Leading the Way with Innovation
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Agenda

- 2013 Key Highlights and Strategic Vision
- Strategy and Transformation Plan Update
  - Progress on Turnaround
  - Building China’s Leading Brand
  - Impacts on Financial Results
- Financial Highlights
- Open Forum
2013 Key Highlights and Strategic Vision
Industry Challenges & Opportunities

- Near-term industry headwinds continue due to macroeconomic uncertainty and remaining overhang from over-expansion but demand in core sportswear remains strong

- Chinese consumer preferences are changing quickly, with growing expectations for better value and quality as well as more sophisticated and specific consumer needs; these dramatic changes pose challenges to existing low-cost, commoditized model of brands who copy rather than innovate

- Shifting market dynamics putting further pressure on existing business models, with new casual wear entrants, fast moving fashion trends, and rise of e-commerce

The bar has been raised significantly -- leading brands who innovate and transform will be best positioned for the future and to grow market share

Li-Ning is determined to invest boldly, but wisely, to successfully transform itself and solidify its industry leading position
Our Vision

1. Core LI-NING Brand

Repositioned brand value proposition:
- China’s leading brand with authenticity and unique marketing assets
- Best value-price equilibrium to lead & expand in the mid-market, targeting growing middle class
- Integration of sports functionality & fashion
- To provide best-in-class consumer experience

2. China Market

Big and growing market
- Low sports participation, but quickly growing
- Innovation specifically for China
- Consumption upgrade

3. Core Sportswear

Focus on 5 core, fast growing sports categories
- Opportunity to become #1 or #2 in each category
- Exiting commoditized casual wear categories
- Defocusing on non-core sportswear categories
Mobilized Best Resources Globally to Build China’s Leading Brand

Best-in-class partners with deep expertise in restructuring and retail infrastructure (e.g., A&M, Accenture, McKinsey)

World-class management team and advisors from top global companies and markets (e.g., Dell, P&G, Payless, Nike, Adidas, Guess, ZARA)

Partnerships with industry leaders in materials and manufacturing technologies critical for premium sportswear (e.g., RSI, Kolon, Pou chen)

Strategic investor with proven retail & fashion transformation expertise (TPG)

Designers and product creation partners with distinguished track record in leading global brands (e.g., Adidas, Bean Pole, Descente, Nike, Under Armour)

Sponsorships in top sports leagues and of iconic stars focused on 5 core sportswear categories (e.g., CBA, Wade)

Streamlined and enhanced local team, building on foundation of core capabilities and innovation (e.g., Arc, Cloud, AT)

Created ecosystem of world-class capabilities to pioneer industry’s first and most comprehensive brand transformation
Differentiated Products Offer Price-Value Proposition
CBA Final
10K Running
10K Running
10K Running
We are mid-way of the transformation journey.

First phase turnaround is nearly complete with encouraging core trends, but a little more time is needed to resolve issues with the last group of weak channel partners and final batch of old inventory.

Success of the new strategy has been demonstrated through new product performance and various strategic initiatives; but, final phase is expected to take 18-24 more months of investment to build out new operational platform and complete the transformation, which includes the shift towards more direct-retail and self-owned shops.

Financially, cost structure and operating cash flow have improved significantly, but balanced by bold investments in transforming the brand and operations; hence, it will take time for financial results to fully reflect the benefits of our work today.

We firmly believe in our current transformation direction; we also believe that building a leading brand in China, one of the world’s most promising markets, rather than maximizing short-term financial results, is the best way to maximize stakeholder value over time.

We have made great progress over the past 18 months in realizing this vision.
Strategy and Transformation Plan Update
We Are Now Ready to Grow Again

Fix the business
- Revive channels (inventory, network, profitability & cash flow)
- Improve operating cash flow and capital structure
- Improve core operating performance, particularly new products

Resize to healthy core sportswear
- Reduce undifferentiated and non-core categories, such as casual wear fashion, to expand in core sportswear categories
- Decisively exit unprofitable markets, products & channels
- Reduce sell-in to focus on core businesses and markets

Build solid sportswear business, then grow
- Differentiated core category strategy and clear value proposition
- Brand and product expansion into premium, core, basic sportswear markets, where value proposition is compelling
- Product and business model innovation specifically for China
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Near-Term Turnaround

