



Li Ning Company Limited

(李 寧 有 限 公 司)

2005 Annual Results Corporate Presentation

March 23, 2006

*Remarkable
Strides*



Agenda



- ◆ Key Accomplishments in 2005
- ◆ Financial Review
- ◆ Corporate Governance
- ◆ Business Review
- ◆ Future Outlook and Strategies
- ◆ Open Forum





Key Accomplishments in 2005

—— A Year of Remarkable Strides



Key Accomplishments



◆ Recognition from Investment Community

- Included as one of the constituent stocks of MSCI China Index Series, and
- Hang Seng Composite, Hang Seng Free Float Index Series

◆ Award-winning LI-NING brand

- Named as “My Favorite China Brand in 2005” organized by CCTV

◆ A Responsible Corporate Citizen

- Awarded “the 2005 WorkChina™ Best Company to Work For”

◆ Excellence in Marketing

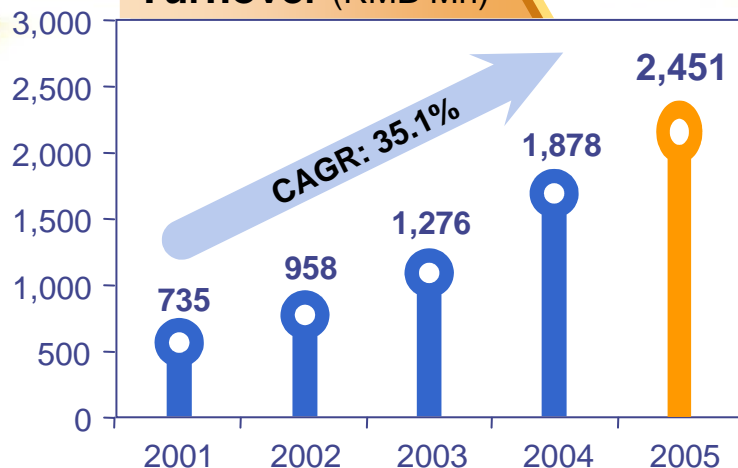
- Received the “2005 Leading Sports Marketing Case Award” in the 2005 Sports Marketing Case Study Awarding Competition

Key Accomplishments

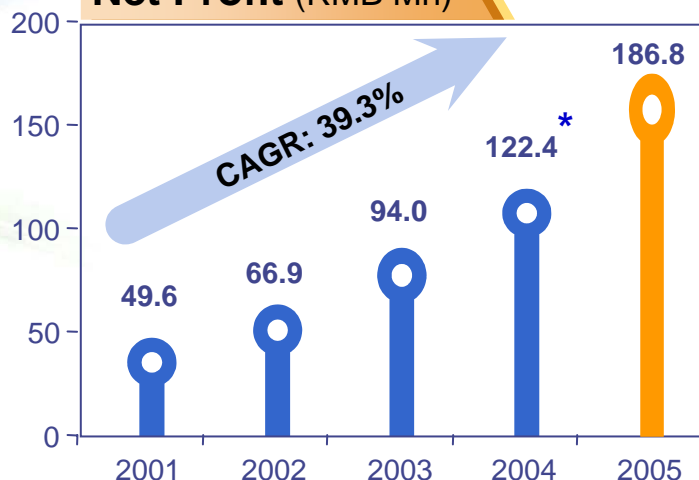
Five Consecutive Years of Remarkable Growth



Turnover (RMB Mn)



Net Profit (RMB Mn)



◆ Strong consecutive growth attributable to:

- Reputable LI-NING brand
- Strong product design and development capability
- Flexible and efficient supply chain management
- An ever-extending retail and distribution network
- Strong management team and sound corporate governance structure

