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

### For the year ended December 31

<table>
<thead>
<tr>
<th>(RMB’ 000)</th>
<th>2003</th>
<th>2004</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>1,276,224</td>
<td>1,878,102</td>
<td>+47.2%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>605,919</td>
<td>873,524</td>
<td>+44.2%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>119,109</td>
<td>191,443</td>
<td>+60.7%</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>114,563</td>
<td>192,264</td>
<td>+67.8%</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>93,960</td>
<td>133,439</td>
<td>+42.0%</td>
</tr>
<tr>
<td>Basic earnings per share (RMB cents)</td>
<td>12.53</td>
<td>15.02</td>
<td>+19.9%</td>
</tr>
<tr>
<td>Total dividend per share (RMB cents)</td>
<td>N/A</td>
<td>4.57</td>
<td>N/A</td>
</tr>
</tbody>
</table>
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

## By product categories:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel</td>
<td>658.6</td>
<td>1,083.1</td>
<td>+64.4%</td>
</tr>
<tr>
<td>Footwear</td>
<td>443.8</td>
<td>562.9</td>
<td>+26.8%</td>
</tr>
<tr>
<td>Accessories</td>
<td>173.8</td>
<td>232.1</td>
<td>+33.6%</td>
</tr>
</tbody>
</table>

## By brands:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>LI-NING</td>
<td>1,236.2</td>
<td>1,772.6</td>
<td>+43.4%</td>
</tr>
<tr>
<td>KAPPA</td>
<td>40.1</td>
<td>105.5</td>
<td>+163.5%</td>
</tr>
</tbody>
</table>

*For the year ended December 31*
Turnover Analysis

Turnover Breakdown in 2004 (By Region)

- Kappa 5.6%
- International markets 2.4%
- Northwestern region 2.3%
- Northeastern region 12.5%
- Northern region 13.8%
- Southern region 11.0%
- Southwestern region 8.2%
- Central region 12.4%
- Beijing & Shanghai 9.9%
- Eastern region 21.9%
- Northern region 13.8%
- Northeastern region 12.5%
- Southern region 11.0%
- Southwestern region 8.2%
- Central region 12.4%
- Beijing & Shanghai 9.9%
- Eastern region 21.9%

Turnover Breakdown in 2004 (By Retail Format)

- International markets 2.4%
- Retail store sales 10.6%
- Concession sales 12.0%
- Franchised store sales 75.0%
## Other Key Financial Indicators

<table>
<thead>
<tr>
<th>(RMB’ M)</th>
<th>As at 31 Dec 2003</th>
<th>As at 31 Dec 2004</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>296.2</td>
<td>318.3</td>
<td>+7.5%</td>
</tr>
<tr>
<td>Avg. Inventories Turnover (days)</td>
<td>143</td>
<td>112</td>
<td>-31</td>
</tr>
<tr>
<td>Avg. Accounts Receivable Turnover (days)</td>
<td>29</td>
<td>33</td>
<td>+4</td>
</tr>
<tr>
<td>Avg. Trade Payables Turnover (days)</td>
<td>75</td>
<td>77</td>
<td>+2</td>
</tr>
<tr>
<td>Short-term Loans</td>
<td>85</td>
<td>40</td>
<td>-52.9%</td>
</tr>
<tr>
<td>Long-term Liabilities</td>
<td>n/c</td>
<td>n/c</td>
<td>n/c</td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>224.5</td>
<td>322.6</td>
<td>+43.7%</td>
</tr>
</tbody>
</table>
Operational Review
## A Nationwide Distribution & Retail Network

<table>
<thead>
<tr>
<th>LI-NING brand</th>
<th>31 Dec 2003</th>
<th>31 Dec 2004</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchised retail outlets</td>
<td>1,722</td>
<td>2,272</td>
<td>+31.9%</td>
</tr>
<tr>
<td>Directly managed retail stores</td>
<td>87</td>
<td>117</td>
<td>+34.5%</td>
</tr>
<tr>
<td>Directly managed concessions</td>
<td>176</td>
<td>233</td>
<td>+32.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,985</td>
<td>2,622</td>
<td>+32.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KAPPA brand</th>
<th>31 Dec 2003</th>
<th>31 Dec 2004</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchised retail outlets</td>
<td>144</td>
<td>254</td>
<td>+76.4%</td>
</tr>
<tr>
<td>Directly managed retail stores</td>
<td>3</td>
<td>3</td>
<td>+0.0%</td>
</tr>
<tr>
<td>Directly managed concessions</td>
<td>13</td>
<td>8</td>
<td>-38.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>160</td>
<td>265</td>
<td>+65.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall</th>
<th>31 Dec 2003</th>
<th>31 Dec 2004</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchised retail outlets</td>
<td>1,866</td>
<td>2,526</td>
<td>+35.4%</td>
</tr>
<tr>
<td>Directly managed retail stores</td>
<td>90</td>
<td>120</td>
<td>+33.3%</td>
</tr>
<tr>
<td>Directly managed concessions</td>
<td>189</td>
<td>241</td>
<td>+27.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,145</td>
<td>2,887</td>
<td>+34.6%</td>
</tr>
</tbody>
</table>
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
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

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

- Abundant sports marketing and sponsorship resources
- The leading sports brand in the PRC
- Professional management team
- Unique market position and diversified product range
- Extensive distribution and retail network
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

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

<table>
<thead>
<tr>
<th>Roll out plan for new retail outlets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3,200</td>
</tr>
<tr>
<td>2006</td>
<td>3,500</td>
</tr>
<tr>
<td>2007</td>
<td>3,900</td>
</tr>
</tbody>
</table>

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
To create and provide quality sporting goods for people pursuing a healthy lifestyle and enjoy sports

Mission
To become the leader in China’s sports industry and operator and an owner of international sports brands

Core Values
The passionate pursuit of: Excellence, Professionalism, Innovation
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

鸵鸟 Sales and marketing of LI-NING branded sports products:
  ▪ Product design, marketing and research development
  ▪ Supply chain management and distribution
  ▪ Retail sales

鸵鸟 Product portfolio includes:
  ▪ Sports footwear
  ▪ Sports and leisure apparel
  ▪ Sports accessories

鸵鸟 Sales and marketing of international sports brands in the PRC
Shareholding Structure (as at Jan 2005)

Li Ning Company Limited

Mr. Li Ning and his family members 44.62%
Fidelity Int’l Ltd. 5.93%
Tetrad 14.64%
J.P. Morgan Chase Co. 4.76%
Public 30.05%

Sales, marketing and distribution of the “LI-NING” brand

Licensing of international brands
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

**1992**
- Sponsored the Chinese national team in Barcelona Olympic Games

**1997**
- Established a nationwide retail network

**Oct 2001**
- Set up the 1st overseas store in Spain

**Nov 04**
- Established Hong Kong design, and R&D centre

**Jan 05**
- Became constituent stock of Hang Seng Composite Index Series and Hang Seng Freefloat Index Series
- Formed strategic alliance with NBA

**June 04**
- Listed on Main Board of HKEX