



Li Ning Company Limited
李寧有限公司



Global Coordinator, Bookrunner, Lead Manager and Sponsor



Corporate Presentation

Agenda



- ➔ Company Background
- ➔ PRC's Branded Sporting Goods Industry
- ➔ Li Ning's Key Strengths
- ➔ Future Plans and Strategies
- ➔ Financial Performance



Company Background



About “LI-NING”



➡ **A leader in PRC’s fast-growing sporting goods industry with:**

- **One of PRC’s best known brands**
- **Extensive distribution network**
- **Effective marketing/ sponsorship strategy**
- **Solid financials with strong earnings growth**

Business Overview



- Sales and marketing of LI-NING branded sports products:
 - Product design, marketing, and research development
 - Retail sales
 - Supply chain management and distribution

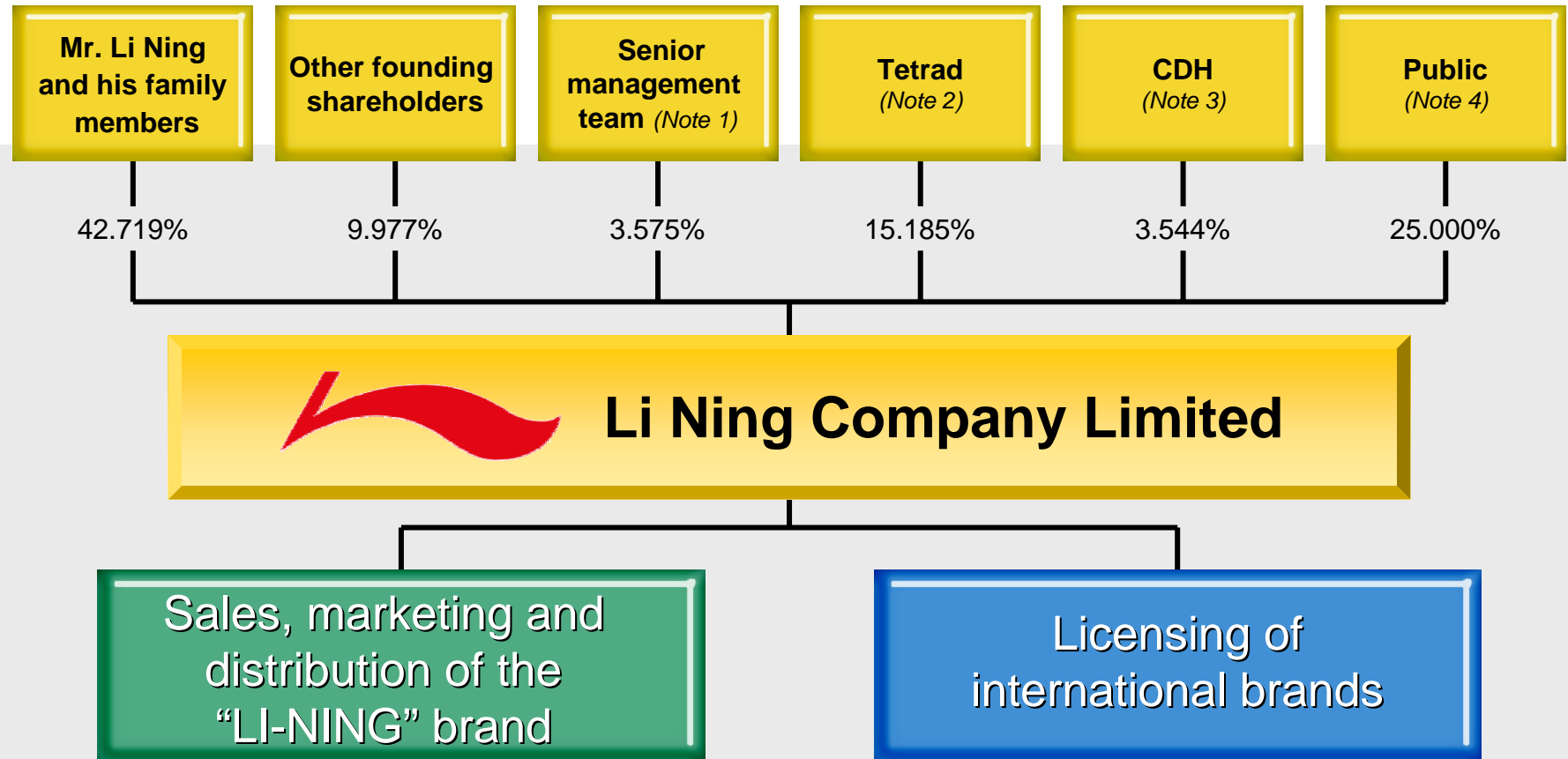
- Product portfolio includes:
 - Sports footwear
 - Sports and leisure apparel
 - Sports accessories

- Sales and marketing of international sports brands in the PRC

Vision, Mission & Core Values



Shareholding Structure



Notes:

- 1. Shares are owned by Mr. Li Ning, through the employee purchase scheme, whereby members of the senior management team are granted options to purchase shares from Mr. Li Ning six months after listing*
- 2. Wholly-owned by Government of Singapore Investment Corporation (Ventures) Pte. Ltd*
- 3. An international private equity fund focused on investments in the PRC*
- 4. All percentage figures of shareholding are before over-allotment option*

