



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

2011
Annual Results

MAKE THE CHANGE



MAKE THE CHANGE

Agenda



Financial Highlights



Business Review



**Outlook & Future
Strategies**



Open Forum



Financial Highlights

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Summary of Income Statement



	FY2011	FY2010	Change
	For the year ended 31 December		
(RMB million)			
Revenue	8,928.5	9,478.5	-5.8%
Gross Profit	4,114.5	4,481.6	-8.2%
Operating Profit	631.0	1,546.8	-59.2%
Profit Attributable to Equity Holders	385.8	1,108.5	-65.2%
Earnings per Share (RMB cents)	36.70	105.84	-65.3%
Full-year Dividend per Ordinary Share (RMB cents)	11.13	42.12	-73.6%
Comprising: Final Dividend	Nil	19.97	N/A
Interim Dividend	11.13	22.15	-49.8%

Profit Margins and Expense Ratios



	FY2011	FY2010	Change
	For the year ended 31 December		
Gross Profit Margin	46.1%	47.3%	-1.2p.p.
Operating Profit Margin	7.1%	16.3%	-9.2p.p.
Margin of Profit Attributable to Equity Holders	4.3%	11.7%	-7.4p.p.
R&D Expenses (as % of revenue)	2.6%	2.6%	0
A&P Expenses (as % of revenue)	17.6%	15.1%	2.5p.p.
Staff Costs (as % of revenue)	8.7%	7.5%	1.2p.p.
Effective Tax Rate	24.9%	25.0%	-0.1p.p.

Key Operational Indicators



	FY2011	FY2010	Change
	For the year ended 31 December		
Inventory Turnover (Days)	73	52	21
Average Trade Receivables Turnover (Days)	76	52	24
Average Trade Payables Turnover (Days)	94	71	23
Cash Conversion Cycle (Days)	55	33	22
Return on Equity (ROE) (full year)			
	11.3%	36.7%	-25.4 p.p.
Return on Asset (ROA) (full year)			
	5.9%	19.0%	-13.1 p.p.
CAPEX* (RMB million)			
	387.8	272.3	42.4%

* Excluding acquisition expenditures

Summary of Balance Sheet



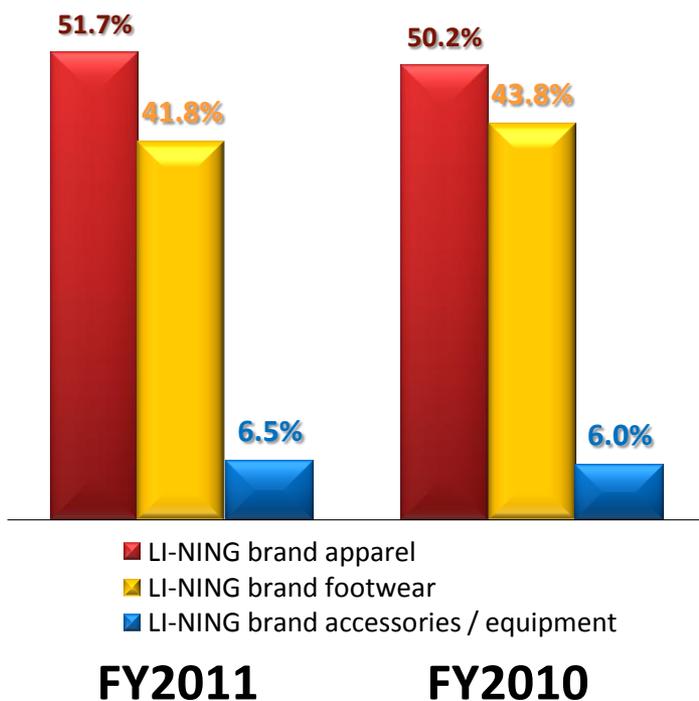
	2011-12-31	2010-12-31	Change
(RMB million)			
Cash and Cash Equivalents	1,196.5	1,470.4	-18.6%
Bank Borrowings	838.1	312.2	168.4%
Net Cash*	358.4	1,158.2	-69.1%
Current Liabilities	3,063.1	2,371.6	29.2%
Current Ratio (times)	1.56	1.77	-0.21
Total Liabilities to Total Assets Ratio	50.0%	45.8%	4.2p.p.

