Li Ning Company Limited
（李寧有限公司）
Stock code: 2331

Branding China
Reaching Global

2006 ANNUAL RESULTS
Corporate Presentation

March 2007

Agenda

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

Overview

Key Initiatives

Branding

- Extensive Sports Marketing Resources
- International expansion
- Introduced new brands

Products

- Oriental elements
- Fashionable design
- R&D & technology

Network Expansion

- Stores covering nationwide
- Increased penetration

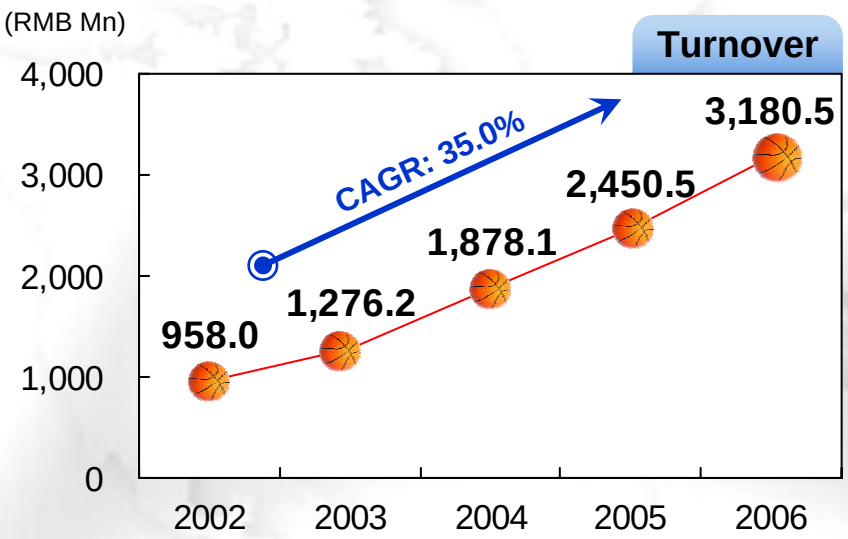
Supply chain management

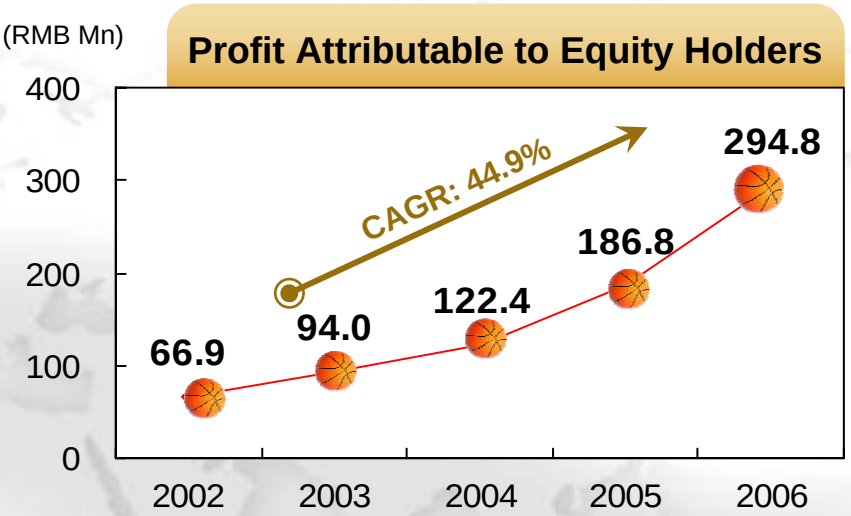
- Cooperation with the suppliers & franchisees
- IT system

