



Li Ning Company Limited

(李寧有限公司)

Stock code: 2331

Branding**China** Reaching**Global**



Corporate Presentation

April 2007



Agenda



- Business Overview
- Financial Highlights
- Review of Operations
- Market Overview
- Future Outlook and Strategies
- Open Forum

The background of the slide is a vibrant, golden-yellow color with a sunburst or radiating light effect. Two synchronized swimmers, wearing red leotards, are captured in a dynamic, acrobatic pose. They are positioned diagonally across the frame, with one swimmer's legs wrapped around the other's torso. The overall aesthetic is bright and energetic.

Business Overview



Business Overview



- **One of the leading sports brand enterprises in the PRC**
- **LI-NING branded sports products:**
 - Brand building, marketing
 - Product design, research and development
 - Franchising model with national retail network
 - Supply chain management
- **Product for sport and leisure use:**
 - Footwear
 - Apparel
 - Accessories
- **Co-operate with international sports brands for PRC market**

Accolades for Business



2006 CCTV the Best Employer



2006 The Best Enterprise's Public Image Award



The Most Creative Organization



2005 the Most Respectable Enterprise in China



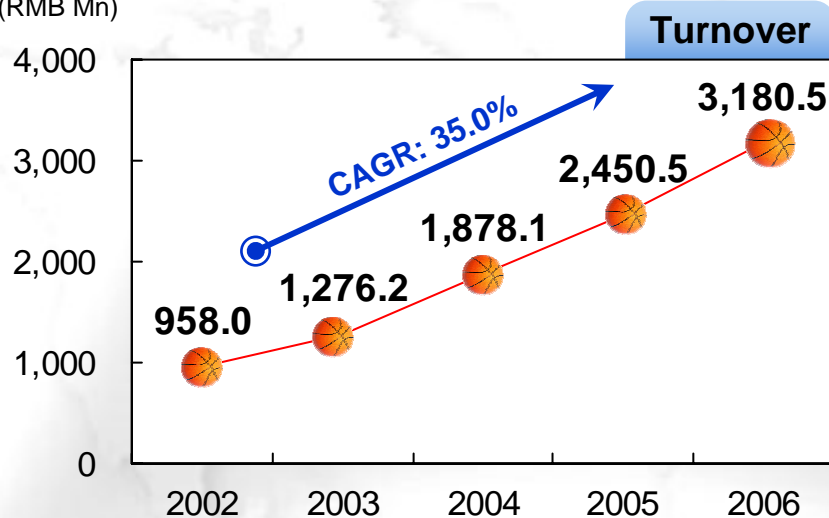
Group CFO, Mr. TAN Wee Seng, honored "Outstanding CFO in China 2005"



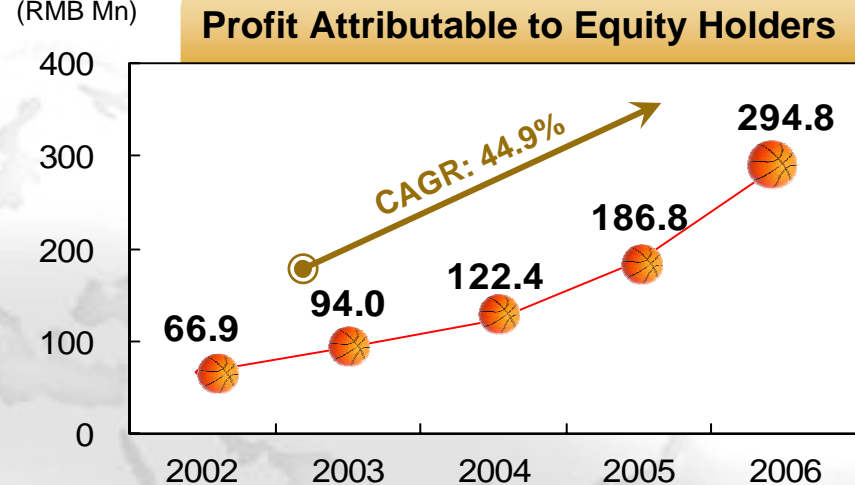
Incorporated into Harvard Business School case study database for successful marketing and operation in China sports goods market

Sustainable and Remarkable Growth

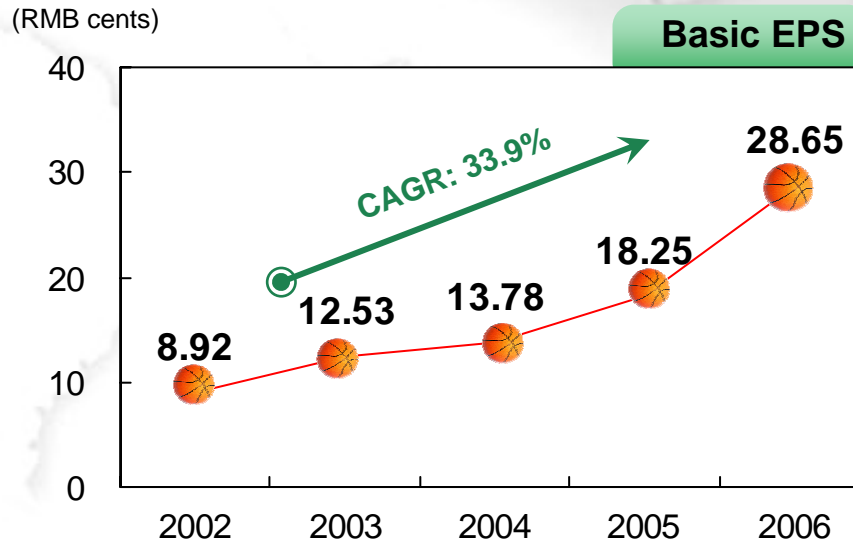
(RMB Mn)