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

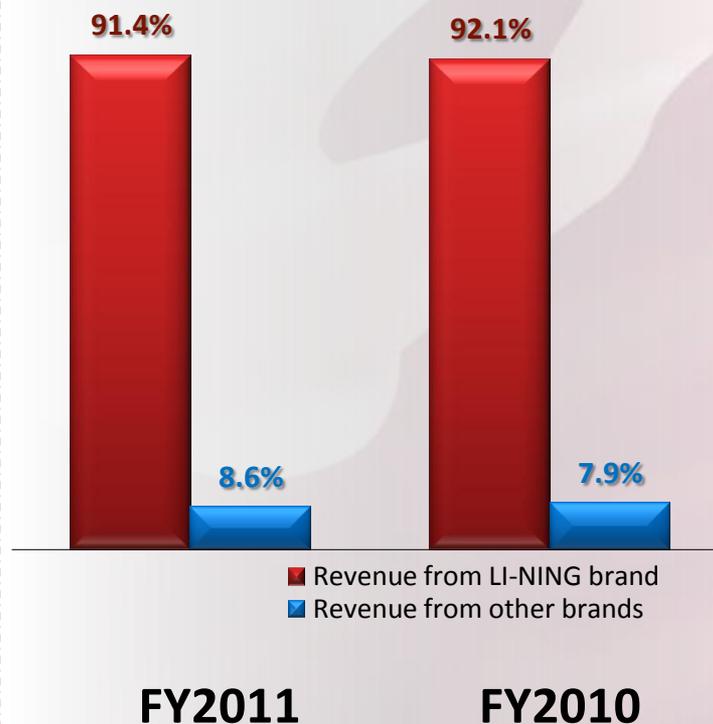
LI-NING Brand Revenue Breakdown by Product Category



LI-NING Brand Revenue Breakdown by Product Category



Revenue from LI-NING brand to the Group Total



* The proportion of LI-NING brand footwear has resumed an upward trend since first quarter of 2012

LI-NING Brand Revenue Breakdown by Geography





Business Review

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An Analysis of the Sporting Goods Industry

Changes in the business model of sporting goods industry driven by

Rising costs
Consumers “trading up”

Current characteristics of the industry

- Contribution from footwear products is gaining importance
- Products priced in mid-to-low range remain the largest product segment at present, yet the sales of products in the mid-to-high range are growing at a faster rate

Market evolved from being “store expansion driven” to “brand/product driven”

LI-NING’s Strategy – Strengthen communications with consumers through sports category and brand differentiation

- Sports and product categories
 - Continue to promote the badminton category as LI-NING’s benchmark sport
 - Continue to develop the running category
 - Continue to strengthen brand investment in the basketball category
- Branding
 - Accentuate the brand personality with unique brand DNA
 - Leverage strong cast of sports sponsorship resources
- Pricing strategy
 - Adopt a product innovation-led strategy to drive volume growth in the largest product segment (mid-to-low price range)
 - Use running and basketball category products to drive proportion of revenue contributed by mid-to-high range products

Leveraging on Brand Strengths



Advertising & marketing

- Running
- Basketball

Sports event

- 2011 BWF World Superseries
- LI-NING Supreme 5 Mixed Doubles Badminton Cup
- FINA World Championships
- World Gymnastics Championships
- Table Tennis World Cup

Marketing promotion

- Launch of LI-NING ARC products
- Launch of LI-NING 8th Generation ultralight running shoes
- Launch of “The Stronger You Are, The Stronger I Become” basketball products



Key strategies in 2012

- Roll out integrated marketing activities with the Olympics theme
- Promote marketing and sales surrounding the product technology platform
- Strengthen brand marketing execution and focus on key product categories such as badminton, running and basketball