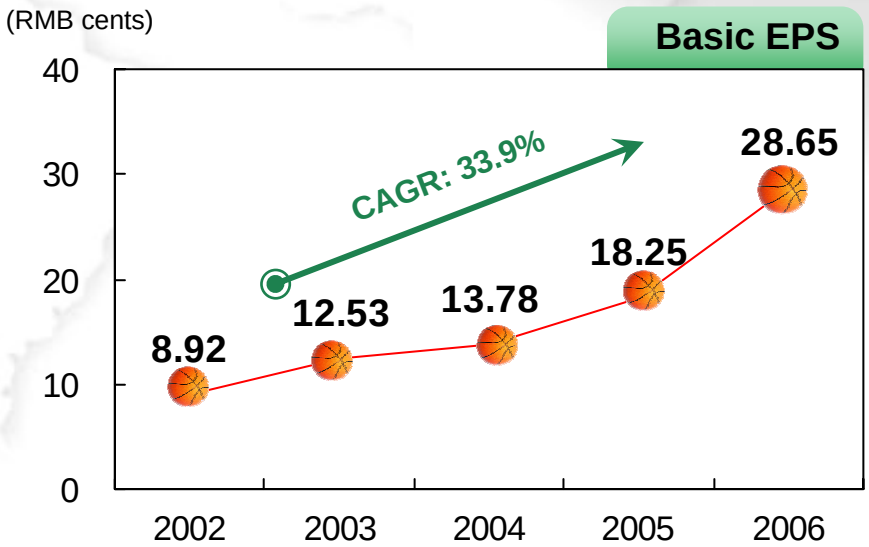
Accolades for Business

- Most Respectable Enterprise in China
- Best Creative Organization
- Influencing China - Sports Apparel Grand Award
- 2006 Best Corporate public Image
- Once again, Top 20 of CCTV Annual Best Employers Survey 2006