(RMB Mn)



(RMB cents)





Financial Highlights



Financial Highlights



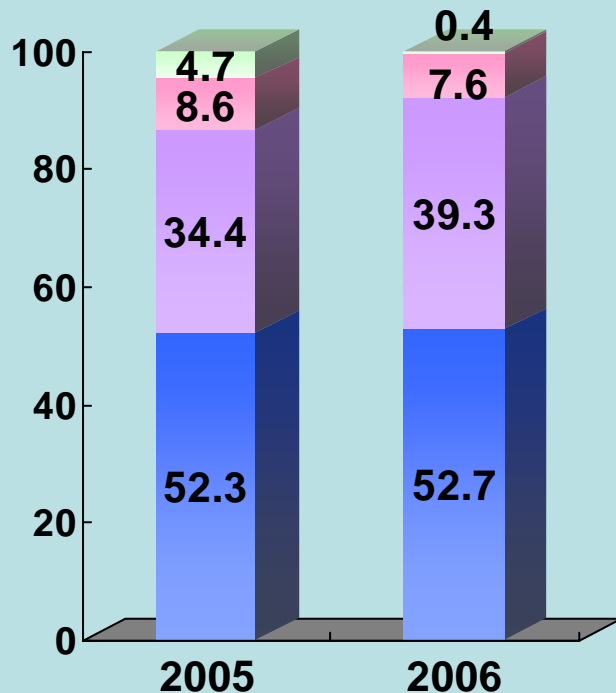
For the year ended 31 Dec.

	2006 (RMB Mn)	2005 (RMB Mn)	Change
Turnover*	3,180.5	2,450.5	29.8%
Gross profit	1,508.6	1,126.2	34.0%
Gross margin	47.4%	46.0%	1.4%
Operating profit	402.5	271.5	48.3%
Operating margin	12.7%	11.1%	1.6%
Profit attributable to equity holders	294.8	186.8	57.8%
Net margin	9.3%	7.6%	1.7%
Basic EPS (RMB cents)	28.65	18.25	57.0%
DPS (RMB cents)			
- Final	7.64	5.00	52.8%
- Interim	3.80	2.30	65.2%

* Turnover of the LI-NING brand which represented 99.6% of total turnover, rose by 35.7% to RMB 3,168.0 million.

Turnover Analysis by Product Categories

As % of turnover



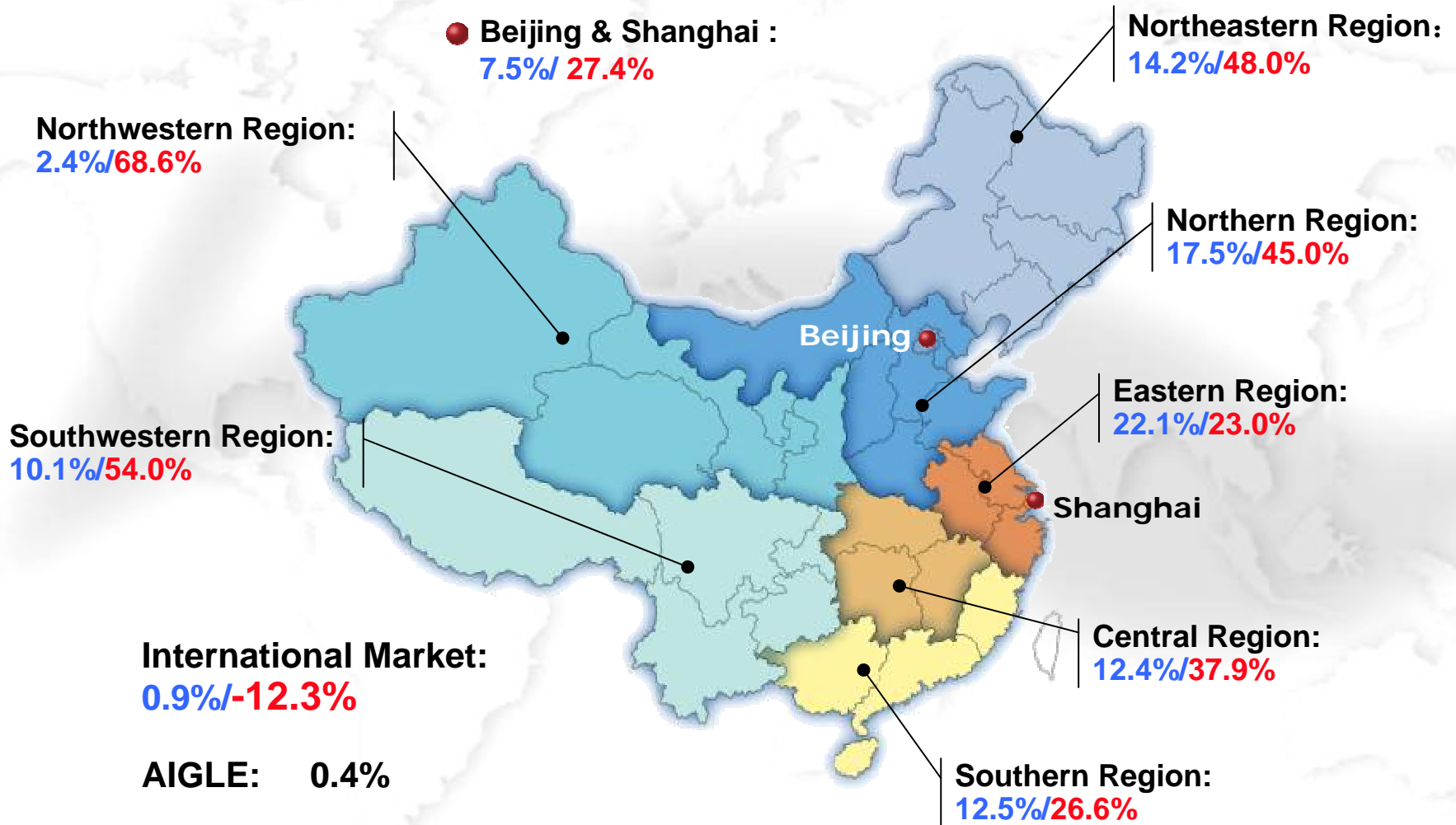
- Other Brands
- Li Ning Brand Accessories
- LI-NING Brand Footwear
- LI-NING Brand Apparel

