



Li Ning Company Limited
(李寧有限公司)

(Incorporated in the Islands with limited liability)

(Stock Code: 2331)

2008 Annual Results Presentation

March 2009

Inspiring
life with passion

Agenda



Li Ning Company Limited
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- **Major Achievements in 2008**
- **Financial Highlights**
- **Business Review**
- **Future Outlook & Strategies**
- **Open Forum**





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Major Achievements in 2008



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Major Achievements in 2008



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Successful Conclusion of the Five-year Plan

Branding

- Olympics-related marketing campaign a success
- Multi-brand strategy

Product Design and R&D

- Established Li Ning Sports Science R&D Centre
- Product innovation

Sales Network Expansion

- Store expansion reached target
- Significant same store sales growth

Streamlining of the Supply Chain

- Li-Ning Industrial Park



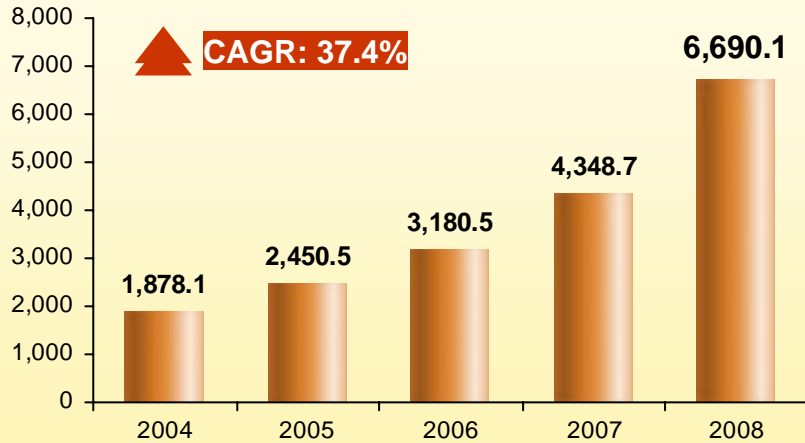
Five Years of Steady Growth



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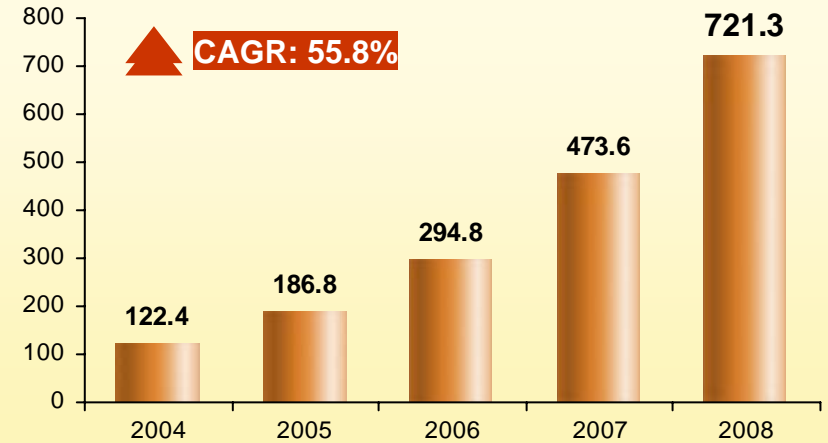
RMB Mil