Sustainable and Remarkable Growth







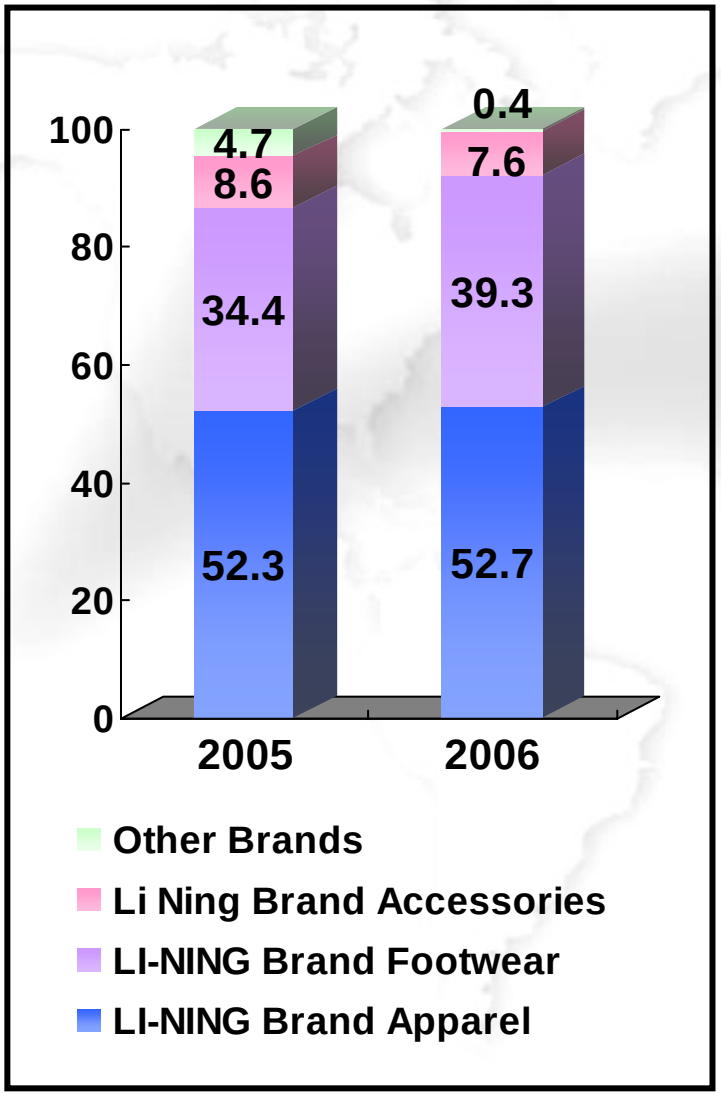
Financial
Highlights

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

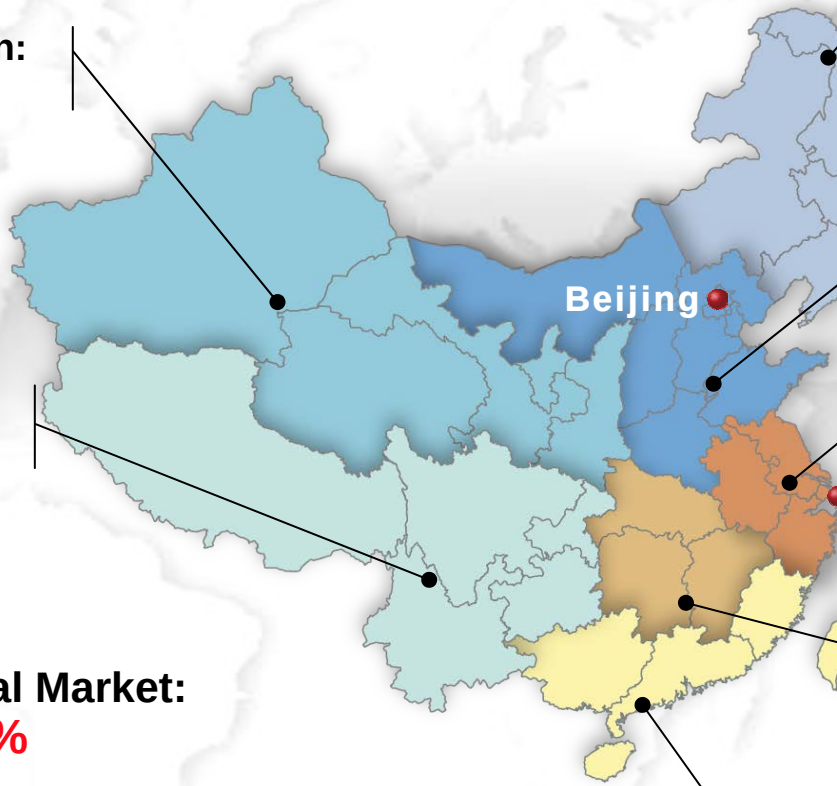


RMB million

	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



Beijing & Shanghai :
7.5%/ 27.4%

Northeastern Region:
14.2%/48.0%

Northwestern Region:
2.4%/68.6%

Northern Region:
17.5%/45.0%

Eastern Region:
22.1%/23.0%

Southwestern Region:
10.1%/54.0%

Central Region:
12.4%/37.9%

International Market:
0.9%/-12.3%

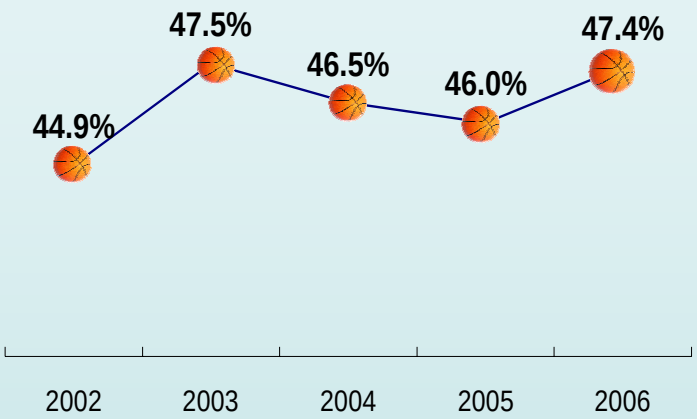
AIGLE: 0.4%

Southern Region:
12.5%/26.6%

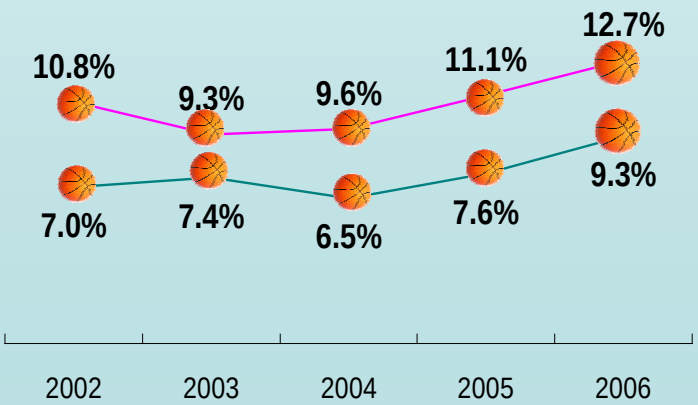
* % of total turnover (blue color) / turnover growth rate (red color)

High Profitability

Margin Overview



Gross Margin



Operating Margin

Net Margin

- **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
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%

