2013 Annual Results
Investor Presentation

Leading the Way with Innovation
This presentation incorporates information contained in the annual results announcement (the “Results Announcement”) for the period ended 31 December 2013 of Li Ning Company Limited (the “Company”). This presentation should be read in conjunction with the Results Announcement and is qualified in its entirety by the more detailed information and financial information contained in the Results Announcement.

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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
Channel inventory clearance and buyback
Adjustments in channel policies
Operational support
Network rationalization
Merchandising and product initiatives
A/R restructuring

Signed up over 90% of distributors; less than 10% managed out
Executed new operating model; improved store mix by increasing number of self-owned / regular stores with higher new product mix and by closing stores with low efficiency
Healthier cost structure, operating cash flow and inventory
Improved profitability and cash flow at majority of channel partners

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 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

Stabilized store count and optimized distribution channels to improve productivity and profitability

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

**A/R Turnover Days**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days</td>
<td>98</td>
<td>89</td>
</tr>
</tbody>
</table>

**EBITDA (RMB million)**

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

**Operating Cash Flow (RMB million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>-932</td>
<td>-14</td>
</tr>
</tbody>
</table>

**Net Cash Position (RMB million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</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

(RMB million)

Cost Savings

- 2,009

Investment in Growth & Transformation

+ 637

2012 Total Operating & Investment Cost (excluded COGS)

4,282

- 1,270

- 128

- 611

- Marketing savings
- Organization restructuring
- Lower channel subsidies
- Other SG&A savings

2013 Total Operating & Investment Cost (excluded COGS)

2,910

+ 96

+ 141

+ 400

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 China’s Leading Brand**
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Building the Platform

Channel Efficiency

Brand & Product

Operating Capabilities

Retail Business Model
Li Ning Powerful in Mid, Solid in Low, Gaining Ground in Top

China Footwear Market Share*

- **Top**
  - LN (3%) Local Brands (1%)
  - LN (4%) Local Brands (1%)

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

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

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

**Current Brand Positioning (Illustrative)**

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

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

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

**Key Drivers**

- Price Premium
- Brand equity
- Performance
- Limited market
- Commodity
- High discount
- Fierce competition & new entrants
- High growth potential

*Key Notes:*

- Local Brands
  - Limited market
  - High discount
  - Fierce competition & new entrants
  - High growth potential

- International premium brands
  - Strong brand equity
  - Limited market

- Equilibrium
  - + Premium value proposition
  - + Direct retail

- Basketball: Top (≥RMB 451), Mid (RMB 301-450), Low (≤RMB 300)
- Running: Top (≥RMB 401), Mid (RMB 301-400), Low (≤RMB 300)
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

Market Share Expansion

Price

Value

Reclaim Entry
Build Premium
Enhance Core
International Premium Brands

Equilibrium

DWade WoW
LN Premium
Cloud cushioning technology
Apparel Running Feather Lite
Combat 1 Student Footwear
Apparel Training Base layer