Revenue



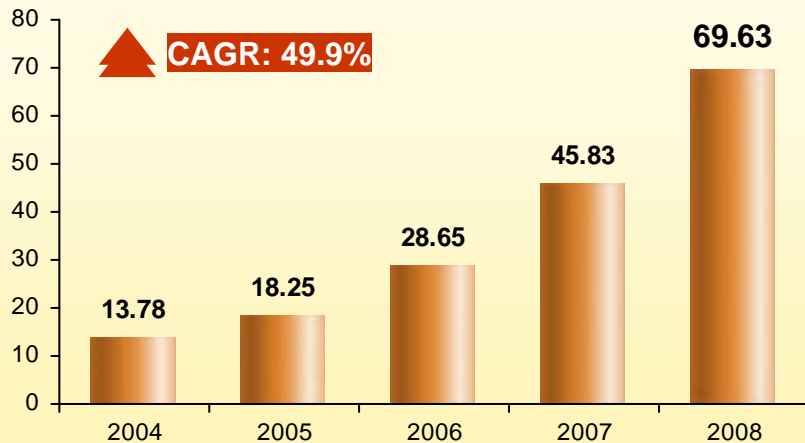
RMB Mil

Profit Attributable to Equity Holders



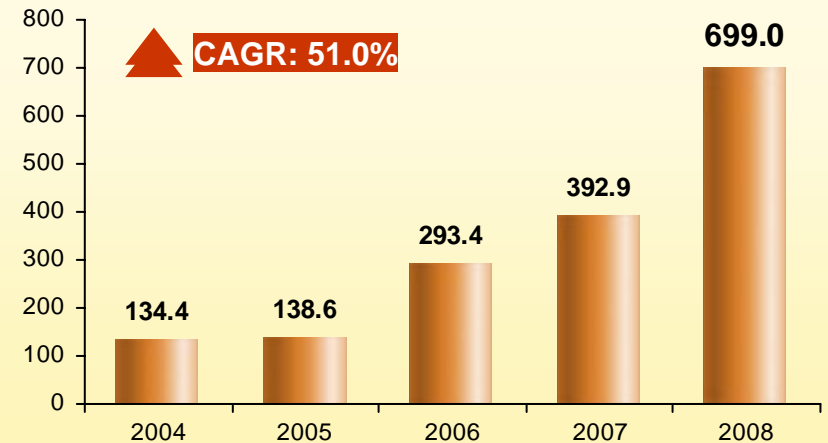
RMB cents

Basic EPS



RMB Mil

Operating Cash Flows





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Financial Highlights



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Financial Highlights



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	2008	2007	Change
<i>(RMB Mil)</i>	<i>For the year ended 31 Dec</i>		
Revenue	6,690.1	4,348.7	53.8%
Gross profit	3,220.4	2,082.8	54.6%
Operating profit	960.2	609.9	57.4%
EBITDA	1,070.5	681.8	57.0%
Profit attributable to equity holders	721.3	473.6	52.3%
Basic EPS <i>(RMB cents)</i>	69.63	45.83	51.9%
Full-year dividend per ordinary share <i>(RMB cents)</i>	49.67	22.85	117.4%
Including:			
Final Dividend	11.14	7.96	39.9%
Special Dividend	28.90	9.13	216.5%
Interim Dividend	9.63	5.76	67.2%



