2007 Annual Results Corporate Presentation

March 2008

Li Ning Company Limited

Stock code: 2331
Agenda

- 2007 Highlights
- Financial Highlights
- Business Review
- Future Outlook and Strategies
- Open Forum
2007 Highlights
Growing from Strength to Strength in 2007

- Strengthened Efforts in Integrated Marketing
- Improved Store Efficiency and Pursued Same-Store-Sales Growth
- Focused on Growth in Second-and Third-Tier Cities
- Reinforced the Core Competencies of the LI-NING Brand
Five Years of Solid Growth

Revenue (RMB Mil)

CAGR: 35.9%

1,276.2 1,878.1 2,450.5 3,180.5 4,348.7


EBITDA (RMB Mil)

CAGR: 50.1%

134.3 200.8 296.4 438.4 681.8


Profit attributable to equity holders (RMB Mil)

CAGR: 49.8%

94 122.4 186.8 294.8 473.6


Basic EPS (RMB Cents)

CAGR: 38.3%

12.53 13.78 18.25 28.65 45.83


For the FY ended Dec 31
A Year of Achievements

Jan.
Honored the "Best Enterprise's Public Image Award" for the second time

Mar.
Honored the "Best Employer Award 2006" organized by CCTV

Apr.
Honored the "Most Respected Enterprise in China 2006" for the second year in a row

Nov.
Won the "Directors of the Year Award – Collective Board Category" organized by the Hong Kong Institute of Directors

Nov.
Named the "Quality Employer Partner" for 2007 by the CIMA
Financial Highlights
## Financial Highlights

<table>
<thead>
<tr>
<th>(RMB Mil)</th>
<th>2007</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,348.7</td>
<td>3,180.5</td>
<td>36.7%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>2,082.8</td>
<td>1,508.6</td>
<td>38.1%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>609.9</td>
<td>402.5</td>
<td>51.5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>681.8</td>
<td>438.4</td>
<td>55.5%</td>
</tr>
<tr>
<td>Profit attributable to equity holders</td>
<td>473.6</td>
<td>294.8</td>
<td>60.6%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>47.9%</td>
<td>47.4%</td>
<td>0.5p.p.</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>14.0%</td>
<td>12.7%</td>
<td>1.3p.p.</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>10.9%</td>
<td>9.3%</td>
<td>1.6p.p.</td>
</tr>
<tr>
<td>Basic EPS (RMB cents)</td>
<td>45.83</td>
<td>28.65</td>
<td>60.0%</td>
</tr>
<tr>
<td>Final DPS (RMB cents)</td>
<td>7.96</td>
<td>4.79</td>
<td>66.2%</td>
</tr>
<tr>
<td>Special DPS (RMB cents)</td>
<td>9.13</td>
<td>2.85</td>
<td>220.4%</td>
</tr>
</tbody>
</table>
Revenue Analysis by Product Categories

As % of total revenue

<table>
<thead>
<tr>
<th>Product Categories</th>
<th>2007</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>LI-NING Brand Apparel</td>
<td>2,151.6</td>
<td>1,673.9</td>
<td>28.5%</td>
</tr>
<tr>
<td>LI-NING Brand Footwear</td>
<td>1,823.1</td>
<td>1,251.0</td>
<td>45.7%</td>
</tr>
<tr>
<td>LI-NING Brand Accessories</td>
<td>269.7</td>
<td>243.1</td>
<td>10.9%</td>
</tr>
<tr>
<td>Other Brands*</td>
<td>104.4</td>
<td>12.5</td>
<td>735.0%</td>
</tr>
<tr>
<td>Total</td>
<td>4,348.7</td>
<td>3,180.5</td>
<td>36.7%</td>
</tr>
</tbody>
</table>

*Other brands including: Z-DO and AIGLE
Revenue Analysis by Region

International Market: 0.8% / 18.1%
Other brands: 2.4% / 735.0%

*% of total revenue / revenue growth
Sound Fundamentals and Effective Controls Underpins High Profitability

- Gross profit margin maintained at a stable level as a result of continuous enhancements in products sales and cost management.
- Continuous rise in operating profit margin due to effective management in distribution expense and administrative expense.
- Growth in net profit margin due to increase in operating profit margin and effective tax planning.