RMB million

	2006	2005	Change
LI-NING Apparel	1,673.9	1,280.6	30.7%
LI-NING Footwear	1,251.0	843.3	48.3%
LI-NING Accessories	243.1	210.8	15.3%
Other brands*	12.5	115.8	-89.2%
Total	3,180.5	2,450.5	29.8%

* Other brands include the KAPPA and AIGLE brands. Corresponding figures for 2005 relate to the KAPPA brand (disposed of in August 2005), while those for 2006 relate to the AIGLE brand.

Turnover Analysis by Region

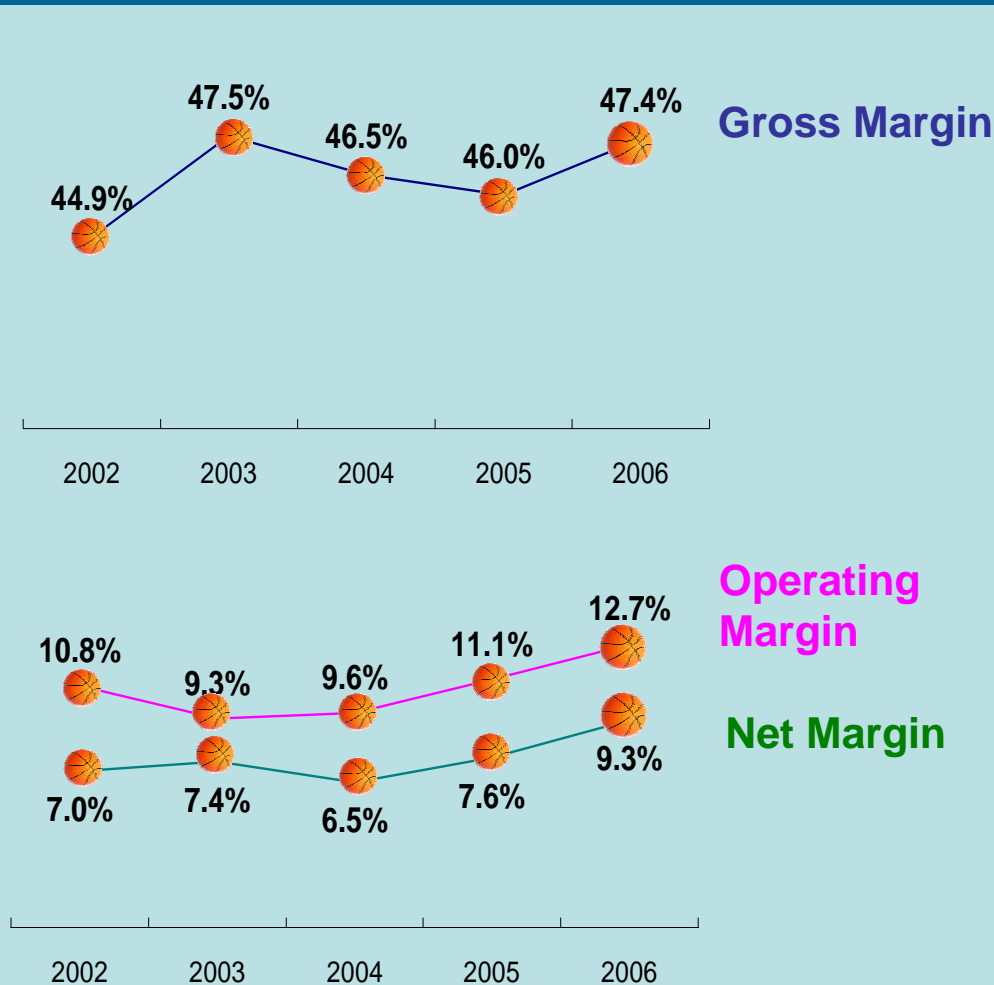


* % of total turnover (blue color) / turnover growth rate (red color)