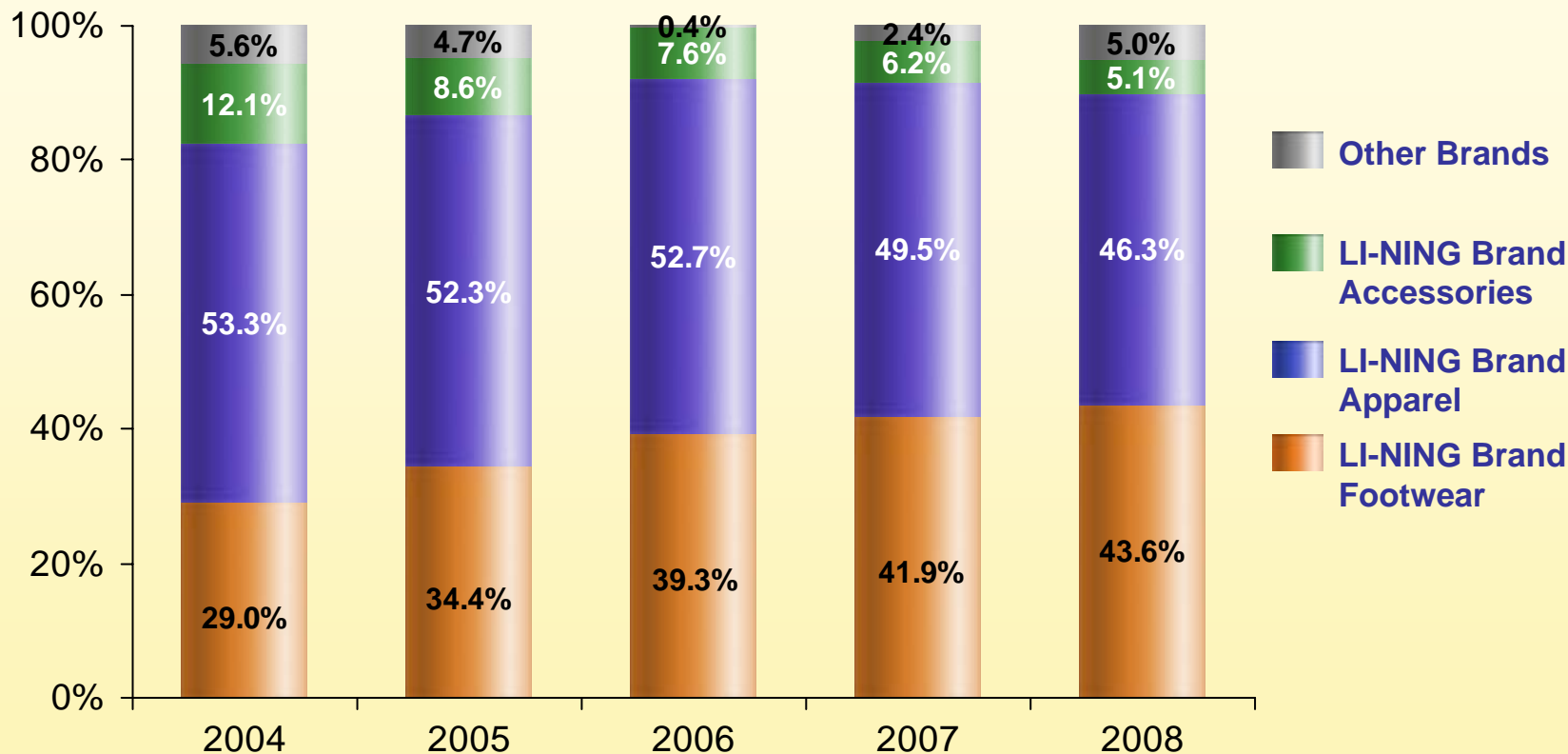
Revenue Analysis by Product Categories



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%