**Margin Overview**

- Gross Profit Margin: 47.5% in 2003, 46.5% in 2004, 46.0% in 2005, 47.4% in 2006, and 47.9% in 2007.
- Net Profit Margin: 7.4% in 2003, 6.5% in 2004, 7.6% in 2005, 9.3% in 2006, and 10.9% in 2007.
## Key Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>(RMB Mil)</th>
<th>2007</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Turnover</td>
<td></td>
<td>70</td>
<td>70</td>
<td>-</td>
</tr>
<tr>
<td>(days)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. A/R Turnover</td>
<td></td>
<td>53</td>
<td>55</td>
<td>-2</td>
</tr>
<tr>
<td>(days)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. Trade Payables</td>
<td></td>
<td>69</td>
<td>67</td>
<td>+2</td>
</tr>
<tr>
<td>Turnover (days)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Conversion Cycle</td>
<td></td>
<td>54</td>
<td>58</td>
<td>-4</td>
</tr>
<tr>
<td>(days)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R &amp; D Expenses</td>
<td></td>
<td>6.1%</td>
<td>4.7%</td>
<td>1.4p.p.</td>
</tr>
<tr>
<td>(as % to cost of sales)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A&amp;P Expenses</td>
<td></td>
<td>16.0%</td>
<td>16.4%</td>
<td>-0.4p.p.</td>
</tr>
<tr>
<td>(as % to revenue)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Tax Rate (%)</td>
<td></td>
<td>23.4%</td>
<td>26.4%</td>
<td>3.0p.p.</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>
### Solid Financial Position & Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td>861.1</td>
<td>849.2</td>
<td>1.4%</td>
</tr>
<tr>
<td><em>(Including fixed deposits)</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Ratio (times)</strong></td>
<td>2.2</td>
<td>2.7</td>
<td>-18.9%</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>977.4</td>
<td>688.5</td>
<td>42.0%</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td>58.8</td>
<td>59.8</td>
<td>-1.6%</td>
</tr>
<tr>
<td><strong>CAPEX</strong></td>
<td>243.1</td>
<td>107.5</td>
<td>126.2%</td>
</tr>
<tr>
<td><strong>Total Liabilities to Total Assets Ratio</strong></td>
<td>37.3%</td>
<td>34.6%</td>
<td>2.7p.p.</td>
</tr>
<tr>
<td><strong>Return on Equity</strong></td>
<td>30.1%</td>
<td>23.0%</td>
<td>7.1p.p.</td>
</tr>
</tbody>
</table>

#### Cash flows from operating activities (RMB Mil)

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAGR</strong></td>
<td>43.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Flow</strong></td>
<td>93.2</td>
<td>134.4</td>
<td>138.6</td>
<td>293.4</td>
<td>392.9</td>
</tr>
</tbody>
</table>

*Note: CAGR stands for Compound Annual Growth Rate.*
Raising the Bar For 2008 Beijing Olympics
Olympics-related Promotions

- Unveiling the “Hero” Olympics Strategies
  - Three-pronged approach, namely, “Hero Team”, “Hero Gesture” and “Hero Triumph”
  - A series of sales and marketing campaigns under the theme “Hero” to demonstrate the Group’s vision as a leading Chinese sports brand

- The Li Ning “Olympic Champions” Exhibitions
  - Launched in Changchun and later in 15 other major and Olympic event-holding cities, including Beijing, Shanghai, Guangzhou etc.
  - Brought the LI-NING brand closer to the consumers
Teaming Up with the USA Table Tennis Association

- Taps into the ongoing craze for table tennis

- A strategic move that follows the announcement to acquire “Double Happiness”

- The FIRST time an American national team will wear sports apparel from a Chinese local brand
Sponsorship of International Olympics Delegation

- **Spanish Olympic Delegation**
  - An official partner of the Spanish Olympic Committee
  - The Official Sportswear Provider for the Spanish Olympic Delegation during 2008

- **Swedish Olympic Delegation**
  - An official partner of the Swedish Olympic Committee
  - The Official Sportswear Provider for the Swedish Olympic Delegation during the 2008 Beijing Olympics and 2010 Vancouver Winter Olympics
  - Authorized to sell Olympics-related products in Sweden
Sponsorship of Overseas National Sports Teams and Athletes

- **Basketball:**
  - Spanish National Basketball Team
  - Argentina Basketball Federation
  - Chuck Hayes

- **Tennis**
  - Top Seed Ivan Ljubicic

- **Track & Field**
  - Leading marathon runner, Ambesse Tolossa
  - Tanzanian National Track & Field Team
  - Sudan National Track & Field Team
Sponsorship of 4 National Gold Medal Teams

- Table Tennis Team
- Diving Team
- Gymnastics Team
- Shooting Team
Collaboration with the CCTV National Sports TV Channel

- Promotion of LI-NING brand’s international and professional image through cooperation with CCTV National Sports TV Channel
  - All hosts, news presenters and reporters will put on LI-NING-branded apparel, footwear and accessories
  - providing apparels to news presenters and reporters on Olympic Channel
Principal Sponsor of Asian Indoor Games

- Li Ning – the principal sponsor and exclusive sportswear supplier for the second Asian Indoor Games held in Macau in October 2007

- A one-of-its-kind event which combines leisure with entertainment that helps strengthen sports development in the region
Community Marketing Events