High Profitability



Margin Overview



- **Stable gross margin**
 - Continual enhancement in product design contributed to maintaining high gross margin
- **Operating margin on an uptrend**
 - Effective management of distribution expense and administration expense
- **Net margin expansion**
 - Increased operating margin
 - Effective taxation planning

Key Financial Indicators



As at 31 Dec

	2006	2005	Change
Inventory Turnover (days)	70	84	-14
Avg. A/R Turnover (days)	55	44	11
Avg. Trade Payables Turnover (days)	67	68	-1
Cash Conversion Cycle (days)	58	60	-2
R&D Expenses (as % to cost of sales)	4.7%	5.3%	-0.6%
A&P Expenses (as % to turnover)	16.4%	15.3%	1.1%
Effective Tax Rate	26.4%	31.1%	-4.7%

Strong Balance Sheet



(RMB Mn)	2006	2005	Change
Cash and Bank Deposits*	849.2	731.5	16.1%
Current Ratio (times)	2.7	3.6	-25.0%
Current Liabilities	688.5	404.5	70.2%
Non-current Liabilities	59.8	0.0	N/A
Debt to Assets Ratio	34.6%	25.6%	9.0%
Return on Equity	23.0%	17.2%	5.8%
Capex	107.5	51.9	107.1%

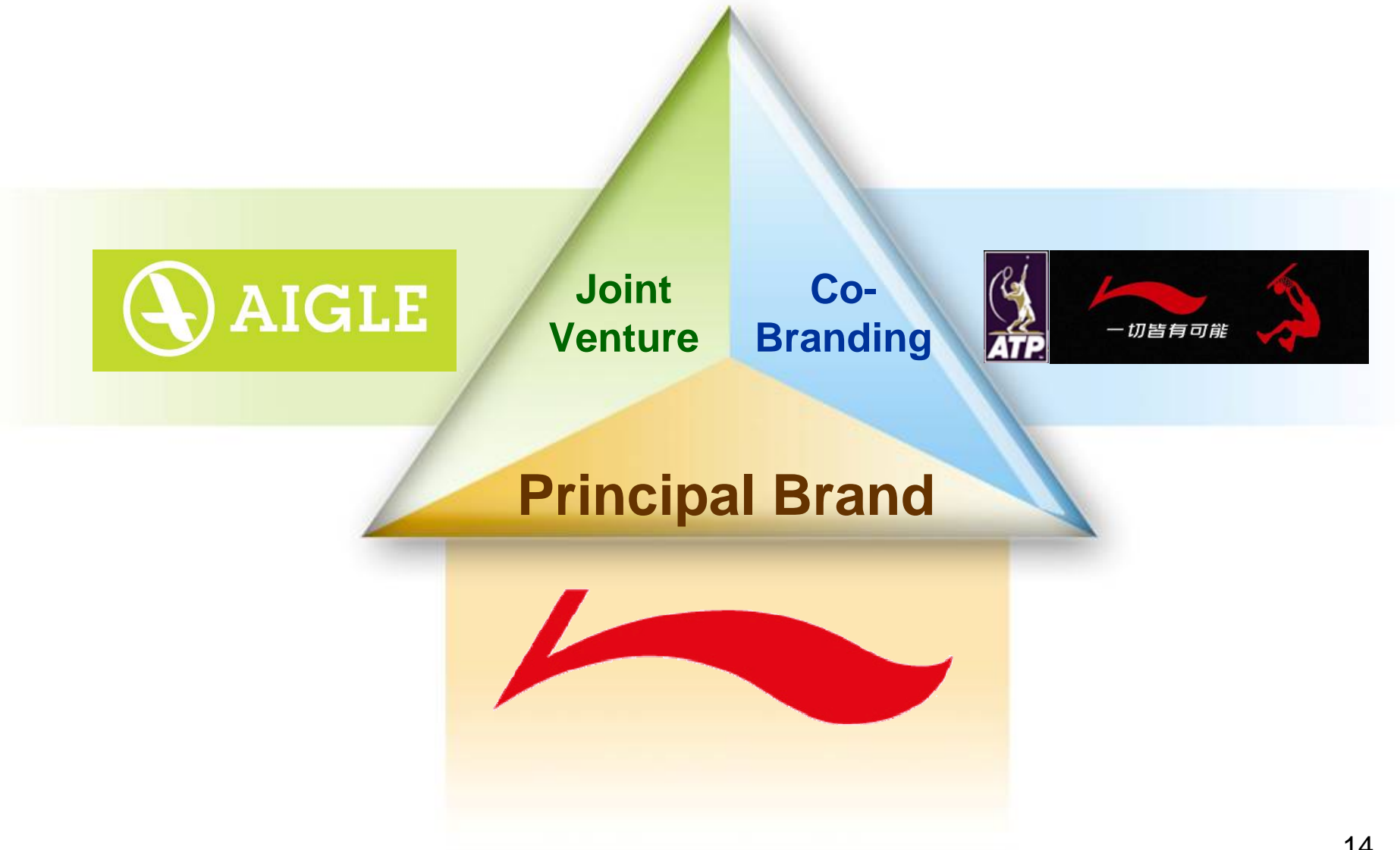
* Including fixed deposit in bank



Review of Operations



A Multi-brand Operator



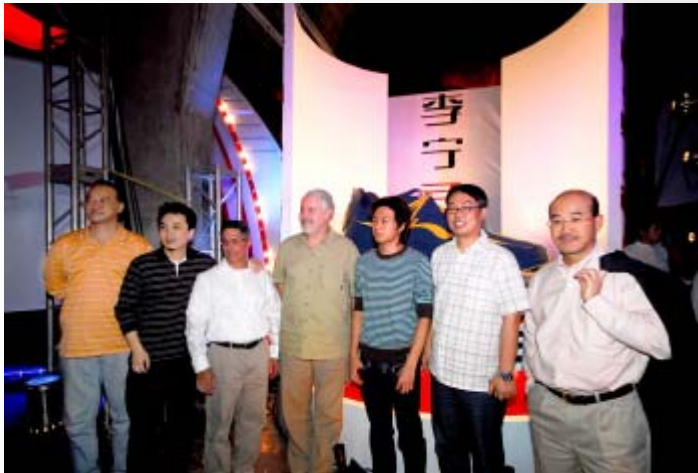
Li-Ning Brand Focus on Five Key Sports



Excellent Capabilities in Product Design and Development



- Expanded HK design centre to 20 staff with 4 well-known international designers



- Cooperated with 2 US companies in New Hampshire on footwear technology
- Launched innovative products with cutting edge technology
 - “LI-NING Bow” – anti-shock tech
 - “Sky Feather” running shoes
