Agenda

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

The Most Creative Organization

2005 the Most Respectable Enterprise in China

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

2006 The Best Enterprise’s Public Image Award

Group CFO, Mr. TAN Wee Seng, honored “Outstanding CFO in China 2005”
Sustainable and Remarkable Growth

**Turnover**

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (RMB Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>958.0</td>
</tr>
<tr>
<td>2003</td>
<td>1,276.2</td>
</tr>
<tr>
<td>2004</td>
<td>1,878.1</td>
</tr>
<tr>
<td>2005</td>
<td>2,450.5</td>
</tr>
<tr>
<td>2006</td>
<td>3,180.5</td>
</tr>
</tbody>
</table>

CAGR: 35.0%

**Profit Attributable to Equity Holders**

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit Attributable to Equity Holders (RMB Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>66.9</td>
</tr>
<tr>
<td>2003</td>
<td>94.0</td>
</tr>
<tr>
<td>2004</td>
<td>122.4</td>
</tr>
<tr>
<td>2005</td>
<td>186.8</td>
</tr>
<tr>
<td>2006</td>
<td>294.8</td>
</tr>
</tbody>
</table>

CAGR: 44.9%

**Basic EPS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic EPS (RMB cents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>8.92</td>
</tr>
<tr>
<td>2003</td>
<td>12.53</td>
</tr>
<tr>
<td>2004</td>
<td>13.78</td>
</tr>
<tr>
<td>2005</td>
<td>18.25</td>
</tr>
<tr>
<td>2006</td>
<td>28.65</td>
</tr>
</tbody>
</table>

CAGR: 33.9%
## Financial Highlights

For the year ended 31 Dec.

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

* 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

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LI-NING Apparel</strong></td>
<td>1,673.9</td>
<td>1,280.6</td>
<td>30.7%</td>
</tr>
<tr>
<td><strong>LI-NING Footwear</strong></td>
<td>1,251.0</td>
<td>843.3</td>
<td>48.3%</td>
</tr>
<tr>
<td><strong>LI-NING Accessories</strong></td>
<td>243.1</td>
<td>210.8</td>
<td>15.3%</td>
</tr>
<tr>
<td><strong>Other brands</strong></td>
<td>12.5</td>
<td>115.8</td>
<td>-89.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,180.5</td>
<td>2,450.5</td>
<td>29.8%</td>
</tr>
</tbody>
</table>

* 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%
Northwestern Region: 2.4%/68.6%

Southwestern Region: 10.1%/54.0%
International Market: 0.9%/-12.3%
AIGLE: 0.4%

Northeastern Region: 14.2%/48.0%
Northern Region: 17.5%/45.0%
Eastern Region: 22.1%/23.0%
Central Region: 12.4%/37.9%

Southern Region: 12.5%/26.6%

* % 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

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inventory Turnover (days)</strong></td>
<td>70</td>
<td>84</td>
<td>-14</td>
</tr>
<tr>
<td><strong>Avg. A/R Turnover (days)</strong></td>
<td>55</td>
<td>44</td>
<td>11</td>
</tr>
<tr>
<td><strong>Avg. Trade Payables Turnover (days)</strong></td>
<td>67</td>
<td>68</td>
<td>-1</td>
</tr>
<tr>
<td><strong>Cash Conversion Cycle (days)</strong></td>
<td>58</td>
<td>60</td>
<td>-2</td>
</tr>
<tr>
<td><strong>R&amp;D Expenses (as % to cost of sales)</strong></td>
<td>4.7%</td>
<td>5.3%</td>
<td>-0.6%</td>
</tr>
<tr>
<td><strong>A&amp;P Expenses (as % to turnover)</strong></td>
<td>16.4%</td>
<td>15.3%</td>
<td>1.1%</td>
</tr>
<tr>
<td><strong>Effective Tax Rate</strong></td>
<td>26.4%</td>
<td>31.1%</td>
<td>-4.7%</td>
</tr>
</tbody>
</table>
## Strong Balance Sheet

### (RMB Mn)

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

*Including fixed deposit in bank*
Review of Operations
A Multi-brand Operator

Joint Venture

Co-Branding

Principal Brand
Li-Ning Brand
Focus on Five Key Sports

Basketball
Fitness
Soccer
Running
Tennis
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

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

China’s sports goods market value

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>RMB 41 billion</td>
</tr>
<tr>
<td>2008E</td>
<td>RMB 62 billion</td>
</tr>
</tbody>
</table>

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

- 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.

- 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

Future Plans and Strategies
Future Strategies

- **Branding**: Multi-brand operator
- **Products**: Strengthen Product R&D
- **Network Expansion**: Increase market penetration
- **Supply chain management**: Speed up time-to-market
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>5,000</td>
</tr>
<tr>
<td>2008</td>
<td>5,600</td>
</tr>
<tr>
<td>2009</td>
<td>6,100</td>
</tr>
</tbody>
</table>

Li Ning Retail Outlet Expansion Plan

As at year end date
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
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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Email: investor@lining.com