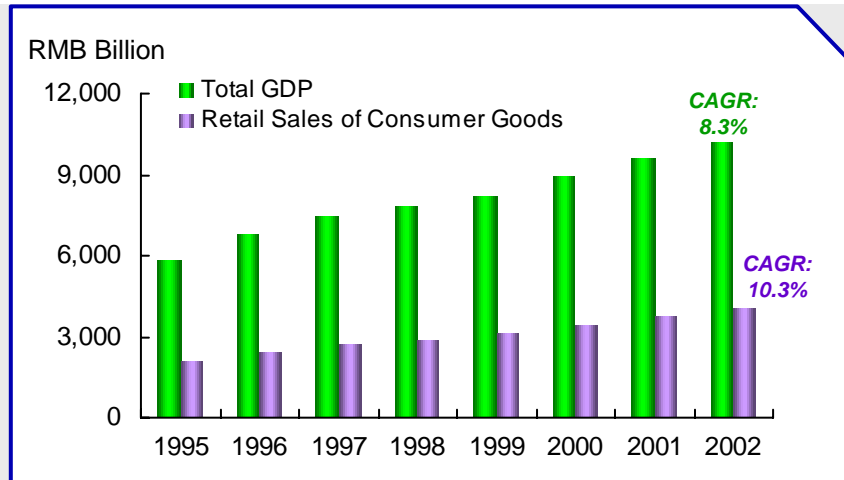


***PRC's Branded
Sporting Goods Industry***

Fast Growing Retail Industry

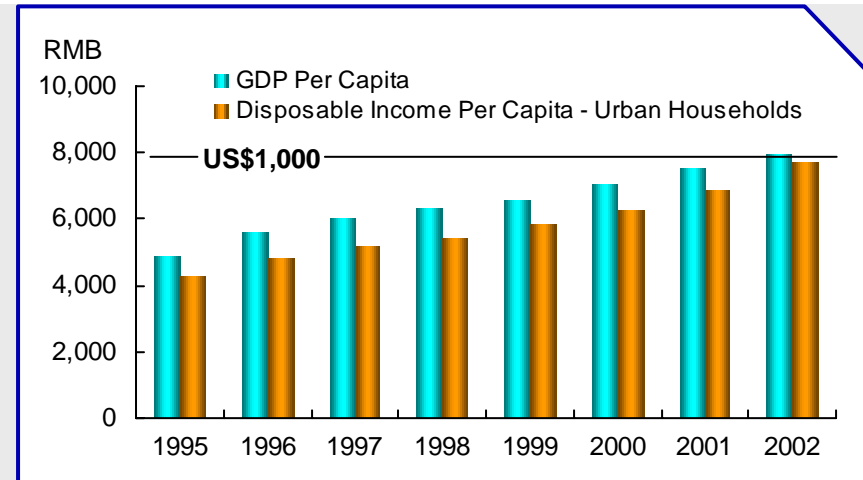


Total GDP & Retail Sales of Consumer Goods in the PRC



Source: China Statistical Yearbook 2003

GDP Per Capita & Annual Disposable Income Per Capita of Urban Households in the PRC



Source: China Statistical Yearbook 2003

- From 1995 to 2002, retail sales of consumer goods grew 10.3% CAGR vs. total GDP growth of 8.3% CAGR
- In 2002, per capita GDP and disposable income of urban households reached almost US\$1,000
- Figures presented above clearly show the strength of consumer demand in the PRC retail market and a significant increase in urban households' spending patterns

Urbanisation & Consumption Patterns in the PRC



	1991	2002
Distribution of total retail sales (%)		
Cities	48%	63% ▲
Counties	16%	12% ▼
Other smaller administrative regions	36%	25% ▼
Per capita annual disposal income among urban households (RMB)	1,701	7,703 (CAGR:14.7%) ▲
Per capital annual net income of rural households (RMB)	709	2,476 (CAGR:10.1%) ▲

Source: China Statistical Yearbook 2003

- From 1991-2002, total urban population increased by 190 million (or 61%)
- In 2002, urban consumers dominated total consumer spending
- Figures presented above show that consumption patterns are continually changing with people spending more on sports, health and leisure

Active Participation in Major Sports Events



➤ The PRC is a major global competitor at the leading international sporting events:

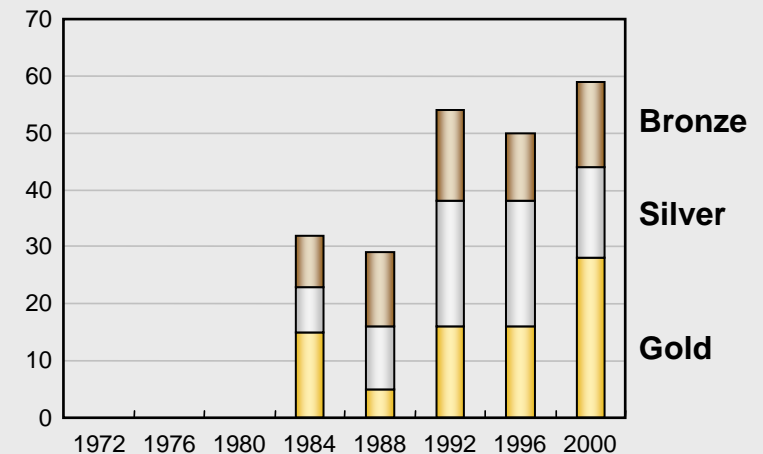
- Li Ning Company has sponsored 30 out of the 80 gold medal winners
- Over 80 Gold medals won in Summer Olympic Games from 1984 to 2000
- Over 1,600 world champions

➤ Beijing will host **2008 Beijing Olympic Games**

- Government actively supports and encourages sporting activities
- Beijing Olympic Game is expected to boost public passion and awareness for sports and fitness in the PRC

➤ Immense business opportunities emerging for the retail and sports-related sectors