 - “Flying Armor” basketball shoe

Running - Sponsorship for Professional Teams & Athlete



- Enhanced professional image for the running series
- Sponsorship for the domestic and overseas professional teams & athlete
 - National Athletic Team of the Republic of Sudan
 - Running teams of Shandong and Gansu provinces
 - Famous Ethiopian marathon athlete Ambesse Tolossa
- Launched www.irun.cn, the first professional running website in China, creating an interactive platform for running lovers

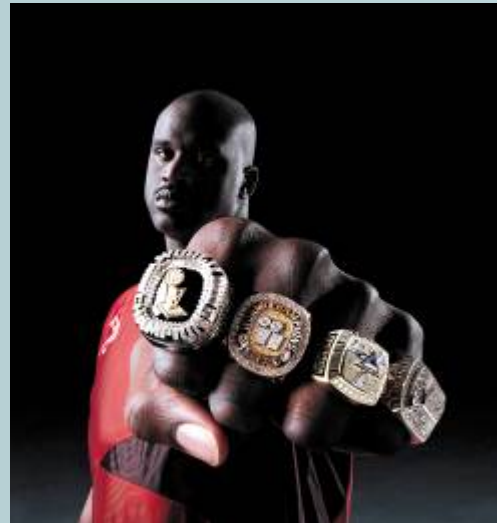


Basketball

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
- 5-year cooperation agreement with Shaquille O'Neal in the greater China market to strengthen the competitiveness of the LI-NING brand in the middle- to high-end market while enhancing its influence in the international arena
- Entered into agreement with 2 other NBA players, Damon Jones and Chuck Hayes.



Basketball - Cooperation with CUBA & world famous national teams

- Strategic alliances with China University Basketball Association
- Sponsored Argentine National Men's and Women's Basketball Teams
- Sponsored Spanish National Men's and Women's Basketball Teams
- Sponsored KFC 3-on-3 youth basketball tournament



Soccer & Tennis

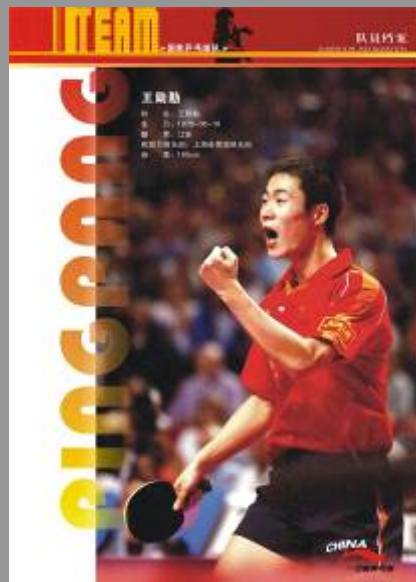


- 10-year cooperation with the Federation of University Sports of China
- Jointly launched the new LI-NING China University Football League (“CUFL”), which involves the largest number of universities with the highest level of skills and exerts the most extensive influence in the PRC