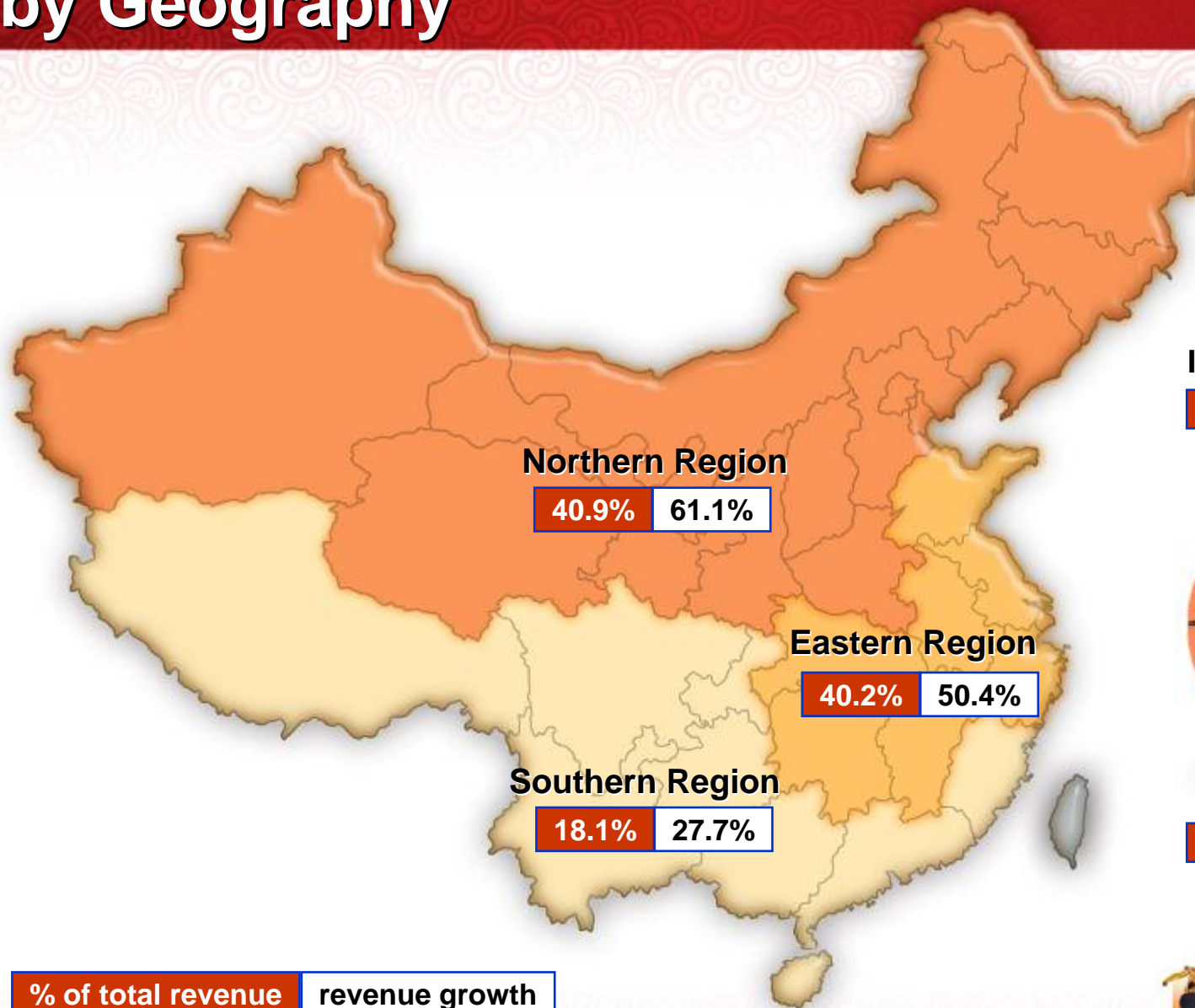
Stable Growth of Footwear Products as a proportion of Total Revenue