No. of Olympic Games Medals Won by PRC Athletes



Source: BOBICO

Promising Outlook for the PRC's Branded Sporting Goods Market



Market analysis	Sales channels	Growth
1st-tier cities (Beijing, Shanghai & Guangzhou)	Shopping centers and department stores	Stable
2nd-tier cities (urban population above 1 million)	Franchised retail outlets	Rapid
3rd-tier cities (other smaller cities)	Franchised retail outlets	Rapid

- PRC's branded sports industry is expected to grow rapidly over the next 5 years
- 2008 Beijing Olympic Games should boost consumption and overall market growth
- Large number of local and international sports brands participating in the PRC market
 - LI-NING, Nike and Adidas are the **top 3** sports footwear brands in terms of overall brand equity in the PRC
 - Domestic brands (particularly LI-NING) are more competitive in 2nd-tier and 3rd-tier cities
 - International brands perform better in 1st-tier cities and some coastal cities



LI NING's Key Strengths



Competitive Strengths



A leading sports brand in the PRC

Unique market position and diversified product range

Extensive distribution and retail network



Abundant sports marketing and sponsorship resources

Professional management team with motivated corporate culture

The Leading Sports Brand in the PRC



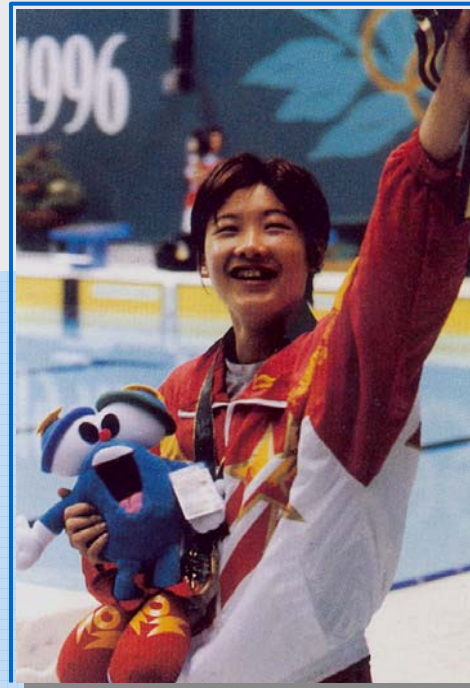
- ➡ Established by Mr. Li Ning in 1989
- ➡ Dominant player in PRC's branded sporting goods industry
- ➡ LI-NING is one of the leading sports brands:
 - Most “easy-to-purchase”
 - Offers the best “value for money”
 - One of the top tier brands in terms of customer satisfaction, price and quality
- ➡ Distinctive brand image
 - Friendly
 - Young
 - Energetic
 - Dynamic

Abundant Sports Marketing & Sponsorship Resources



- ➔ Official partner of the Chinese Olympic Committee
- ➔ LI-NING brand has sponsored and will continue to sponsor the Chinese National teams in the Summer Olympic Games:
 - 25th Barcelona Olympic Games, 26th Atlanta Olympic Games, 27th Sydney Olympic Games and 28th Athens Olympic Games
 - Mainly sponsor 4 national teams including table tennis, diving, artistic gymnastics and shooting and they won 15 out of 28 gold medals in the 2000 Sydney Olympic Games
- ➔ Regular sponsor of 4 national teams:
 - Gymnastic Federation of France
 - Spanish Women's Basketball Team
 - Russian Delegation at 2001 Universiade
 - Gymnastic Federation of Spain

Abundant Sports Marketing & Sponsorship Resources



Effective Marketing & Promotion Activities

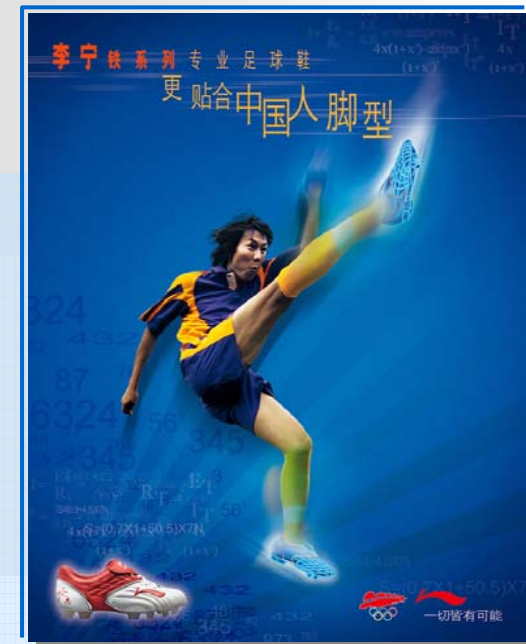


- Marketing and promotional expenses:
 - TV commercials, print media, sponsorship, outdoor advertisements and outlet design
 - Historical spending (2001-2003): 9-13% of total turnover
 - Future budget: 13-15% of total turnover
- LI-NING's advertising slogan "Anything is possible" is widely recognized in the market
- New advertising series – "**LI-NING: Flying High in China Sports**" – launched in April 2004 with a very encouraging initial response
- Close partnership with professional market research institutes and international advertising agencies