- 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)

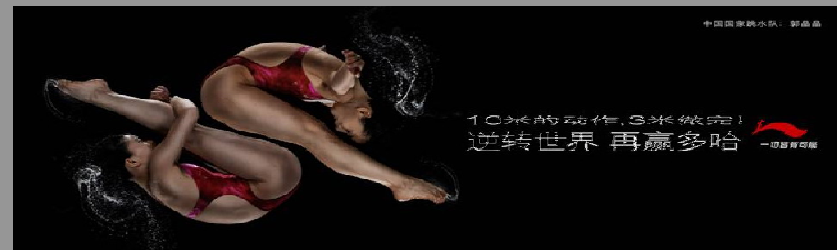
Four Gold Medal National Teams



- Table Tennis
- Diving
- Gymnastics
- Shooting



- Major international sports events:
 - The 2008 Beijing Olympic Games
 - The 2006 Doha Asian Games



Cooperation with Swedish Olympic Committee



- **Four-year term**
 - 2008 Beijing Olympics
 - 2010 Vancouver Winter Olympics
- **Provide specially designed sportswear**
 - Award presentation ceremonies
 - Competition ground
- **Authorized to sell Olympics related products in Sweden**



Cooperation with CCTV National Sports Channel



- **Two-year agreement with CCTV National Sports TV Channel (CCTV-5)**
 - All hosts and reporters presenting on CCTV-5 will put on apparel sponsored by Li Ning
 - Cooperation period: 1 Jan 2007 to 31 December 2008



LI-NING Brand Outlets



	2006	As a % of total no. of stores in 2006	2005	2004
Franchised stores	3,860	89.8%	3,005	2,272
Directly-managed Retail stores	138	3.2%	111	117
Directly-managed concession counters	299	7.0%	257	233
Total	4,297	100.0%	3,373	2,622

4th Generation Stores



Supply Chain Management



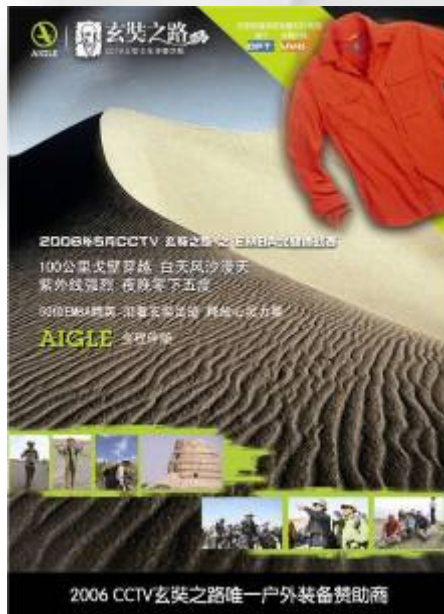
- Organized 4 large-scale trade fairs for distributors to shorten the cycle from product development to order placements per annum
- Achieved 100% futures contract for top franchisees.
- Reformed the traditional supply chain model with advanced information technology systems, E-POS system to exercise stringent inventory control and accelerate time-to-market
- Implemented sales management system to offer a real time platform to monitor sales performance and enable efficient data collection



JV with AIGLE



- 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
- 36 stores in 19 cities of PRC