- Channel Efficiency
- Operating Capabilities
- Brand & Product
- Retail Business Model
Turnaround is on track and successful, but there remain a group of weak channel partners who still face challenges and lack resources for growth. Group will need to invest more to continue restructuring the weak and supporting the strong, while building the new business.
Significant Reduction of Old Inventory

Channel Inventory and Turnover Months
(Rolling 12 months Turnover Average)

<table>
<thead>
<tr>
<th></th>
<th>Feb-12</th>
<th>Feb-13</th>
<th>Feb-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Channel Inventory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover Months</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Old Inventory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover Months</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current, Last and</td>
<td>45%</td>
<td>27%</td>
<td>38%</td>
</tr>
<tr>
<td>Next Quarter</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory (RMB)</td>
<td>55%</td>
<td>73%</td>
<td>51%</td>
</tr>
<tr>
<td>Inventory Before</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Last Season (RMB)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old inventory</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Decline ~30%</td>
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<tr>
<td>(Rolling 12 months</td>
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<tr>
<td>Turnover Average)</td>
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<tr>
<td>~ 5 months</td>
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</tbody>
</table>

Significant reduction of problematic old inventory in step with the resizing of the business, and returning to healthier inventory mix and level.
Mix Shifting to Stronger Store Categories

LI-NING Brand Distribution Channel and Retail Revenue Mix

Total number of stores:
- 2011Q4: 8,255
- 2012Q4: 6,434
- 2013Q4PF**: 5,915

Retail Revenue Mix:

<table>
<thead>
<tr>
<th></th>
<th>2011Q4</th>
<th>2012Q4</th>
<th>2013Q4PF**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributor, Sub-distributor Stores</td>
<td>32%</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>Distributor, Self-owned Stores</td>
<td>47%</td>
<td>45%</td>
<td>40%</td>
</tr>
<tr>
<td>Subsidiary, Sub-distributor Stores*</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Subsidiary, Self-owned Stores</td>
<td>17%</td>
<td>22%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Core Metrics (Relative Performance in 2013 2H)

- **SSSG**
  - Average: 3%
- **New product mix Normal stores**
  - Average: 7%
- **Sales per stores (RMB)**
  - Average: >90,000

* Sub-distributor under subsidiary more profitable since wholesale margin not given away
** Included signed takeover markets from distributors before 24th Mar 2014

Stabilized store count and optimized distribution channels to improve productivity and profitability
Significant Improvements in Cash and Profit

A/R Turnover Days

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/R Turnover Days</td>
<td>98</td>
<td>89</td>
</tr>
</tbody>
</table>

EBITDA (RMB million)

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>-1,378</td>
<td>26</td>
</tr>
</tbody>
</table>

Operating Cash Flow (RMB million)

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow</td>
<td>-932</td>
<td>-14</td>
</tr>
</tbody>
</table>

Net Cash Position (RMB million)

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash Position</td>
<td>-870</td>
<td>222</td>
</tr>
</tbody>
</table>

Progress in turnaround initiatives lead to improvements in core financials
Significant Savings Achieved to Invest in Transformation

### Cost Savings

<table>
<thead>
<tr>
<th>2012 Total Operating &amp; Investment Cost (excluded COGS)</th>
<th>2013 Total Operating &amp; Investment Cost (excluded COGS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4,282</strong></td>
<td><strong>2,910</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Cost Savings</strong></th>
<th><strong>Investment in Growth &amp; Transformation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad debt provision net change</td>
<td>-1,270</td>
</tr>
<tr>
<td>Lotto impairment</td>
<td>-128</td>
</tr>
<tr>
<td>Operating cost reduction</td>
<td>-611</td>
</tr>
<tr>
<td><strong>Total Cost Savings</strong></td>
<td>-2,009</td>
</tr>
<tr>
<td>Sports Marketing Investment</td>
<td>+141</td>
</tr>
<tr>
<td>Fixing and Building the Platform</td>
<td>+400</td>
</tr>
<tr>
<td>Self-own Retail Expansion</td>
<td>+96</td>
</tr>
</tbody>
</table>