Comprehensive Marketing & Promotion Campaigns



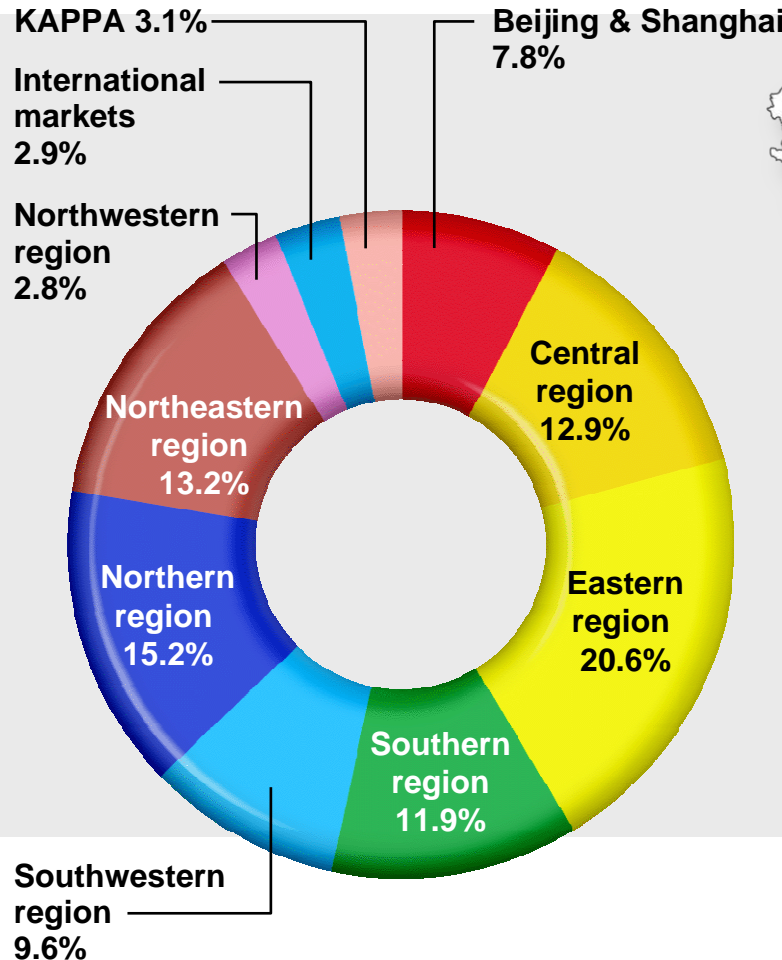
- Various mediums, ranging from television commercials, print media to indoor and outdoor advertisements in the PRC, utilised to convey the brand image and product information to customers



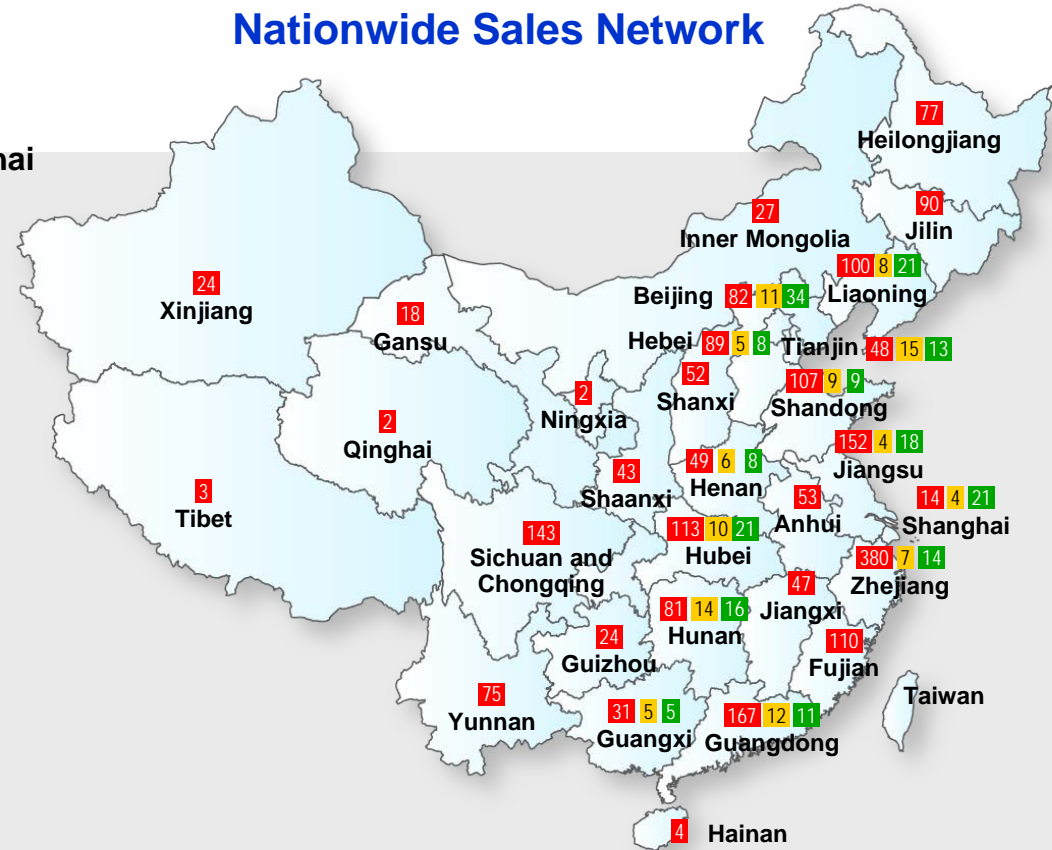
Extensive Distribution & Retail Network



Turnover Breakdown in 2003 (By Region)



Nationwide Sales Network



Franchised LI-NING & KAPPA retail outlets	2,207
Directly managed LI-NING and KAPPA retail stores	110
Directly managed LI-NING and KAPPA concessions	199
Total	2,516

Distributors:

Over 200

Diversified Retail Formats



Franchised stores

- Distributorship covering most of the cities in the PRC with an aggregate of 2,207 franchised LI-NING and KAPPA retail outlets