Co-Branding with ATP and SHAQ

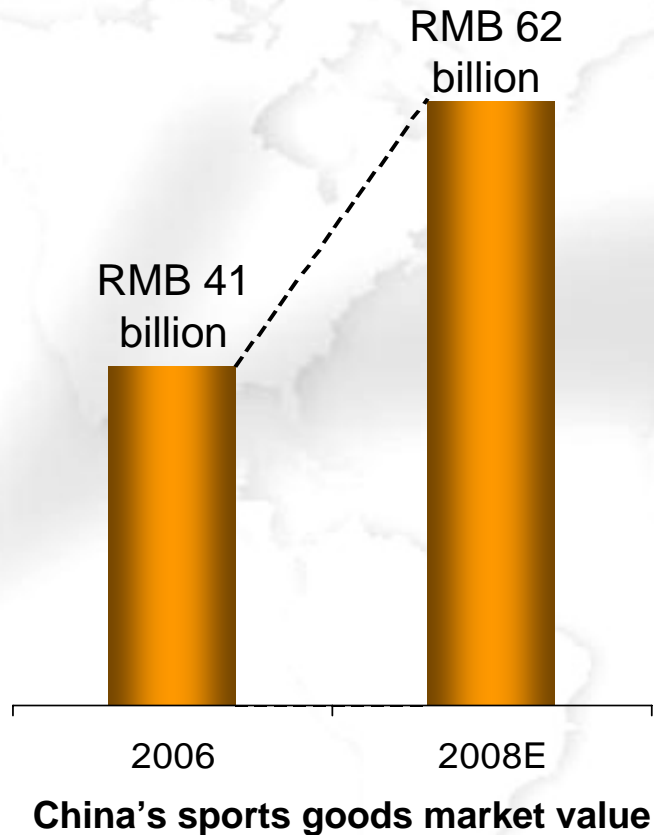




Market Overview



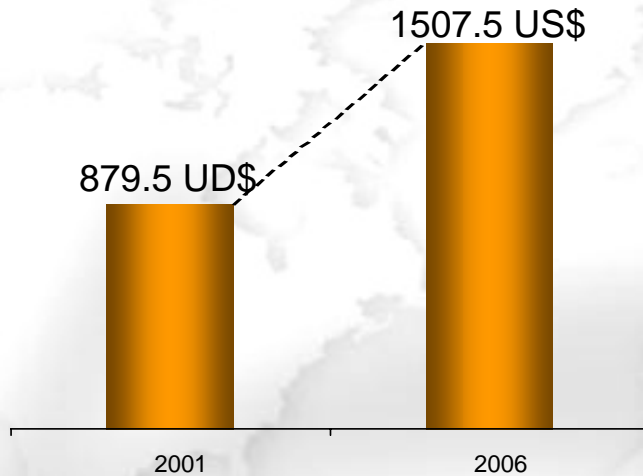
Market Analysis



- Market growth fuelled by increasing consumption power and the 2008 Beijing Olympics
- According to the analysis, the 2nd and 3rd tier cities offer exponential growth potential in the next few years in China
- Products for running, basketball, soccer, tennis and fitness will be increasingly important in the market, along with the increasing popularity of these sport activities

*Source: Company survey, Investment banks & Consulting company estimate,
Remarks: Including footwear & Apparel, excluding the accessories*

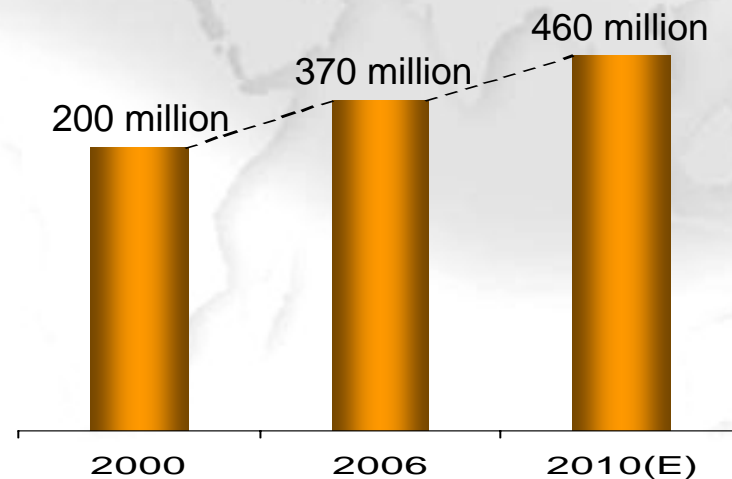
Market Drivers



China urban resident per capita disposable income*

- With China's urbanization, rising sports population and growing number of business centers in China, the sports goods market is expected to maintain robust growth

- In next few years the disposable income annual growth rate will be near 9% *.
- The Growing consumption power will fuel the growth of mid ranged and high end products.



China urban population*

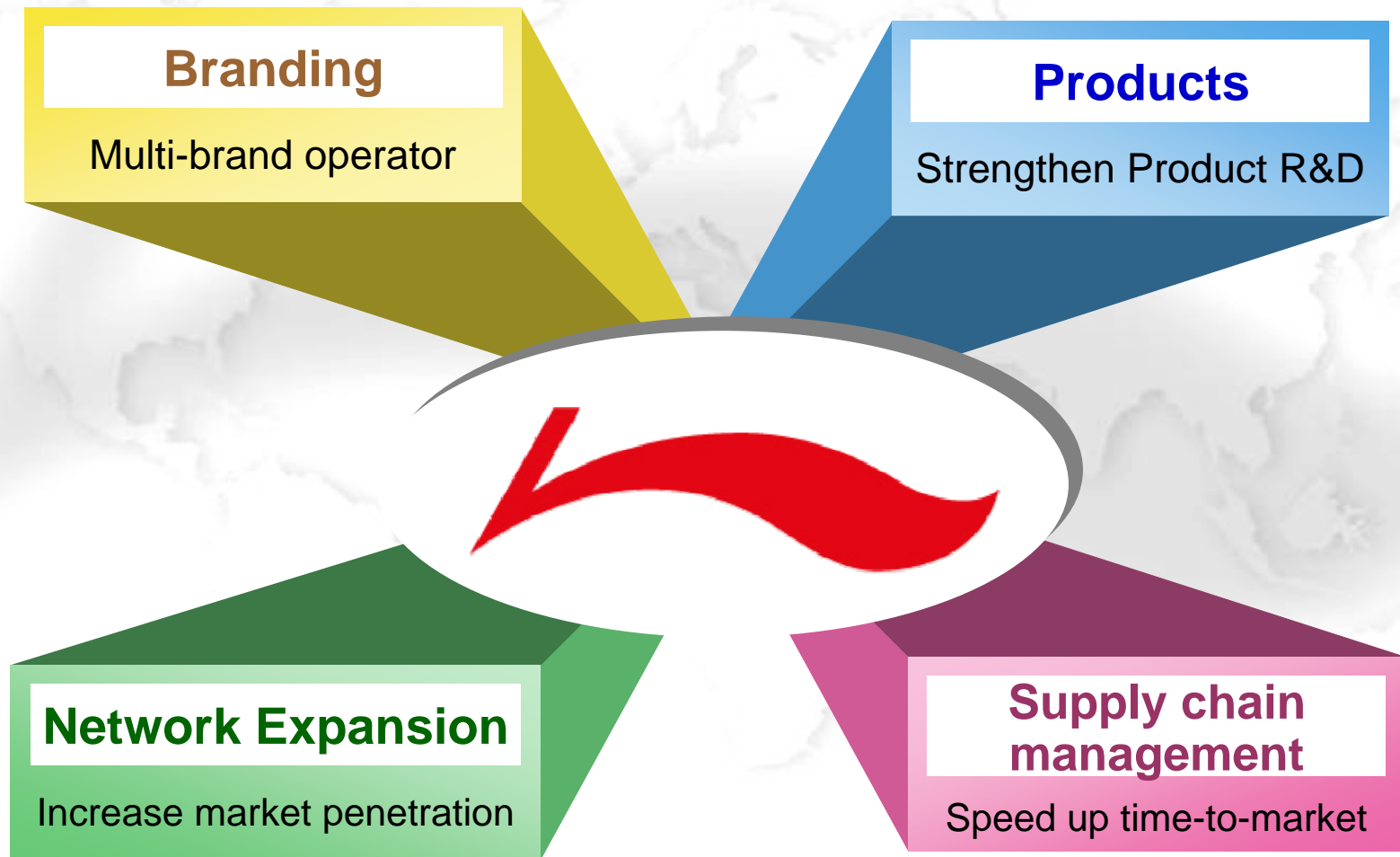
**Source: National Development and Reform Commission, National Bureau of Statistics of China, Company estimate*