- Marketing savings
- Organization restructuring
- Lower channel subsidies
- Other SG&A savings
- CBA
- Wade
- Etc.
- Key Talents
- Channel revival
- IT & infrastructure

Operations cost reduction funded in full investments in platform and growth
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Building the Platform

- Channel Efficiency
- Operating Capabilities
- Brand & Product
- Retail Business Model
Li Ning Powerful in Mid, Solid in Low, Gaining Ground in Top

**Current Brand Positioning (Illustrative)**

**Price**
- Price Premium
- Brand equity
- Performance
- Limited market

**Value**
- Local cost structure
- Premium value proposition
- Direct retail

**International premium brands**

**Local Brands**

- Li-Ning footwear market share*
  - Overall: 8%
  - Mid segments: >30%
- Mid: similar to all local brands combined or all international brands combined
- Top: 3-4x of all local brands combined

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**China Footwear Market Share***

**Basketball**
- Top
- LN (3%) Local Brands (1%)

**Running**
- LN (4%) Local Brands (1%)

**Mid**
- LN 30%
- LN 37%

**Low**
- LN 17%
- LN 19%

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*Source: Millward Brown, in terms of value market share, period covering 2013 Jan to Dec

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**Price Segment:**
- Basketball: Top (≥RMB 451), Mid (RMB 301-450), Low (≤RMB 300)
- Running: Top (≥RMB 401), Mid (RMB 301-400), Low (≤RMB 300)
Strengthening Our Unique Strategic Advantages

Leading brand with authenticity, premium positioning, and unique marketing assets

- LN share the top of mind brand mention with leading global brands
- Rated by China Brand Power Index 2013 as the No.1 brand in sports apparel for 3 consecutive years (No. 2 in sports shoes)*
- Highest most-frequent-purchase-rate at 16% (vs. Nike at 13%, Anta at 14%)**
- High brand loyalty with leading position for “the only brand to consider buying.”***
- Brand image of "Pride for Chinese", "stable and reliable" and differentiated from local brands for being "inspirational".**

Operations model adopting key elements of direct-retail and fast-fashion

- Move away from wholesale, which prevents direct communication with consumers through differentiated retail experience
- Move to fast-fashion direct-retail model similar to leading Asia markets, e.g., Korea, with superior cost and productivity advantages
- Shops merchandised according to local demand and season patterns using data and IT systems

Product innovation and design specifically for China’s youth

- Chinese consumers’ physical fit, preferences, and functionality requirement

Direct to core category consumers

5 different category specific strategies:

- Retail experience and brand positioning
- Product value proposition and design
- Go to market and marketing plans

*Source: Ministry of Industry and Information Technology of PRC
**Source: Millward Brown, 2013 sports U&A study
Li Ning’s unique strategic advantages:
- Leading brand
- Designed for China
- Direct-retail & fast-fashion
- Direct to core consumers
### Li Ning 2013/2014 basketball season Hero Products; only brand to succeed at 3 price tiers

<table>
<thead>
<tr>
<th>Categories</th>
<th>Target Consumers</th>
<th>Value Proposition</th>
<th>Sales Performance</th>
<th>Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium</strong> (Enter New Business)</td>
<td>• DWade fans • Semi-pro or serious amateur players • Sneaker collectors</td>
<td>WoW2 (Wade Signature) – top professional shoes with industry-leading features • Designed by and for Dwade, for NBA competition • Unique full leather upper &amp; carbon fibre foot plate • 50+ unique upper designs • Best mix of style with top notch Wade design and China elements • 30% cheaper than Nike signature</td>
<td>• Sold out within hours in every US launch • Average sell-in rate in China is 2X higher for WoW2</td>
<td>Signature collection of Top International Brands at much higher price points</td>
</tr>
<tr>
<td><strong>Core</strong> (Enhance Existing Business)</td>
<td>• CBA fans • Serious amateur players • Basketball subculture enthusiasts</td>
<td>BB Cloud – Pro-quality on-court performance shoes • Top-end shoe for CBA athletes in competitive games • Unique patented tooling material for optimised cushioning &amp; energy return • Dynamic &amp; stylish design with breathable ultra shell tpu upper • 30%-40% cheaper than premium brands with similar value</td>
<td>• Best selling large volume in-line product in Q1 2014 • Sell-out rates 45% in first 7 weeks</td>
<td>Minimum direct competition due to high value for money &amp; lack of compelling offering at this price point</td>
</tr>
<tr>
<td><strong>Entry</strong> (Claim Back Old Business)</td>
<td>• Students with frequent playing • Basketball enthusiasts on budget</td>
<td>Combat – On &amp; off court shoes for recreational players &amp; young consumers • Basic, but fully functional on-court basketball shoe for multi purpose (indoor &amp; outdoor courts) • Cushioning, comfort &amp; design • More functional and stylish at price point competitive to local brands</td>
<td>• Best selling large volume in-line product in 2013 Q1 • Sell-out rates 70% in first 12 weeks</td>
<td>Local sportswear brands, but usually with minimum functionality and style DNA</td>
</tr>
</tbody>
</table>
Focusing on 5 Core Categories Requires 5 Different Strategies and Initiatives