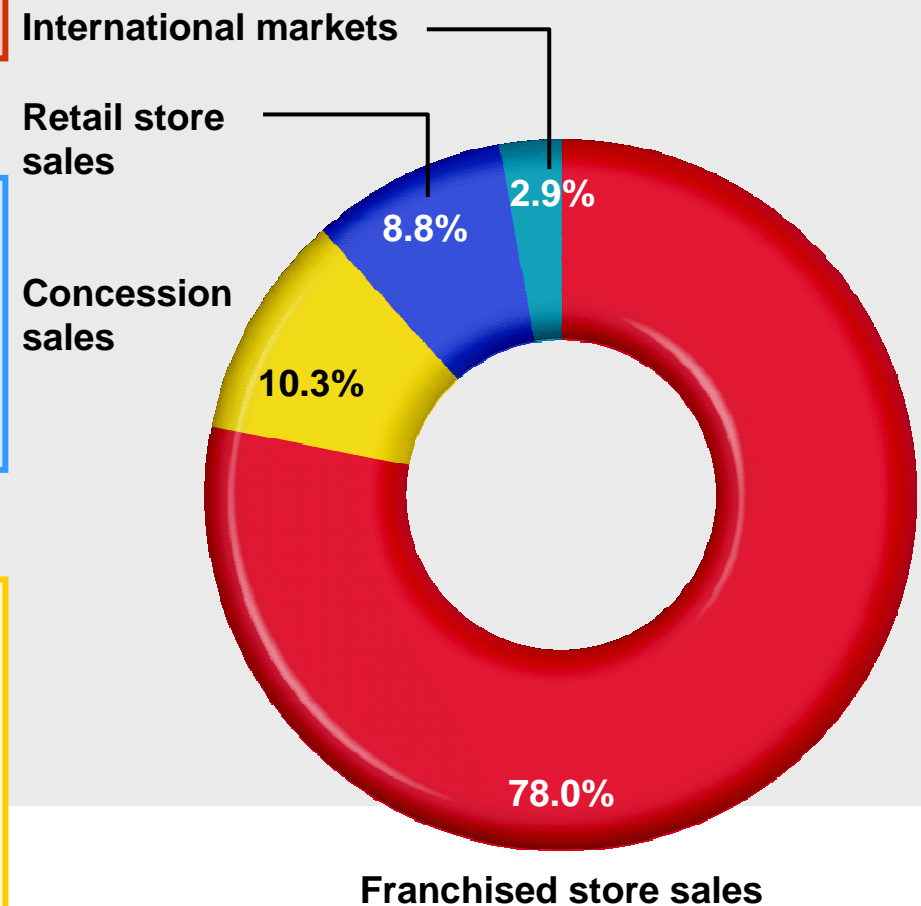
Directly-managed retail stores

- 110 directly-managed LI-NING and KAPPA retail stores
- Located in high-pedestrian-flow, high-density commercial and residential areas
- One-stop-shop for LI-NING branded sportswear, apparel and other accessories

Directly-managed concessions

- 199 directly-managed LI-NING and KAPPA concessions
- Situated in large-scale department stores and prime shopping arcades
- “Shops-in-shop” concept
- Based on concessionary agreements with department stores and shopping centres

Turnover Breakdown in 2003



Diversified Retail Formats



Unified outlet design



Interior design and store layout



Unified & Efficient Retail Management



- Standard brand management
 - All retail outlets must adhere to LI-NING's guidelines on renovation, marketing and promotions, operations and customer services, as well as its retail rules and procedures
- All retail outlets are operated under the supply chain management system
 - Centralised procurement, inventory control and logistics systems
- Designed to strengthen after-sales services, customer loyalty and satisfaction
- Comprehensive in-house training program offered to all staff members from both directly-managed and franchised stores

Excellent Capabilities in Product Development and Design



- Extensive experience in R&D and product development
 - Professional R&D team of more than 50 people
 - European design consultants to assist product development
- Leveraging on overseas design capabilities and a design centre to be set up in Hong Kong
- R&D expenses represent approx. 3% of total cost of sales
- Product performance maximised by basic product research, adoption of proprietary designs and new technologies

Diversified Product Range



- Offers a comprehensive and one-stop-shop quality sporting goods
- Provide wide range of specialised products include soccer, basketball, golf series, etc.