LI-NING Brand Revenue Analysis by Geography



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International Market

0.8% 59.1%



Domestic Market

99.2% 49.6%

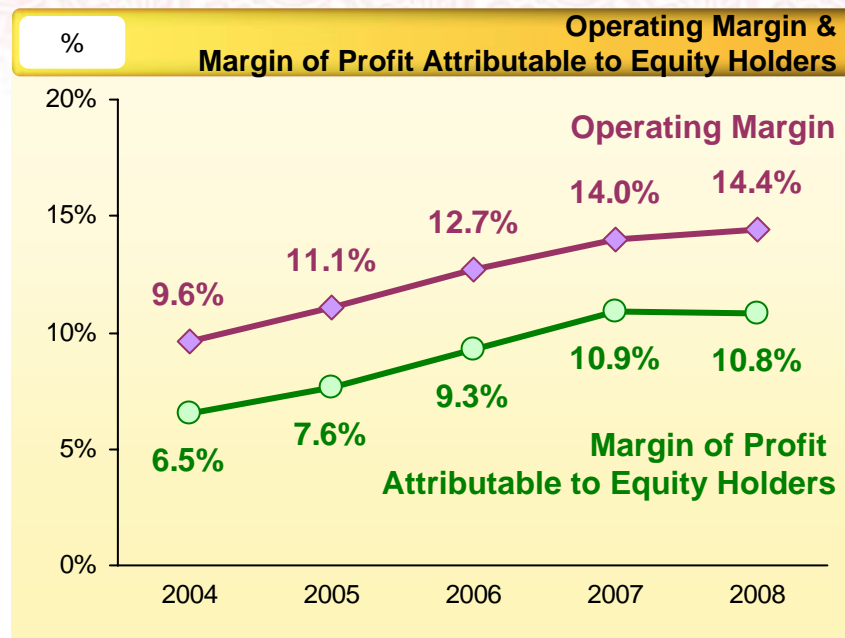
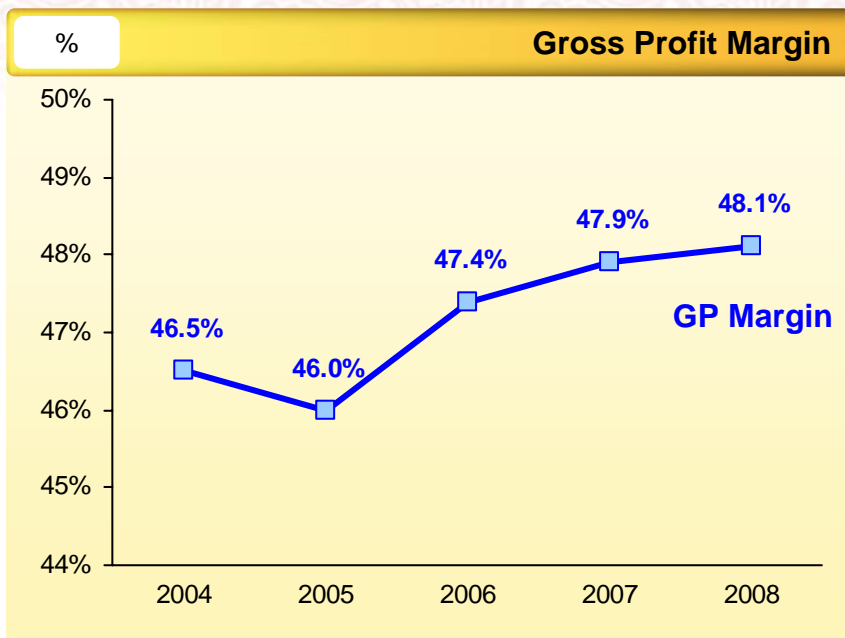
% of total revenue revenue growth



Healthy Profit Margins



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Gross profit margin of LI-NING brand products	2008	2007	Change
<i>For the year ended 31 Dec</i>			
LI-NING Brand Footwear	45.6%	46.0%	-0.4p.p
LI-NING Brand Apparel	51.7%	49.3%	2.4p.p
LI-NING Brand Accessories	51.4%	51.4%	0p.p
LI-NING Brand Overall	48.9%	48.0%	0.9p.p



Key Financial Indicators



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	2008	2007	Change
	<i>For the year ended 31 Dec</i>		
Inventory Turnover (days)	61	70	-9
Avg. Trade Receivable Turnover (days)	48	53	-5
Avg. Trade Payables Turnover (days)	69	69	0
Cash Conversion Cycle (days)	40	54	-14
R&D Expenses (as % to revenue)	2.7%	3.2%	-0.5 p.p.
A&P Expenses (as % to revenue)	17.5%	16.0%	+1.5 p.p.
Human Resource Cost (as % to revenue)	7.1%	7.5%	-0.4 p.p.
Effective tax rate (%)	21.7%	23.4%	-1.7 p.p.