Top Endorsement Resources



	Top-notch Athletes / Sports Teams / Sports Clubs	Tournaments	Other important sponsorship resources
Badminton	Chinese National Badminton Team* Lin Dan	Badminton China Open / China Badminton Masters / China Badminton Club Super League / China National Badminton Cup / Singapore Badminton Open	Shanghai Badminton Team / Bayi Badminton Team / Guangdong Badminton Team / Singapore National Badminton Team / Australia National Badminton Team / New Zealand National Badminton Team / Jan O Jorgensen / Boonsak Ponsana
Track & Field / Running	Asafa Powell / Yelena Isinbaeva Andreas Thorkildsen / Christian Taylor / Ngonidzashe Makusha	Beijing International Running Festival	11 Domestic Track & Field Teams Eritrea National T&F Team Domestic Athletes
Basketball	Shaquille O' Neal / Baron Davis / Jose Calderon / Evan Turner / Spanish National Basketball Team* / Argentina National Basketball Team*	NBL LI-NING China Basketball Training Camp	Shanghai Sharks Basketball Club Zhejiang Guangsha Basketball Club China Youth Basketball Team Other Domestic Players
Olympic Champion Teams	Chinese National Table Tennis Team* / Chinese National Diving Team* / Chinese National Shooting Team* / Chinese National Gymnastics Team*		USA Diving Team* Swedish Olympic Delegation* USA Diver David Boudia
Tennis	Marin Cilic / Ivan Ljubicic / Peng Shuai / Yan Zi	ATP	Yang Tsung-hua / Pliskova Twins / Zheng Saisai
Woman's Fitness	Lesmills China	LI-NING Yoga Workshop	Nirvana Yoga / CSI Bally / Physical Club of Shenzhen
Football		Chinese University Football League	

***These sports teams will attend the 2012 London Olympic Games wearing LI-NING branded gear**

Pressing Ahead with Distribution Channel Reforms



Progress in 2011

- Proactively controlled pace of store opening and focused effort on the reforms of distribution channel structure
- Dedicated more effort to building clearance channels
- Initiated the repurchase of part of the inventory from distributors
- Improved management efficiency of distribution channels and continued consolidation and management of sub-distributors

Plan in 2012

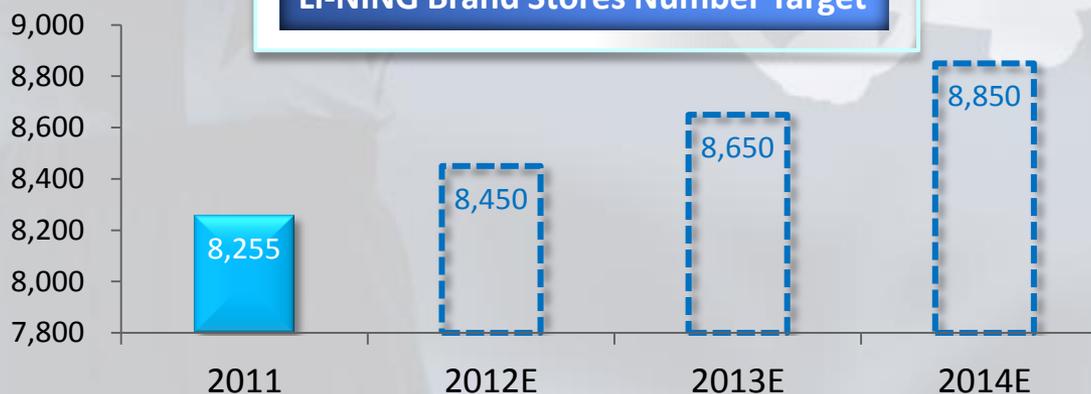
- Establish clearance channels at a reasonable and fast pace to achieve practical and healthy store structure
- Big push on promotion of the new sixth-generation stores
- Accelerate the construction of brand image stores and benchmarking stores
- Step up the development of shopping mall channels
- Strengthen the performance assessment of sub-distributors