Footwear



Sportswear



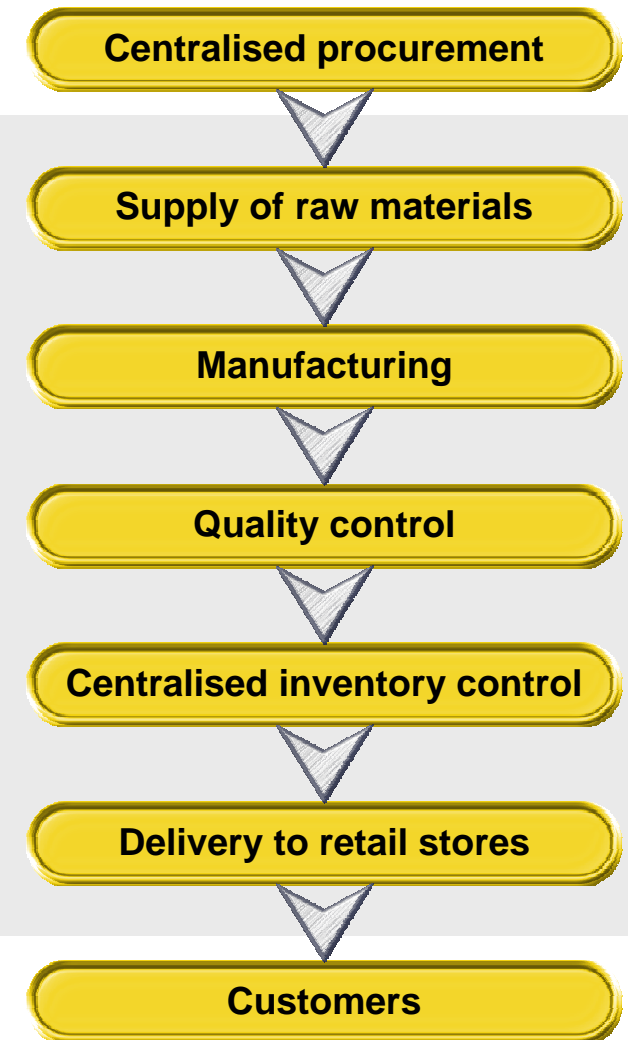
Outdoor/ casual wear



Accessories

World Class Supply Chain Management

- Comprehensive supply chain management and procurement policy
 - Majority of products are outsourced to independent contract manufacturers in the PRC
 - Over 70 raw materials suppliers and over 60 contract manufacturers
 - Five largest suppliers/ manufacturers accounted for approx. 34.1% of total purchases in 2003
- Sophisticated management information system and logistics value chain
 - Centralised and computerised procurement procedure and advanced SAP ERP & POS systems in all retail outlets
 - Stringent inventory and cash-flow management
 - Dedicated to shortening the logistics cycle
 - Installing a point-of-sale system



Experienced Management Team



Mr. Li Ning

– Chairman & Executive Director

- 14 years of experience in relevant industries
- Responsible for overall corporate strategies, planning and business development

Mr. Zhang Zhi Yong

– CEO & Executive Director

- 10 years of experience in relevant industries
- Responsible for overall business development, sales and marketing of LI-NING branded products

Mr. Tan Wee Seng

– CFO & Executive Director

- 27 years of experience in financial, operation and business management
- Responsible for overall financial management, capital planning and allocation

Mr. Chen Yi Hong

– Executive Director

- 20 years of experience in relevant industries
- Responsible for overall management of sales and distribution, and international brand licencing

Mr. Qin Da Zhong

**– General Manager of Beijing Dong Xiang
(Licensed Brand Business)**

- 7 years of experience in relevant industries
- Responsible for overall management of the KAPPA brand, development and implementation of international licensed brands strategy

A composite image featuring three athletes in dynamic poses against a white background. At the top, a woman in a black sports top and shorts is jumping with her arms outstretched. In the bottom left, a man in a white basketball jersey is holding a basketball. In the bottom right, a man in a red tank top and white pants is in a dynamic, low-to-the-ground pose. A red curved graphic element is in the top right. The text 'Future Plans & Strategies' is centered in red, italicized font.

Future Plans & Strategies

Future Strategies



➤ Fortify sales channels and distribution infrastructure

Roll out plan for new retail outlets

	Total
2004	2,800
2005	3,200
2006	3,500

- Open over 1,000 retail outlets from 2004 to 2006
- Improve store locations and launch flagship stores in 1st-tier cities
- Modernise and upgrade store image
- Install EPOS system

➤ Upgrade product design, development and research platform

- Establish own basic research team
- Set up a product design and development centre in Hong Kong
- Collaborate with suppliers and manufacturers on new materials and technologies to enhance product performance (soccer, basketball and tennis)

Future Strategies



➤ **Strengthen brand awareness and loyalty**

- Launch specialised footwear series for soccer, basketball, tennis, etc.
- Conduct advertising campaigns to increase mass appeal
- Capture business opportunities emerging from the 2008 Beijing Olympic Games

➤ **Enhance supply chain management**

- Achieve a faster response to market changes and better efficiency
- Install and upgrade electronic POS systems connecting HQ with all retail outlets
- Accept purchase orders on both a rolling and continual basis

➤ **Capture the full potential of the network to maximise revenues and profitability**