- Ongoing sponsorship of CUBA (China University Basketball Association) and CUFL (China University Football League)
- LI-NING Chinese Basketball Selection Camp
- LI-NING “3+1” Basketball Tournament
- “iRun out of line”
Superb Product R&D

- Product R&D, design centers are located in mainland China, Hong Kong and Portland Oregon, the US

- Collaboration with professional R&D houses in New Hampshire on footwear technology

- Focus on technological application in product materials
  - Developed AT DRY SMART technology
  - Cooperation with suppliers
  - Collaboration with Michelin

- Focus on combining technology and oriental elements on footwear products
  - Incorporated “LI-NING BOW” anti-shock technology to Running, Basketball and Tennis footwear products
  - The “Banpo” basketball shoes was crowned the “2007 China Innovative Design Red Star Award” and 2007 “iF Industrial Design Awards”
Effective Sales Channel Management

- Accelerated store opening
- Setting up of flagship stores to deepen the penetration and influence of the LI-NING brand and sales
- Continued to expand sales channel coverage in 2nd and 3rd tier cities
- Established Distribution Sales Representative (DSR) team, and set up a nation-wide store visit mechanism
- Improved individual store efficiency through enhancements in retail capabilities and improvements in the structure of retail management teams

<table>
<thead>
<tr>
<th>Number of stores</th>
<th>2007-12-31</th>
<th>2006-12-31</th>
<th>2005-12-31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Li-Ning brand</td>
<td>5,233</td>
<td>4,297</td>
<td>3,373</td>
</tr>
<tr>
<td>Other brands</td>
<td>443</td>
<td>36</td>
<td>-</td>
</tr>
</tbody>
</table>

*Other brands including: Z-DO and AIGLE*
New Flagship Store
Supply Chain Management

- Streamline supply chain management system by adopting a demand-driven approach
- Flexible and effective supply chain management strategies:
  - 10 large-scale fairs of various brands were organized to shorten the cycle time between product development and order placements
  - Set up the apparel sample technology and market-driven supply chain centre in Guangdong
- Improved purchasing efficiency and reduced purchasing cost
New Headquarters & Operating Centre
Multi-Brand Operator

Li Ning

Principal brand

Sub brand

Co-branding with ATP

Co-branding with Shaq

Acquisition in Progress

Joint Venture

Acquisition in Progress
Co-Branding with ATP and SHAQ
Newly Launched Sub-brand – Z-DO

- Newly launched in April 2007
- Major sales channel: hypermarkets
- Network: covers 400 stores as of FY 2007
- Product: shoes, apparels and accessories
- Price range: RMB 100 – 300
- Future strategies:
  - Strengthening brand image and positioning
  - Broadening product portfolio
  - Expanding sales network
JV with AIGLE

- 43 stores in China as at 31 Dec 2007
- Future development will focus on fine-tuning product portfolio, price setting and localizing supply chain
Acquisition of “Double Happiness”

- Announced the acquisition of the world famous table tennis brand – “Double Happiness” in November 2007

- Benefits of the acquisition:
  - Strengthen Li Ning’s position in the flourishing table-tennis market
  - Enhance the professional image of the LI-NING brand
  - Support the Group’s multi-brand strategy
  - Synergies in brand promotion, marketing, events sponsorship and improvement of sales channels
Future Outlook and Strategies
Future Strategies in Full Swing

- Branding
- Retail Network Expansion
- Products
- Supply Chain Management
The Road to Success

Much Enhanced Brand Profile Brought about by 2008 Beijing Olympics

Integrated Marketing

Multi-brand Strategies
Network Expansion

- Increase the number of LI-NING brand retail outlets to 6,100 outlets by the end of 2008
- Strengthen sales efforts and add flagship stores in metropolitan and 1st tier cities to capitalize on the 2008 Beijing Olympics opportunities
- Increase Li Ning’s network penetration in 2nd and 3rd tier cities to capture the rapid growth of such markets

<table>
<thead>
<tr>
<th>As at year end date</th>
<th>Number of stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6,100</td>
</tr>
<tr>
<td>2009</td>
<td>6,900</td>
</tr>
<tr>
<td>2010</td>
<td>7,700</td>
</tr>
<tr>
<td>2013</td>
<td>10,000</td>
</tr>
</tbody>
</table>
Product Development & Design

- Emphasize product design and technology application
- Combine oriental elements with international design & technology
- Adopt regional product planning to strategically target the needs and preferences of customers in different regional markets
Vision, Mission & Core Values

**Vision**
A world’s leading brand in the sports goods industry -- world top 5 by 2018

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

**Core Values**
Athleticism, integrity, professionalism, passion, breakthroughs, and trust
Open Forum
IR Contact

To know more about Li Ning Company Limited, please visit
http://www.lining.com
http://www.li-ning.com
http://www.irasia.com/listco/hk/lining/
http://www.hkex.com.hk

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