<table>
<thead>
<tr>
<th>Core Target Consumers</th>
<th>Business Drivers and Go To Market Approach</th>
<th>Key Growth Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basketball</td>
<td>• Association with top leagues and stars&lt;br&gt;• On-court performance, style, brand, and value&lt;br&gt;• Word of mouth and credibility among sneakers and fans&lt;br&gt;• Grass-roots street and digital basketball events</td>
<td>• Wade signature line &amp; CBA fan pack&lt;br&gt;• Campus apparels collection&lt;br&gt;• Entry price on-court student shoes&lt;br&gt;• Digital platform, fan clubs, &amp; category shops</td>
</tr>
<tr>
<td>Cool campus sports enthusiasts &amp; players</td>
<td>• Technical and targeted performance features (high-end); stylish design, comfort, and value (mid to entry)&lt;br&gt;• Brand, media awareness, and KOL endorsement&lt;br&gt;• Running events, Grass-roots community activities</td>
<td>• Innovation in core platforms&lt;br&gt;• R&amp;D partners for leading-edge products&lt;br&gt;• Entry price and specialized niche products&lt;br&gt;• Professional shoes and female collection</td>
</tr>
<tr>
<td>Running</td>
<td>• Functionality, fit, style, comfort, and brand power&lt;br&gt;• Endorsement by coaches &amp; athletes, celebrities &amp; KOL, and upscale trend setters&lt;br&gt;• Location seeding (gym, sports park etc.)</td>
<td>• Innovation in new material technologies&lt;br&gt;• Female collection led by Seoul studio&lt;br&gt;• Local Chinese exercise categories (i.e. group dance, modern martial art)</td>
</tr>
<tr>
<td>Working sports lovers &amp; committed runners</td>
<td>• Asian fashion trends, fit, comfort, and value&lt;br&gt;• POP stars, youth idols, entertainment PR&lt;br&gt;• Sports inspired design DNA and functional materials&lt;br&gt;• Youth events (i.e. music, movies, entertainment shows)</td>
<td>• Li-Ning Premium from Seoul studio&lt;br&gt;• Celebrity spokesperson&lt;br&gt;• Youth Sports Apparel&lt;br&gt;• Heritage collection</td>
</tr>
<tr>
<td>Training</td>
<td>• On-court product performance and brand recognition&lt;br&gt;• National team endorsement &amp; sports events exposure&lt;br&gt;• Retail distribution, promotions, and service&lt;br&gt;• On-court media and coaches endorsement</td>
<td>• Best-in-class racket technology&lt;br&gt;• High performance professional shoes&lt;br&gt;• Retail &amp; R&amp;D extension into mid &amp; entry</td>
</tr>
<tr>
<td>Disciplined practitioners</td>
<td></td>
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<tr>
<td>Sports Life</td>
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<tr>
<td>Trendy, stylish youths with sports inspiration</td>
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<tr>
<td>Badminton</td>
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</table>
Innovative Merchandising and Go-To-Market Model Driving Sales Performance

1. Prescriptive Order
2. Quick Replenishment (QR) of Hero SKU
3. Quick Strike (QS)

A+/QR/QS Revenue Contribution (% of Sell In)

- 1H2012
- 2H2012
- 1H2013
- 2H2013

A+/QR/QS* Product Performance (3 months Sell Out Rates %)