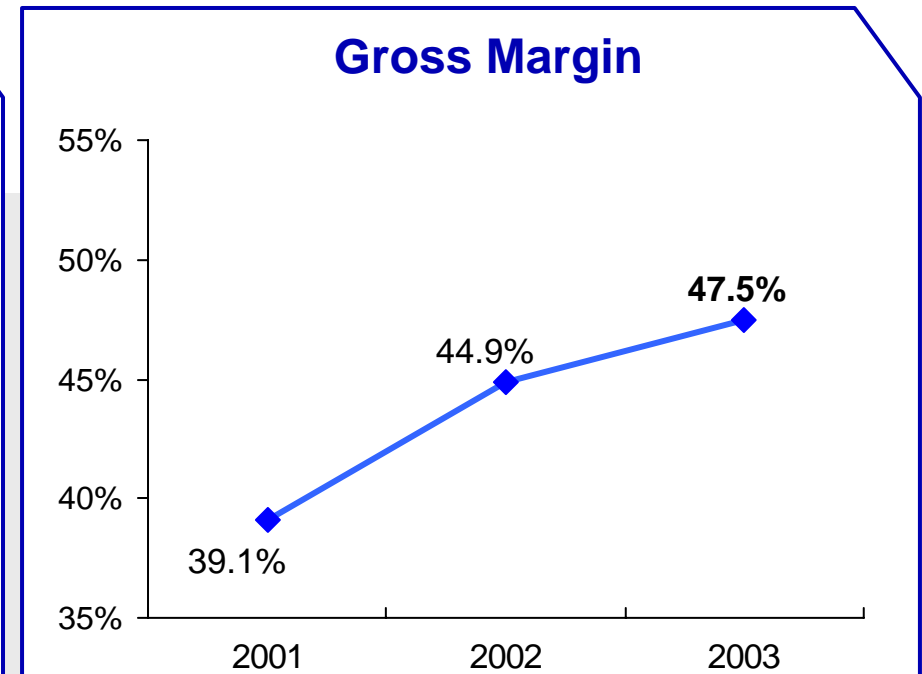
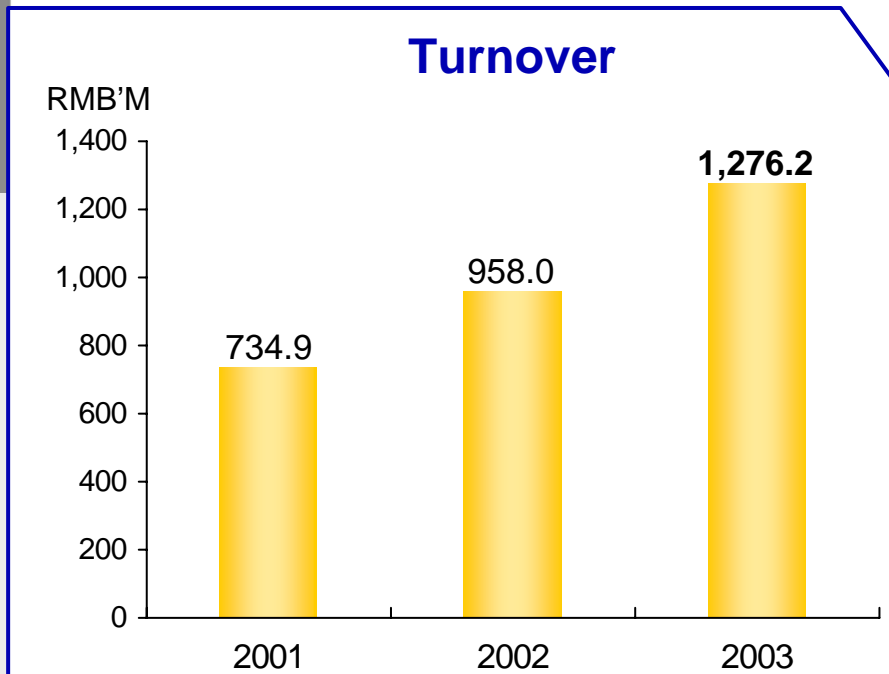
- Expand the presence of the KAPPA brand in the PRC
- Acquire the management rights/ licenses for other international brands in the PRC market
- Explore opportunities to venture into other related and synergetic businesses through collaboration or acquisition



Financial Performance



Turnover Growth



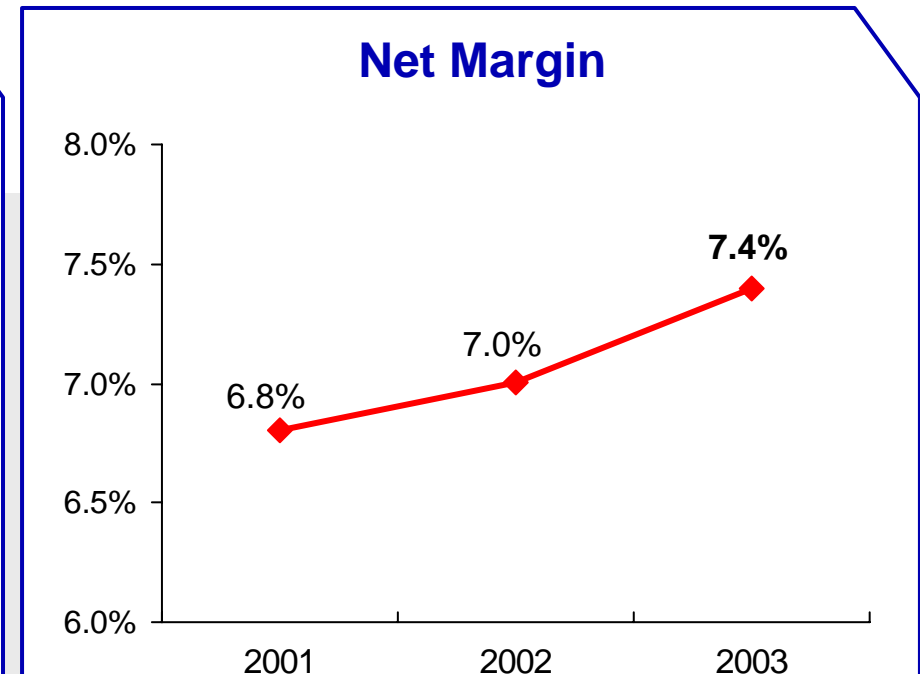
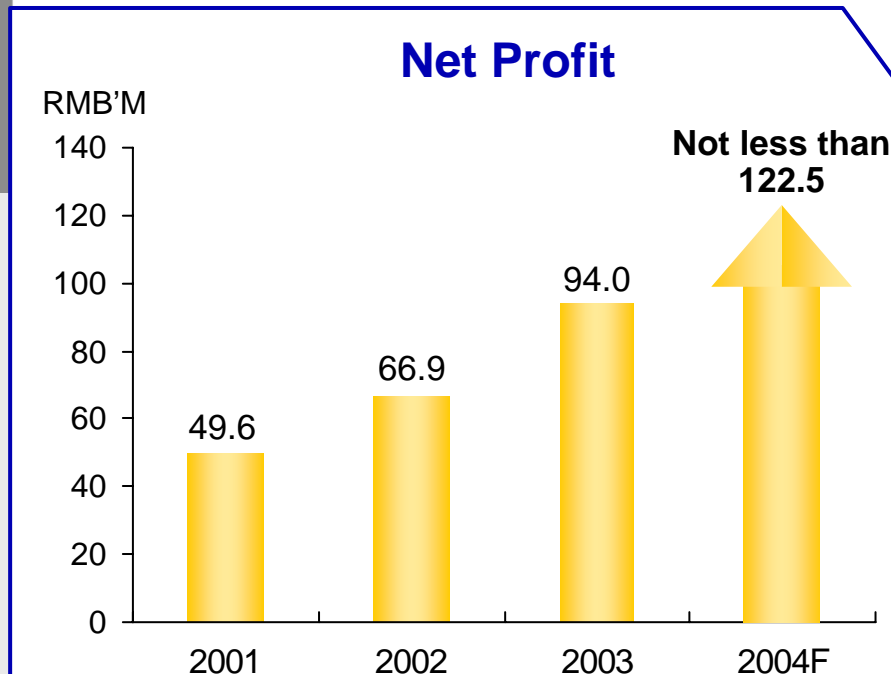
➡ Rapid financial growth