**Restated according to standards and amendments to published standards effective in 2005.*



Financial Review



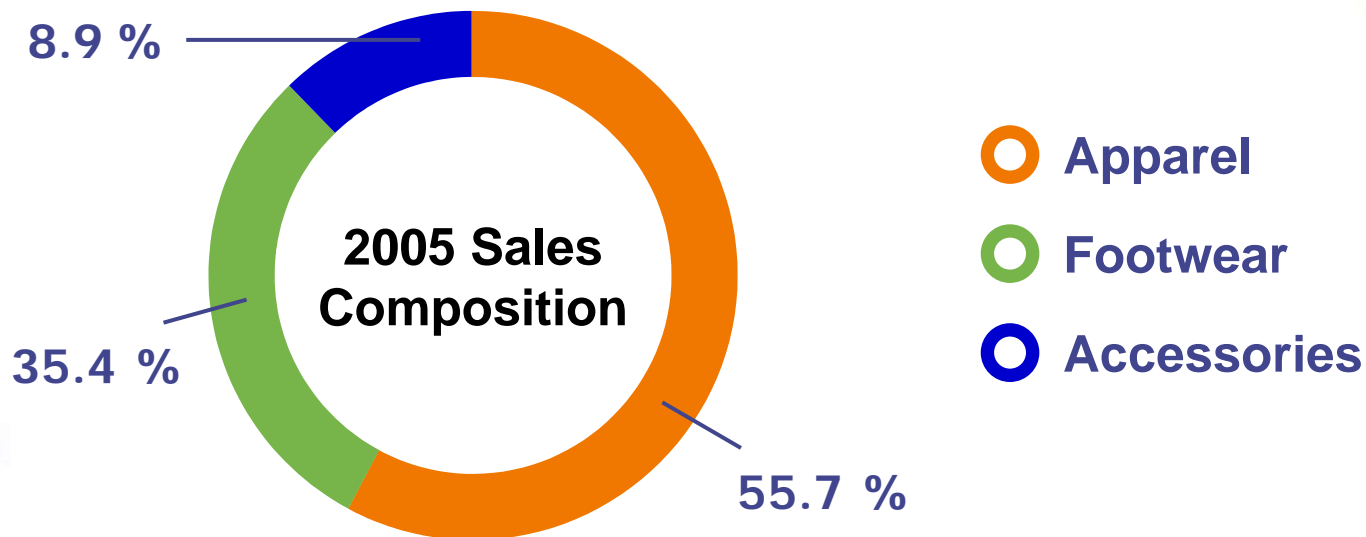
Financial Highlights



<i>For the year ended 31 Dec</i>	2005 (RMB Mn)	2004 (RMB Mn) (As restated)*	Change
Turnover	2,450.5	1,878.1	30.5%
Gross profit	1,152.5	873.5	31.9%
Gross profit margin (%)	47.0%	46.5%	0.5%
Operating profit	271.5	180.4	50.5%
Operating margin (%)	11.1%	9.6%	1.5%
Profit before tax	273.5	181.2	50.9%
Profit attributable to equity holders	186.8	122.4	52.6%
Net margin (%)	7.6%	6.5%	1.1%
Basic EPS (RMB cents)	18.25	13.78	32.4%
DPS (RMB cents)			
– Interim	2.30	Nil	
– Final	5.00	4.57	9.4%

* Restated according to standards and amendments to published standards effective in 2005.

Turnover Analysis By Product Categories



<i>For the year ended 31 Dec</i>	2005 (RMB Mn)	2004 (RMB Mn)	Change
Apparel	1,365.8	1,083.1	26.1%
Footwear	866.7	562.9	54.0%
Accessories	218.0	232.1	-6.1%

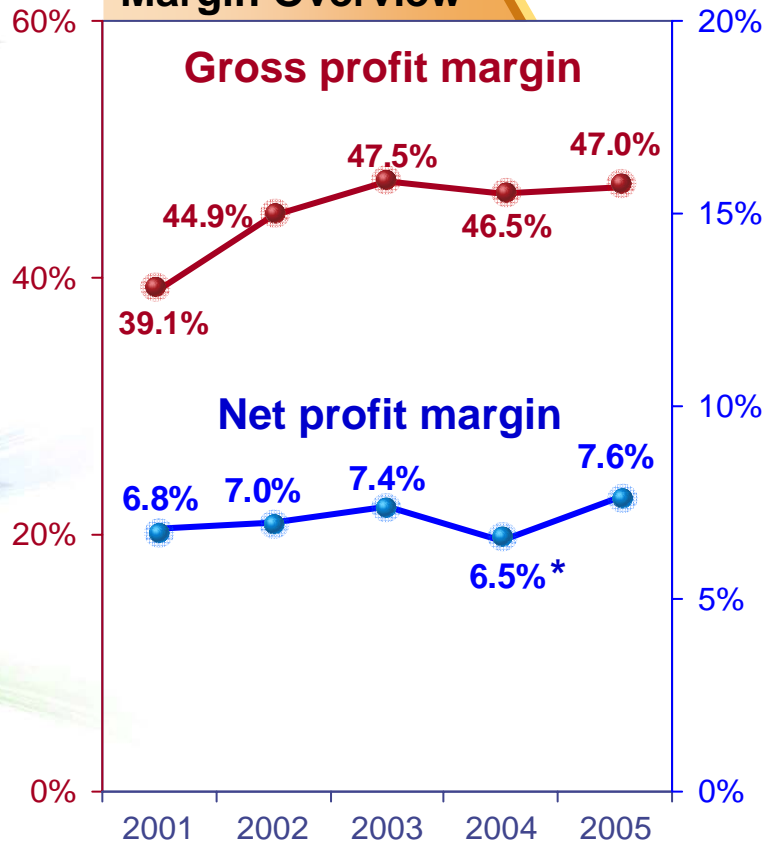
Turnover Analysis By Region



Sustainable Margins



Margin Overview



* Restated according to standards and amendments to published standards effective in 2005.