- 3Q13
- 4Q13

* Fast response product includes only styles that have 13 weeks of sell through
Products and Merchandising
Strong Performance for New Products

New Products Sell-Out Rates
(end of the season, %)

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4*</th>
</tr>
</thead>
<tbody>
<tr>
<td>After 3 months</td>
<td>After 6 months</td>
<td>After 3 months</td>
<td>After 6 months</td>
</tr>
<tr>
<td>39%</td>
<td>65%</td>
<td>39%</td>
<td>65%</td>
</tr>
</tbody>
</table>

*March data not available yet, 5 months sell-through data used for Q4

New Product Sales Growth Rate (% YoY)

Sales per month per Store Productivity Growth (% YoY)

YoY drop from 12Q3 to 13Q2 due to carefully planned resizing of sell-in and retail network; but, strong turnaround in 13H1

Sharp increase in per store new product sales due to improving sell-in and sell-through performance
Driving retail sales, improving inventory efficiency, and reducing cash conversion cycle through:
- ANALYSIS and BIG DATA driving demand & merchandising planning;
- REAL TIME response to actual sales in retail stores on daily and weekly rhythm;
- RIGHT inventory at RIGHT TIME in the RIGHT LOCATIONS to maximize SSS (Same Store Sales).

Building Sports Industry’s First Fast Response Direct Retail Business Platform

End to End Retail Business Platform (to be completed by end of 2014)

Back-End
- Demand Forecasting
  - Merchandising & Assortment Planning
  - Supply Chain Collaboration
    - Produce by batch
    - Deliver by batch

Front-End
- Retail Operation
  - Pre-season Planning
  - Rules-based semi-automated order process (replenishment/consolidation/exchange/return)
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Turnaround has impacted 2013 results, but will have much less impact in 2014

- Revival costs and resizing of sell-in and network have dragged on 2012 and 2013 P&L, but the magnitude has declined quickly and steadily over the last two years.
- Despite severe financial impact, carefully orchestrated reduction of sell-in and network was necessary to 1) “right-size” business to its healthy core, 2) destock old inventory, and 3) protect cash flow.
- Negative financial impact from turnaround is expected to be limited in 2014 as recovery in high margin new products continues, but risk remains with 10% - 20% of weak channel partners (particularly sub-distributors) and 10% of old inventory that are difficult and expensive to dispose.

Now, with our timely investment in growth, we believe we will start seeing improved financial returns

- Upfront investments in key sportswear assets (e.g., CBA, Wade) have enhanced brand power and fueled growth in strategic categories, but will take 1 to 2 more years to fully realize their returns.
- Self-owned stores, particularly that of subsidiaries, have been performing strong, but they require investment up front in network expansion and store refit, to ensure good retail experience & productivity.
- Distributors’ profits and cash flow have improved and reached stability for operations, but paying down past AR drains the cash they need for growth; hence, may need external funding support to increase working capital and expand network.
- Although the group’s net cash position is much stronger, market uncertainties could pose challenges to the continued progression of the Group’s transformation.
## Summary of Income Statement

<table>
<thead>
<tr>
<th>(RMB million)</th>
<th>FY2013</th>
<th>FY2012 (Restated*)</th>
<th>Better/(Worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the 12 months ended 31 December</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>5,824</td>
<td>6,676</td>
<td>(13%)</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>2,594</td>
<td>2,514</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Distribution costs</strong></td>
<td>-2,674</td>
<td>-2,612</td>
<td>(2%)</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>-236</td>
<td>-1,670</td>
<td>86%</td>
</tr>
<tr>
<td><strong>Other income and other gains – net</strong></td>
<td>147</td>
<td>169</td>
<td>(13%)</td>
</tr>
<tr>
<td><strong>Operating (Loss) /Profit</strong></td>
<td>-169</td>
<td>-1,599</td>
<td>89%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>26</td>
<td>-1,378</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>(Loss)/Profit Attributable to Equity Holders</strong></td>
<td>-392</td>
<td>-1,980</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Basic Losses/ Earnings per share (RMB cents)</strong></td>
<td>-29.9</td>
<td>-172.6</td>
<td>83%</td>
</tr>
<tr>
<td><strong>Annual dividend (RMB cents)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*Note: Under IFRS 11, proportional consolidation of joint ventures is no longer allowed. The Group accounted for its investment in Li-Ning Aigle Ventures using equity method of accounting at the beginning of the earliest period presented.*
## Profit Margins And Expense Ratios