- Turnover for 2003 reached RMB1.28 billion
- Y-o-Y turnover growth in 2003 was 33.2%

➡ Stable growth in profit margin

- Benefited from economies of scale
- Improved operational efficiency and cost controls

Encouraging Net Profit & Margin



F: Profit forecast

- Net profit in 2003 was RMB94.0 million, representing Y-o-Y growth of 40.5%
- Profit forecast for 2004 is not less than RMB122.5 million
- Net profit CAGR for 2001-2004 of not less than 35%

Stringent Controls on Operational Efficiency



- ➡ Inventory and trade receivable controls
 - Inventory managed at a healthy level
 - Stringent and prudent provision policy

- ➡ Trade payable policy
 - Secure more favourable terms from suppliers

- ➡ Sustainable cash growth from operating activities
 - Well-managed cash flow

Profit & Loss Statement



	2001	2002	2003	2004*
(RMB' M)				
Turnover	734.9	958.0	1,276.2	
<i>Footwear (%)</i>	39.2	36.5	34.8	
<i>Apparel (%)</i>	52.5	52.2	51.6	
<i>Accessories (%)</i>	8.3	11.3	13.6	
Gross profit	287.2	429.9	605.9	
Operating profit	65.2	103.3	119.1	
Profit before taxation	59.1	96.0	114.6	
Net profit	49.6	66.9	94.0	Not less than 122.5
Cash generated from operations <i>(Before interest and tax)</i>	56.8	60.7	112.2	

(Profit margin %)				
Gross profit margin - overall	39.1	44.9	47.5	
<i>Gross profit margin - footwear</i>	36.4	39.5	45.5	
<i>Gross profit margin - apparel</i>	40.4	47.6	47.7	
<i>Gross profit margin - accessories</i>	43.2	49.3	51.8	
Operating profit margin	8.9	10.8	9.3	
Profit before taxation	8.0	10.0	9.0	
Profit for the year	6.8	7.0	7.4	

*Profit forecast

Balance Sheet



	2001	2002	2003
(RMB' M)			
Fixed and non-current assets	91.6	86.5	89.5
Inventories	180.0	228.8	296.2
Accounts receivables	58.0	83.0	120.1
Cash and cash equivalents	111.9	127.7	224.5
Accounts payables	65.5	127.9	171.6
Short-term bank borrowings	144.1	131.0	85.0
Shareholders equity	148.7	215.6	389.0

(Financial ratio)			
Average inventory turnover (days)	141	141	143
Average trade receivable turnover (days)	25	27	29
Average trade payable turnover (days)	48	62	75
Average shareholders return ratio (%)	39.7	36.7	31.1
Net debt ratio (%)	21.7	1.6	Net cash position

Use of Proceeds



(HK\$M)

Expanding and improving the coverage of distributorship and retail network	95
Brand promotional and marketing activities	105
Establishing basic product research capabilities, developing new products series and setting up design and development centre in Hong Kong	15
Improving management information systems and logistics operation	30
Acquisition and operation of management rights and licences for other international brands in the PRC market	40
Establishing a centralised operating HQ in Beijing	60
Strategic acquisitions	40
General working capital	Remaining balance



Open Forum



Disclaimer



- ⊗ This document does not constitute, or form part of any offer for subscription or sale of, or solicitation of any offer to subscribe for or sale of any securities of Li Ning Company Limited (the “Company”), nor shall it be construed as the invitation of any such offer, nor shall it form the basis of, nor can it be relied on in connection with, or act as an inducement to enter into any contract or commitment whatsoever. Accordingly, any decision in connection with the subscription or purchase of securities of the Company pursuant to or in connection with any offering must be made solely on the basis of the information to be contained in the prospectus or other offering circular to be issued by the Company in connection with such offering. The information of the documents should not be relied upon as representation of the Company or any of its advisers. The figures in this document are subject to final audit adjustments and verification.

FORWARD-LOOKING STATEMENTS

- ⊗ This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company, the relevant industry and certain of the plans and objectives of the management. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements were based on assumptions regarding the Company’s present and future business strategies and the political and economic environment in which the Company will operate in the future. Reliance should not be placed on these forward-looking statements, which reflect the view of the Company’s management as of the date of this presentation only.

CONFIDENTIALITY

- ⊗ This document is given to you on a confidential basis and must not be passed to, or their contents disclosed to, any other person and no copy shall be taken hereof.