Healthy Financial Position



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	2008	2007	Change
	<i>For the year ended 31 Dec</i>		
Cash and Cash Equivalents*	893.7	861.1	3.8%
Current Liabilities	2,086.8	977.4	113.5%
Total Liabilities to Total Assets Ratio	51.8%	37.3%	14.5 p.p.
Return on Equity (full-year)	39.6%	30.1%	9.5 p.p.
CAPEX**	260.4	243.1	7.1%

* Including fixed deposits and restricted deposits

**Excluding acquisition expense





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Business Review



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Successful Olympics Integrated Marketing Campaigns



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One team



Olympics strategy



Hero's Assembly — Hero Vans



A letter to all athletes in the world



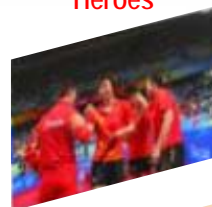
Sponsored gear for Olympics



The four Chinese national teams delivered stunning performances



Return of Heroes



Cooperation with the CCTV-5



Flagship stores with Olympics theme



Beijing Olympics promotion programme targeting major shopping centres in China



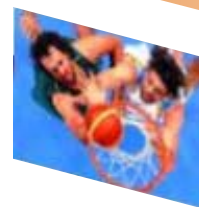
Protecting the Olympic flame together



Olympic flame reached Mount Everest



Let the Game Begin



The Group's sponsored national teams achieved excellent results



Reborn



Other Marketing Campaigns



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● Basketball

- Continued the cooperation with NBA players, including O'Neal and Hayes
- Newly signed NBA player – Baron Davis, point guard of LA Clippers
- China University Basketball Association (CUBA)
- Nation-wide junior secondary school basketball events

● Tennis

- Official partner of the Association of Tennis Professionals (ATP) in China
- Launched a promotion programme during the Shanghai Tennis Masters Cup, “Li Ning – ATP FEEL IT”



● Women's fitness

- Cooperated with Beijing's Nirvana Yoga, which promises the biggest growth potential in the fitness market in China

● Indoor sports

- In November 2008, “Badminton World Federation Super Series – LI-NING China Open 2008” was held in Shanghai
- In the same month, Ms. Wang Chen, the Group's sponsored female badminton player, was crowned the winner of the Hong Kong Badminton Championship



● Football

- Chinese University Football League (CUFL)



Product Research and Development



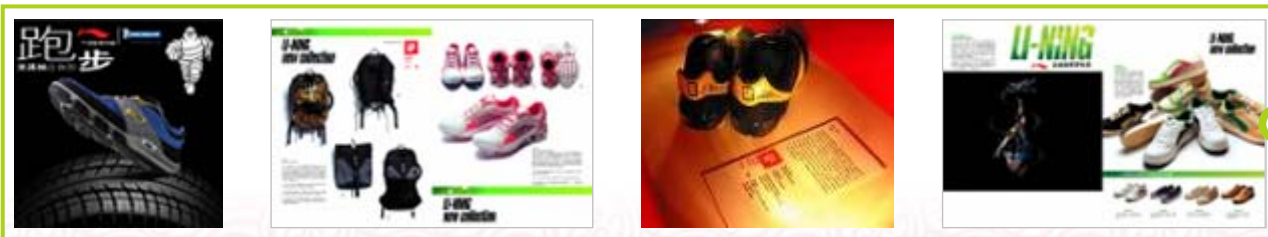
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● Strong emphasis on product design, research and development

- Design, research and development centres in mainland China, Hong Kong and Portland, Oregon in the United States
- Continued to work with reputable educational institutions and professional bodies in conducting research and development
- Li Ning Sports Science R&D Centre commenced operations

● Combine technological innovation with stylish design and Chinese experience

- Collaborated with Michelin for the development of sports footwear products
- A number of LI-NING brand basketball shoes were granted various awards from widely recognised competitions, including “iF China Industrial Design Award” and “China Innovative Design Red Star Award”. It was also named the “Most Successful Product Design” by Fortune Magazine
- “LI-NING BOW”
- “JIONG” footwear
- AT DRY SMART technology



Effective Sales Channel Management



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- Continued to expand its sales channel coverage, especially in second- and third-tier cities
- Strengthened retail capabilities and enhanced overall service quality to improve same store sales growth
- Actively identified appropriate locations for establishment of flagship stores, especially in host cities for the Beijing Olympic Games
- Continuously carried out store upgrades and launched fifth-generation stores