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2012 <em>(Restated</em>)</th>
<th>Better/(Worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For the 12 months ended 31 December</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>44.5%</td>
<td>37.7%</td>
<td>6.8p.p.</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>-2.9%</td>
<td>-23.9%</td>
<td>21.0p.p.</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>0.4%</td>
<td>-20.6%</td>
<td>21.0p.p.</td>
</tr>
<tr>
<td>Margin of (Loss)/Profit Attributable to Equity Holders</td>
<td>-6.7%</td>
<td>-29.6%</td>
<td>22.9p.p.</td>
</tr>
<tr>
<td>R&amp;D Expenses (as % of revenue)</td>
<td>3.0%</td>
<td>2.9%</td>
<td>(0.1p.p.)</td>
</tr>
<tr>
<td>A&amp;P Expenses (as % of revenue)</td>
<td>24.2%</td>
<td>19.6%</td>
<td>(4.6p.p.)</td>
</tr>
<tr>
<td>Staff Costs (as % of revenue)</td>
<td>11.5%</td>
<td>10.9%</td>
<td>(0.6p.p.)</td>
</tr>
</tbody>
</table>
## Key Operational Indicators

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2012 (Restated*)</th>
<th>Better/(Worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For the 12 months ended 31 December</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Inventory Turnover (Days)</td>
<td>104</td>
<td>89</td>
<td>(15)</td>
</tr>
<tr>
<td>Average Trade Receivables Turnover (Days)</td>
<td>89</td>
<td>98</td>
<td>9</td>
</tr>
<tr>
<td>Average Trade Payables Turnover (Days)</td>
<td>104</td>
<td>112</td>
<td>8</td>
</tr>
<tr>
<td>Cash Conversion Cycle (Days)</td>
<td>89</td>
<td>75</td>
<td>(14)</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
<td>-18.2%</td>
<td>-77.8%</td>
<td>59.6p.p.</td>
</tr>
<tr>
<td>Return on Asset (ROA)</td>
<td>-6.5%</td>
<td>-29.7%</td>
<td>23.2p.p.</td>
</tr>
<tr>
<td>CAPEX* (RMB million)</td>
<td>224</td>
<td>214</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Excluding the acquisition expenditures
### Summary of Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2012 (Restated*)</th>
<th>Better/(Worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>1,281</td>
<td>1,241</td>
<td>3 %</td>
</tr>
<tr>
<td>Bank Borrowings</td>
<td>400</td>
<td>1,447</td>
<td>72 %</td>
</tr>
<tr>
<td>Convertible Bonds Liabilities</td>
<td>659</td>
<td>664</td>
<td>1 %</td>
</tr>
<tr>
<td>Net Cash*</td>
<td>222</td>
<td>-870</td>
<td>N/A</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>2,018</td>
<td>3,264</td>
<td>38 %</td>
</tr>
<tr>
<td>Current Ratio (times)</td>
<td>2.0x</td>
<td>1.2x</td>
<td>0.8x</td>
</tr>
<tr>
<td>Total Liabilities to Total Assets Ratio</td>
<td>51.9%</td>
<td>69.9%</td>
<td>18.0 p.p.</td>
</tr>
</tbody>
</table>

*Net Cash = Cash and Cash Equivalents – Bank Borrowings – Convertible Bonds Liabilities
• Continued to adopt "sponsorship of sports stars and sports events" as its core marketing and promotion strategy.

• Worldwide professional athletes and >85% of China National Table Tennis team members opted for the Double Happiness branded covering.

• Launched an "e" series, specifically for e-commerce channels in 2013.

Other Brands

• Stable progress was achieved, including increased sales in existing stores.

• Remain one of the leading brands in outdoor and leisure sectors in malls and airports of major cities.

• Continued the steady growth momentum

• Newly developed apparel and shoes maintained market competitiveness in product design and pricing.

• Readjusting market strategy.

• Amended the license agreement to lower finance costs.