Future Plans and Strategies



Future Strategies



Multi-brand Operator



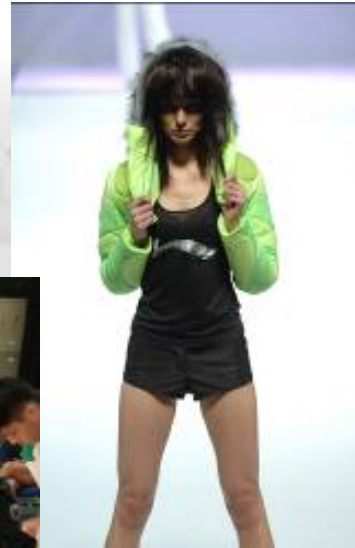
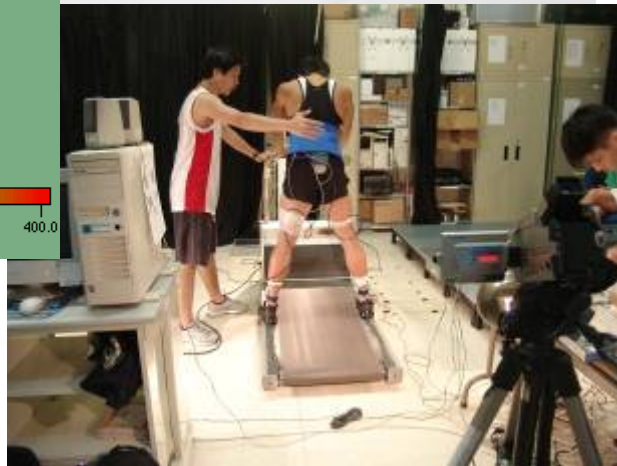
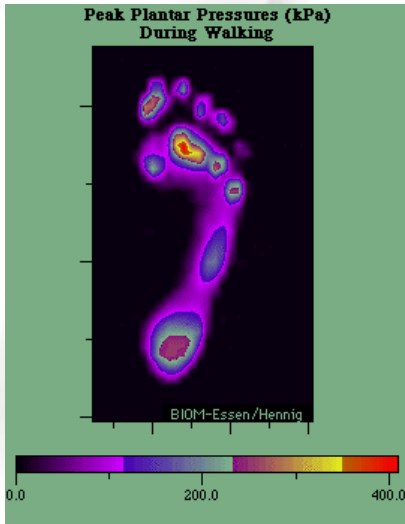
- Seek opportunities for long-term cooperation with reputable international brands
- Facilitate the entry of international brands into the PRC market



Product Design, R&D



- Emphasis on product design and technology application



Network Expansion



- Metropolitan and 1st tier cities:
 - Strengthen brand marketing
 - Launch flagship stores at prime locations
 - Enhance management to achieve same store sales growth with supports of better store image, better products, better retail efficiency, etc
- 2nd and 3rd tier cities
 - Increase penetration and coverage

Li Ning Retail Outlet Expansion Plan

<i>As at year end date</i>	Total
2007	5,000
2008	5,600
2009	6,100

Vision, Mission & Core Values



Vision

A world's leading
brand in the sports
goods industry

Mission

Through sports,
we inspire in people
the desire and
power to make
breakthroughs

Core Values

Athleticism,
Integrity,
professionalism,
passion,
breakthroughs,
and trust

BrandingChina ReachingGlobal



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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