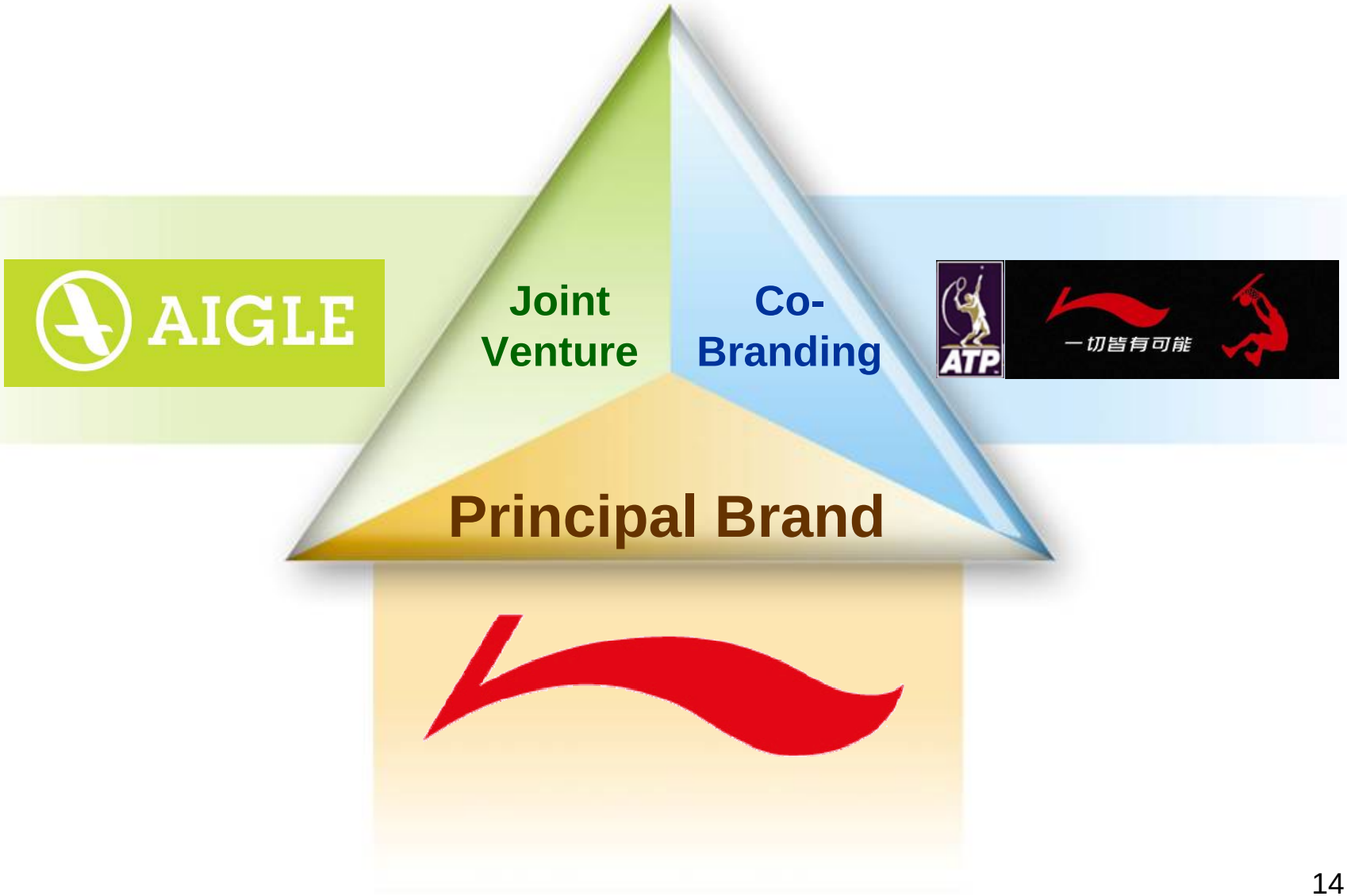
Strong Balance Sheet

(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%
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

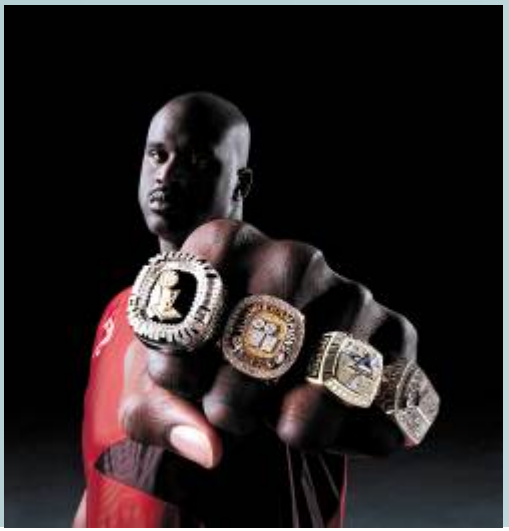
- Cooperated with 2 US companies in New Hampshire on footwear technology
- Launched innovative products with cutting edge technology
  - “LI-NING Bow” – anti-shock tech
  - “Sky Feather” running shoes
  - “Flying Armor” basketball shoe