Gain Market Share Through Value Proposition Enhancement & Extension

+ Value
+ Market Share Expansion

- Price
- Equilibrium
# 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></td>
<td>DWade fans • Semi-pro or serious</td>
<td>WoW2 (Wade Signature) – top professional shoes with industry-leading features</td>
<td>• Sold out within hours in every US launch</td>
<td>Signature collection of Top International Brands at much higher price points</td>
</tr>
<tr>
<td>(Enter New Business)</td>
<td>amateur players • Sneaker</td>
<td>• Designed by and for Dwade, for NBA competition</td>
<td>• Average sell-in rate in China is 2X higher for WoW2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>collectors</td>
<td>• Unique full leather upper &amp; carbon fibre foot plate</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td>• 50+ unique upper designs</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Best mix of style with top notch</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Wade design and China elements</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• 30% cheaper than Nike signature</td>
<td></td>
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</tr>
<tr>
<td></td>
<td><strong>Core</strong></td>
<td>BB Cloud – Pro-quality on-court performance shoes</td>
<td>• Best selling large volume in-line product in Q1 2014</td>
<td>Minimum direct competition due to high value for money &amp; lack of compelling offering at this price point</td>
</tr>
<tr>
<td>(Enhance Existing Business)</td>
<td>• CBA fans • Serious</td>
<td>• Top-end shoe for CBA athletes in competitive games</td>
<td>• Sell-out rates 45% in first 7 weeks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>amateur players • Basketball</td>
<td>• Unique patented tooling material for optimised cushioning &amp; energy return</td>
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<tr>
<td></td>
<td>subculture enthusiasts</td>
<td>• Dynamic &amp; stylish design with breathable ultra shell tpu upper</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• 30%-40% cheaper than premium brands with similar value</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Entry</strong></td>
<td>Combat – On &amp; off court shoes for recreational players &amp; young consumers</td>
<td>• Best selling large volume in-line product in 2013 Q1</td>
<td>Local sportswear brands, but usually with minimum functionality and style DNA</td>
</tr>
<tr>
<td>(Claim Back Old Business)</td>
<td>• Students with frequent</td>
<td>• Basic, but fully functional on-court basketball shoe for multi purpose (indoor &amp; outdoor courts)</td>
<td>• Sell-out rates 70% in first 12 weeks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>playing • Basketball</td>
<td>• Cushioning, comfort &amp; design</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>enthusiasts on budget</td>
<td>• More functional and stylish at price point competitive to local brands</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>RMB 999</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>RMB 499</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>RMB 299</td>
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</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</td>
<td>• Wade signature line &amp; CBA fan pack</td>
</tr>
<tr>
<td>Cool campus sports enthusiasts &amp; players</td>
<td>• On-court performance, style, brand, and value</td>
<td>• Campus apparels collection</td>
</tr>
<tr>
<td></td>
<td>• Word of mouth and credibility among sneakers and fans</td>
<td>• Entry price on-court student shoes</td>
</tr>
<tr>
<td></td>
<td>• Grass-roots street and digital basketball events</td>
<td>• Digital platform, fan clubs, &amp; category shops</td>
</tr>
<tr>
<td>Running</td>
<td>• Technical and targeted performance features (high-end); stylish design, comfort, and value (mid to entry)</td>
<td>• Innovation in core platforms</td>
</tr>
<tr>
<td>Working sports lovers &amp; committed runners</td>
<td>• Brand, media awareness, and KOL endorsement</td>
<td>• R&amp;D partners for leading-edge products</td>
</tr>
<tr>
<td></td>
<td>• Running events, Grass-roots community activities</td>
<td>• Entry price and specialized niche products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Professional shoes and female collection</td>
</tr>
<tr>
<td>Training</td>
<td>• Functionality, fit, style, comfort, and brand power</td>
<td>• Innovation in new material technologies</td>
</tr>
<tr>
<td>Disciplined practitioners</td>
<td>• Endorsement by coaches &amp; athletes, celebrities &amp; KOL, and upscale trend setters</td>
<td>• Female collection led by Seoul studio</td>
</tr>
<tr>
<td></td>
<td>• Location seeding (gym, sports park etc.)</td>
<td>• Local Chinese exercise categories (i.e. group dance, modern martial art)</td>
</tr>
<tr>
<td>Sports Life</td>
<td>• Asian fashion trends, fit, comfort, and value</td>
<td>• Li-Ning Premium from Seoul studio</td>
</tr>
<tr>
<td>Trendy, stylish youths with sports inspiration</td>
<td>• POP stars, youth idols, entertainment PR</td>
<td>• Celebrity spokesperson</td>
</tr>
<tr>
<td></td>
<td>• Sports inspired design DNA and functional materials</td>
<td>• Youth Sports Apparel</td>
</tr>
<tr>
<td></td>
<td>• Youth events (i.e. music, movies, entertainment shows)</td>
<td>• Heritage collection</td>
</tr>
<tr>
<td>Badminton</td>
<td>• On-court product performance and brand recognition</td>
<td>• Best-in-class racket technology</td>
</tr>
<tr>
<td>Committed amateur sports enthusiasts</td>
<td>• National team endorsement &amp; sports events exposure</td>
<td>• High performance professional shoes</td>
</tr>
<tr>
<td></td>
<td>• Retail distribution, promotions, and service</td>
<td>• Retail &amp; R&amp;D extension into mid &amp; entry</td>
</tr>
<tr>
<td></td>
<td>• On-court media and coaches endorsement</td>
<td></td>
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- **Basketball**
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    - Association with top leagues and stars
    - On-court performance, style, brand, and value
    - Word of mouth and credibility among sneakers and fans
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    - Digital platform, fan clubs, & category shops
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  - Working sports lovers & committed runners
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    - Technical and targeted performance features (high-end); stylish design, comfort, and value (mid to entry)
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    - Best-in-class racket technology
    - High performance professional shoes
    - Retail & R&D extension into mid & entry
Innovative Merchandising and Go-To-Market Model Driving Sales Performance

* Fast response product includes only styles that have 13 weeks of sell through

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

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

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

- 3Q13 +10%
- 4Q13 +5%

1. Prescriptive Order
2. Quick Replenishment (QR) of Hero SKU
3. Quick Strike (QS)
New Products Sell-Out Rates
(end of the season, %)

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

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

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

**Back-End**

- **Merchandising & Assortment Planning**
- **Demand Forecasting**
  - In-season planning based on actual results
  - REAL TIME data collection/analysis

**Demand forecasting makes FAST RESPONSE a reality**

**Supply Chain Collaboration**

- **Produce by batch**
- **Deliver by batch**

**Front-End**

- **Retail Operation**
- Rules-based semi-automated order process (replenishment/consolidation/exchange/return)

**Pre-season Planning** → **In-season response**

- **First batch production**
- **2nd & following batch production**
- **1st and following batch delivery**
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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.
Financial Highlights
## 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>Revenue</td>
<td>5,824</td>
<td>6,676</td>
<td>(13%)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>2,594</td>
<td>2,514</td>
<td>3%</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>-2,674</td>
<td>-2,612</td>
<td>(2%)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>-236</td>
<td>-1,670</td>
<td>86%</td>
</tr>
<tr>
<td>Other income and other gains – net</td>
<td>147</td>
<td>169</td>
<td>(13%)</td>
</tr>
<tr>
<td>Operating (Loss) /Profit</td>
<td>-169</td>
<td>-1,599</td>
<td>89%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>26</td>
<td>-1,378</td>
<td>N/A</td>
</tr>
<tr>
<td>(Loss)/Profit Attributable to Equity Holders</td>
<td>-392</td>
<td>-1,980</td>
<td>80%</td>
</tr>
<tr>
<td>Basic Losses/ Earnings per share (RMB cents)</td>
<td>-29.9</td>
<td>-172.6</td>
<td>83%</td>
</tr>
<tr>
<td>Annual dividend (RMB cents)</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.
<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>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>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>(RMB Million)</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.

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.