◆ Stable margins attributable to:

- Strong product design and development led to high value-added, high margin products
- Benefited from enhanced economies of scale
- Continual improvements in inventory management and supply chain management
- Implementation of EPOS system increased efficiency

Key Financial Indicators



<i>As at 31 Dec</i>	2005	2004	Change
Inventories (RMB Mn)	290.6	318.3	-8.7%
Inventory Turnover (days)	86	112	-23.2%
Avg. A/R Turnover (days)	44	33	33.3%
Avg. Trade Payables Turnover (days)	68	77	11.7%
R&D Expenses (as % to cost of sales)	3.4%	3.6%	-0.2%
A&P Expenses (as % to turnover)	15.4%	14.3%	1.1%
Effective Tax Rate	31.1%	31.7%	-0.6%

Strong Balance Sheet



<i>As at 31 Dec (RMB Mn)</i>	2005	2004	Change
Cash and Cash Equivalents *	731.5	761.3	-3.9%
Current Ratio (times)	3.6	3.0	20%
Short-term Liabilities	Nil	40	-100%
Long-term Liabilities	n/a	n/a	n/a
Net Cash**	731.5	721.3	1.4%
Total Liabilities to total Assets Ratio	25.6%	30.7%	-5.1%
Capital Expenditure	52	42	23.8%

* Including fixed deposits

** Net Cash = Cash and Cash Equivalents – Bank Borrowings



Corporate Governance



Corporate Governance Framework



Board of Directors



Accountable to
shareholders

Executive Committee



Overall
corporate
strategies
and direction

Audit Committee



Financial
management,
risk management,
and internal
control

Nomination Committee



Advice on
optimizing board
composition
in terms of
professionalism
and independence

Remuneration Committee



Performance
based
remuneration

Stock option
scheme

Business Review



Strategic Alliances with NBA



Enhancing the international profile of LI-NING brand

- ◆ Entered into three-year strategic marketing agreement with NBA
- ◆ Joint marketing campaigns with NBA Jam Van tour in China
- ◆ Entered into agreement in Jan 2006 with NBA player Damon Jones to become the first-ever Chinese sports brand featured in NBA league games



Strategic Alliances with CUBA



Enhancing the domestic profile in the basketball segment

- ◆ Fostered an alliance with CUBA, the top 3 basketball league games in the PRC to be its official partner and sports goods sponsor
- ◆ Over 700 of China's University Basketball teams took part in the last CUBA season with approximately 2,700 matches



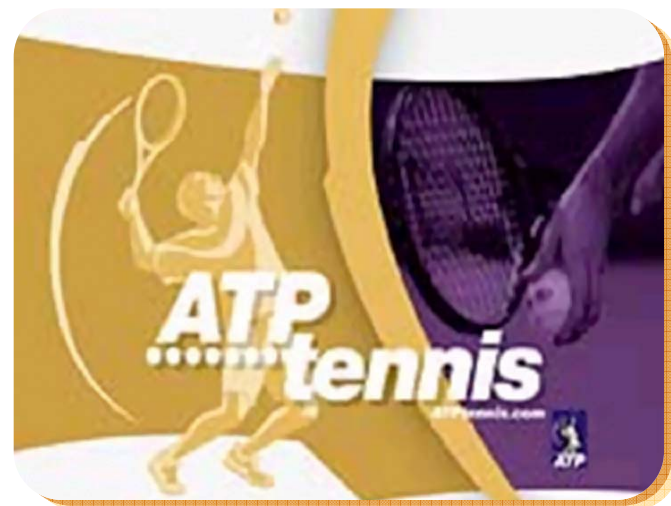
Cooperation with ATP



Strengthen promotion of products with professional features

A 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).