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

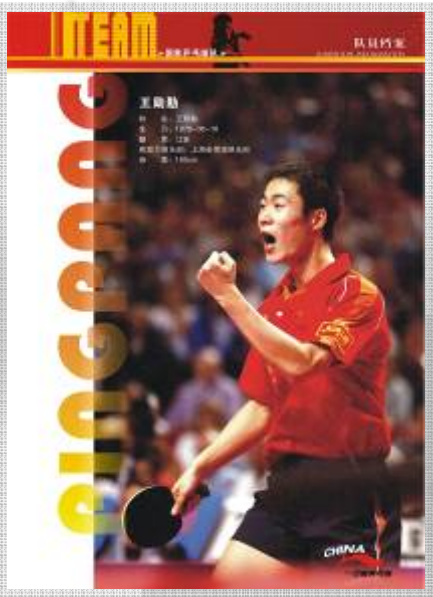
Soccer
Sponsorship for CUFL

- 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

Tennis
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)

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

- **4 years term**
  - 2008 Beijing Olympics
  - 2010Vancouver 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**

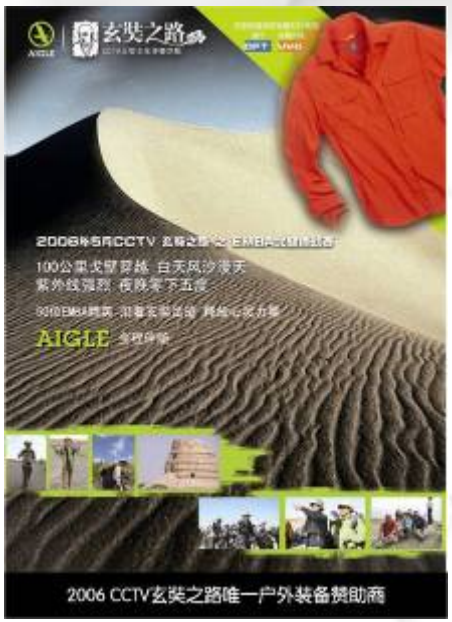
4th Generation Stores

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

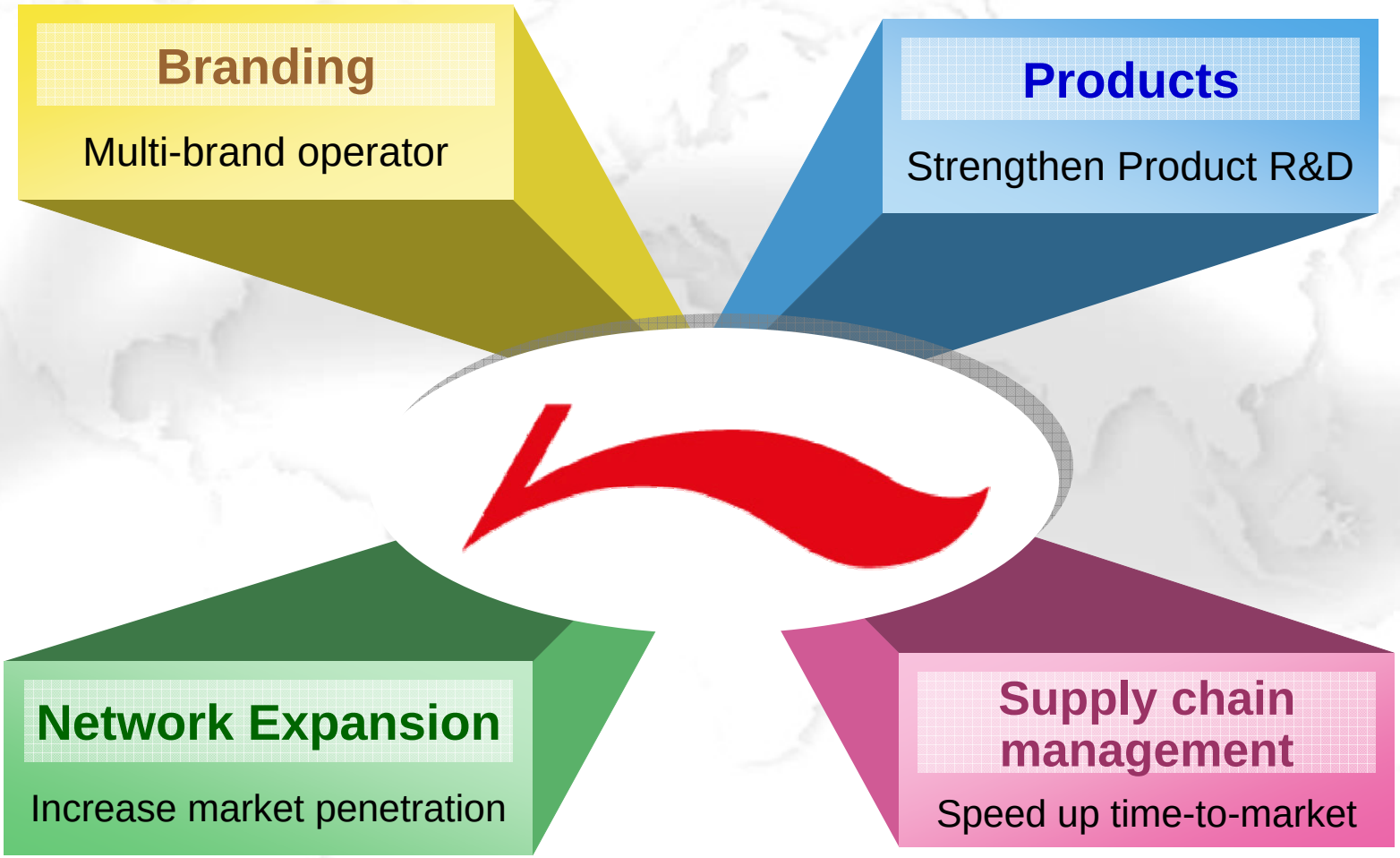
- Established a long-term alliance via the formation of a joint venture with exclusive rights to manufacture, market, distribute and sell AIGLE products for 50 years
- 36 stores in 19 cities of PRC