No. of	LI-NING Brand Factory Outlets	LI-NING Brand Discount Stores	Sixth-Generation LI-NING brand Stores	Consolidated Sub-Distributors
As at 31 Dec 2011	269	358	219	425



LI-NING Brand Stores Number Target



Enhancing Product Competitiveness



Strengthen product quality while fusing innovative features that are aligned with the brand's positioning and DNA

Strengthen the development of product technology platforms

Fine-tune product pricing structure to offer consumers value-for-money



- Research & Development and Design Centres in Beijing and Hong Kong
- Products for Professional Sponsorships – Develop superior sports gear for professional athletes
- Footwear products
 - Improve innovation of technology platform
 - Develop product families
- Apparel products
 - AT Technology Platform
 - Optimize fabric integration and improve standards for colour and pattern design
- Badminton Racket
 - “3D Breaking-free Technology Platform” and “Air Stream System Technology Platform”



Supply Chain Management



Production facilities in Jingmen, Hubei

- The base continued to scale upwards
- The “LI-NING Logistics Centre” in Jingmen is at implementation and testing phase. It is expected to begin trial run in the first half of 2012



Strengthen supplier education

- Put greater effort in educating suppliers in fulfilling social responsibilities in the supply chain as well as management of chemicals
- Co-published “The Joint Roadmap towards Zero Discharge of Hazardous Chemicals by 2020” with other leading brands
- Devised “Restricted Substance List for Apparel, Footwear and Accessories Products”



Other Brands



- Reinforce its competitive edge in Table Tennis and maintain collaborative relationships with top-notch table tennis athletes and clubs
- Strengthen product research and development



- Same-store sales exhibited a persistent trend of significant growth
- Enhanced placement of advertising in outdoor media and travel magazines
- Strengthen retail management



- Continue to comprehensively enhance Kason's brand positioning, product structure, research and development and sales channel



- Raise brand awareness through differentiated and integrated marketing initiatives
- Seek to adjust business model in 2012 to align with the Group's overall strategies



- The Group has decided to discontinue the business of Z-DO brand and its development plan for the Double Happiness branded footwear and apparel in order to better focus its efforts and resources on the core LI-NING brand business.





**Outlook &
Future Strategies**

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Challenges faced by the industry

- ↪ Inventory problem at the retail end remains severe
- ↪ The interaction among suppliers, brands and distributors during industry transformation will influence value allocation

Main tasks

- ↪ Adjust SG&A expenses structure, enhance operational efficiency
 - Reduce staff costs
 - Reduce daily operating expenses, consulting fees, etc.
 - Maintain an appropriate level of investment in brand marketing
- ↪ Adjust product structure and increase product gross profit margin
- ↪ Continue to clear inventory at the retail end
- ↪ Press ahead with distribution channel reform and increasing retail efficiency in second- to fourth-tier cities
- ↪ Seize the market opportunity presented by the London 2012 Olympic Games to enhance brand image



Adhering to Long Term Strategies



Brand

- Strict adherence to brand positioning and essence of sports
- Fuse brand positioning and effective use of sports marketing resources to achieve brand differentiation
- Ensure creativity is converted into effective communication, highlight brand personality and accentuate Chinese concept



Channel

- Press ahead with distribution channel reforms and strengthen distributor/sub-distributor's management capability
- Pursue an SSSG-led growth model
- Exercise better sell-through management to drive sell-in growth



Product

- Persistent improvement in product R&D and design
- Make better value for money a strategic priority



Supply Chain

- Enhance supply chain efficiency
- Deliver better economies of scale from supply chain and increase flexibility

Vision, Mission and Core Values



Vision

A world's leading brand in the sporting goods industry



Mission

Through sports, we inspire people the desire and power to make breakthroughs



Core Values

- Live for Dream
- Integrity and commitment
- “We” Culture
- Achieving excellence
- Consumer oriented
- Breakthrough





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