- ◆ Exclusive franchise rights to Li Ning
- ◆ Join hands in organizing promotional campaigns
- ◆ ATP will assist in signing players endorsement



JV with AIGLE

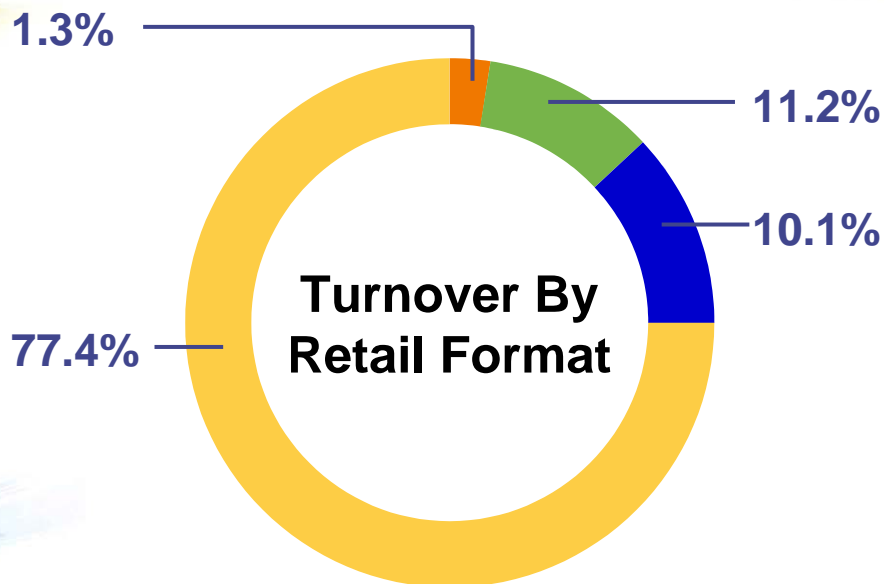






Long-term cooperation with reputable international brand

- ◆ Developed a long-term alliance via the formation of a joint venture with exclusive rights to manufacture, sale and distribute AIGLE products for 50 years



Rapid Distribution and Retail Network Expansion



-  Franchise store sales
-  Concession store sales
-  Retail stores
-  International markets

LI-NING Stores As as 31 Dec	2005	Change (No. of stores)
Franchised	3,005	733
Directly managed	111	-6
Directly managed concessions	257	24
Total	3,373	751

Remarks:

- The Group disposed of the KAPPA business in August 2005. KAPPA had 324 stores as at 30 Jun 2005

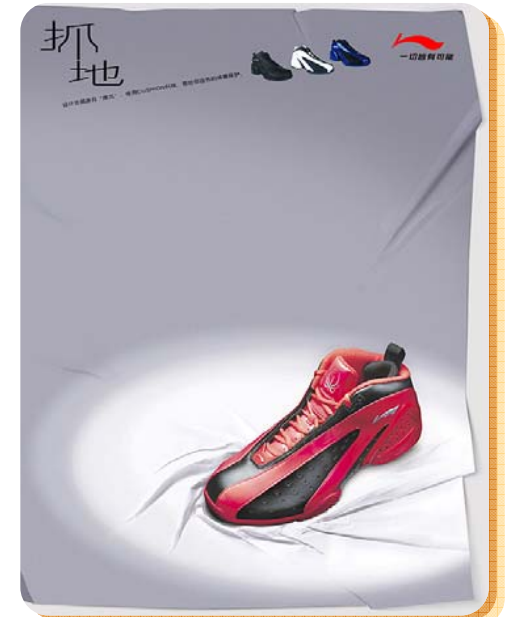
Product Development

5 Key Sports



Sports Type	New Products and Features		
Running			
Basketball			
Soccer			
Tennis			
Fitness			

A Full-Fledged Advertising and Promotion Programme



Launch of 4th Generation Stores





Future Plans and Strategies



Outlook and Strategies



Outlook

- ◆ China sports goods market will continue to see robust growth in the next few years, driven by:
 - Rising consumption power
 - Increasing popularity of 2008 Beijing Olympic Games
 - Low penetration of sports products in 2nd and 3rd tier cities
- ◆ 2nd and 3rd tier cities offer exponential growth potential in the next few years in China

Strategies

- ◆ Continual network expansion to increase market penetration
- ◆ Strengthen product design and development to cater to needs of professional athletes, sports lovers
- ◆ Multi-brand products to broaden product offering



Network Expansion



- ◆ Increase the number of retail outlets to a total of 5,100 Li-Ning outlets in 2008
- ◆ Launch flagship stores at prime locations in metropolitan and 1st tier cities
- ◆ Increase penetration in 2nd and 3rd tier cities

Li Ning Retail Outlet Expansion Plan

	Total
2006	4,100
2007	4,600
2008	5,100



Product Development Direction



- ◆ Continue to strengthen our R&D team to launch new products of professional calibre, with innovative features and fashionable designs
- ◆ Collaborate with local and international suppliers and manufacturers on new materials and technologies to enhance product performance



Multi-brand Operator



- ◆ Continue to enhance the LI-NING brand profile through innovative and highly effective marketing strategies
- ◆ Foster long-term relationships with international brands to develop a multiple brand portfolio through market segmentation strategies



Vision, Mission & Core Values



Open Forum



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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