Co-Branding with ATP and SHAQ

Future Plans
and Strategies

Future Strategies

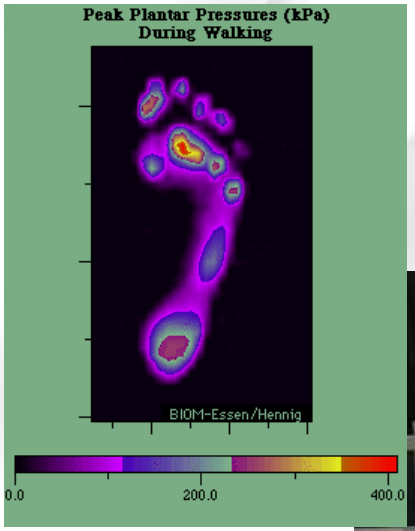


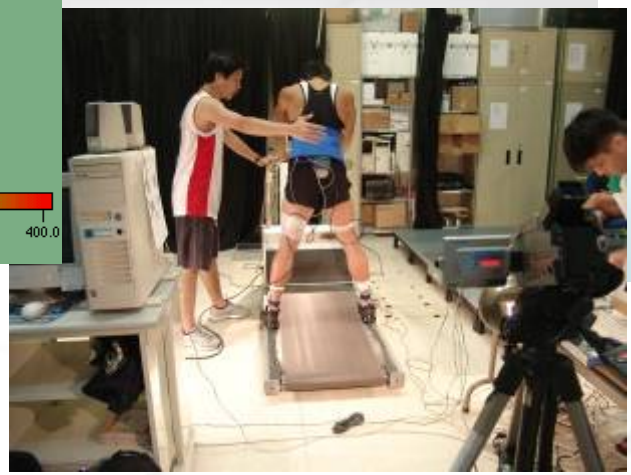
Multi-brand Operator

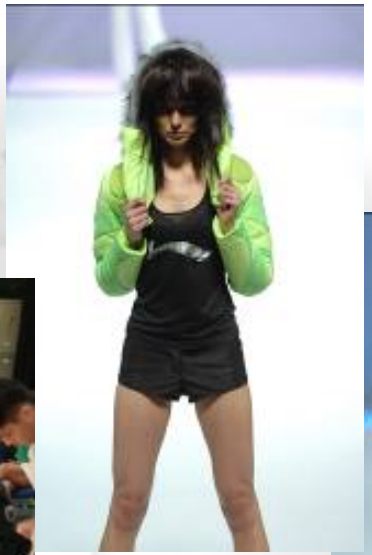
- Seek opportunities for long-term cooperation with reputable international brands
- Facilitate the entry of international brands into the PRC market

Product 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

As at year end date	**Total**
2007	**4,800**
2008	**5,300**
2009	**5,700**

Vision, Mission & Core Values

Branding China Reaching Global

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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