supply chain model with advanced information technology systems
- ❁ E-POS system to exercise stringent inventory control and accelerate time-to-market
- ❁ Sales management system implemented to offer a real time platform to monitor sales performance and data collection



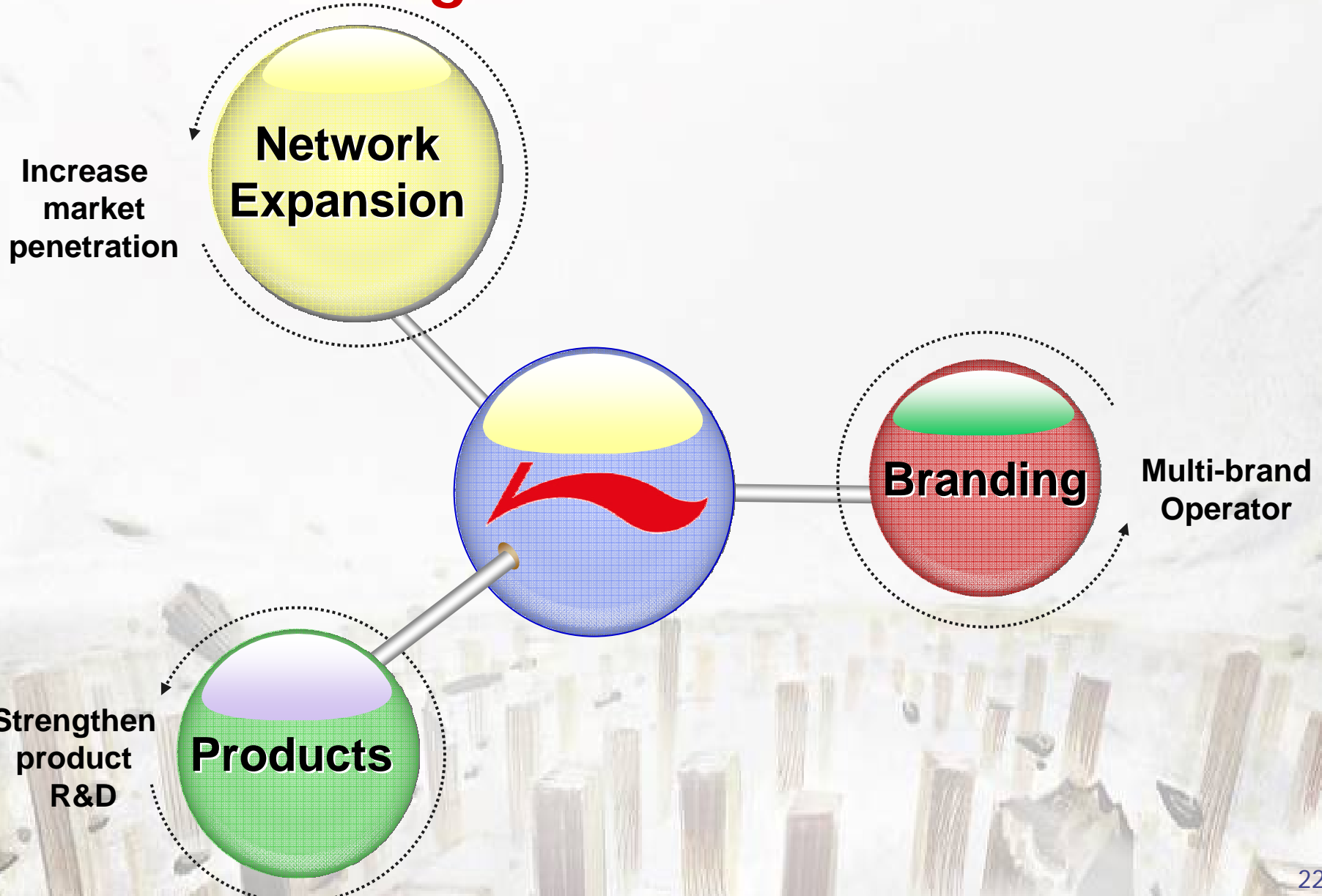




# Future Plans and Strategies



# Future Strategies







# Multi-brand Operator

- ❖ Seek opportunities for long-term cooperation with reputable international brands
- ❖ Facilitate the entry of international brands into the PRC market
- ❖ Develop into a multi-brand operator with a portfolio of reputable sports brands



Shaq finished his successful china tour; Win-win cooperation with Li-ning starts



# Product R&D

- Continue to focus on footwear and apparel products
- Enrich product portfolio, focusing on the five target product series: running, basketball, soccer, tennis and fitness
- Improve product quality and technology
- Launch the newly patented “LN ARCH” series in Fall 2006





# Network Expansion

- Increase the number of LI-NING retail outlets to 5,100 outlets by the end of 2008
- Launch flagship stores at prime locations in metropolitan and 1<sup>st</sup> tier cities
- Increase penetration in 2<sup>nd</sup> and 3<sup>rd</sup> tier cities

## *Li Ning Retail Outlet Expansion Plan*

<i>As at year end date</i>	<b>Total</b>
2006	<b>4,100</b>
2007	<b>4,600</b>
2008	<b>5,100</b>

# Vision, Mission & Core Values







# Open Forum





# IR Contact

To know more about Li Ning Company Limited, please visit

<http://www.lining.com>

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

<http://www.hkex.com.hk>

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