Number of stores	2008-12-31	2007-12-31
LI-NING brand	6,245	5,233
Other brands*	672	443

*Including AIGLE, Z-DO and Lotto



Flexible and Effective Supply Chain Management



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- Continuously refine and improve supply chain and inventory management
- Hosted four large scale trade fairs of LI-NING brand and a total of five trade fairs of AIGLE and Z-DO brands
- Cost savings by continuous enhancement in the procurement process and efficiency
- Collaborate with core suppliers in moving production base to inner cities in order to save costs
- Establish a logistics centre in Central China to improve logistics efficiency



Other Brands



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AIGLE

- Stronger retail level support with special emphasis on consumer communications
- Fine tune product mix to cater the tastes and preferences of the Chinese market



- Collaborate with hypermarkets on upgrading the sales information management
- Adopt a fast and responsive supply chain to streamline production and logistics
- Product focuses on classic and evergreen style in order to meet basic sports lifestyle needs



- Completed the acquisition in July 2008
- Focus on table tennis equipment
- Leverage on the Group's strengths in product design for footwear and apparel and supply chain management to complete Double Happiness's product offering



- Exclusive license for 20 years in China
- Adopt a business-driven approach
- Target the sports fashion market
- Leverage on the Group's supply chain and distribution management expertise





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Future Outlook and Strategies



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Business Environment

Macro-economic uncertainties in 2009 add pressure on the business environment

- The sporting goods industry enters into a new cycle of growth after the conclusion of the Beijing Olympic Games, growth rate will slow down on a relative basis
- On the back of the global financial crisis, the Chinese economy is facing various challenges. Increased uncertainties cloud the prospects of the market
- Aggressive discounting as a result of inventory pile-up

Upside Factors

Growth in China's sporting goods industry remains robust:

- Lifestyle change creates immense opportunities for the sector
 - Increase in per-capita income
 - Growing group of health-conscious consumers
 - Urbanization
- Growing popularity of sports tournament and the broadcasting coverage of major events continues to expand

Sporting goods industry in China:

- Notable geographical difference, 2nd –and 3rd -tier cities have the greatest potentials
- Sports lifestyle segment has a higher growth potential than professional sports segment
- Unlike the U.S. and Europe, indoor sports like badminton and table-tennis are very popular sports in China



Brand Reinvention and Product Innovation



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- Further establish our capabilities in implementing product-driven integrated marketing strategy
- Revamp brand's DNA to clearly define the Group's positioning and target consumers
- Tap into more market segments and seek more sports marketing resources that are in sync with our objectives and strategies
- LI-NING brand remains the core brand
- Multi-brand strategy serves as a means to achieve stable growth and complement our business
- Enhance product research, development and design capability



**Brand
Reinvention**

Product Innovation



Distribution and Supply Chain Management

- **Strengthen distribution management to enhance overall efficiency**
 - Improve the monitoring and collection of operating data and intelligence at the retail level
 - Focus on same store sales growth
 - Broaden presence in second- and- third tier cities
 - Better distribution service to meet the needs of local customers
- **Streamline the supply chain to mitigate risks**
 - Cost savings in procurement and logistics as the supply chain moves to inner cities
 - Flexible supply chain management, shorten production time to mitigate risks
 - Overall enhancement in the supply chain by catering to the needs of our multi-brand portfolio
 - Gear the supply chain for international expansion

Store Expansion Plan

By End of	No. of Stores
2009	7,000
2010	7,800
2011	8,600
2013	Over 10,000



International Expansion



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- **2009-2013: preparation stage, focus more on developing capabilities for international expansion:**
 - Talent
 - Supply chain
 - Product design
 - Branding
 - The expansion mode
- **By 2018: become one of the world's top 5 sports brands, with revenue contribution of 20% from international business**



Mission, Vision & Core Values



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Q&A



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Investor Relations



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