



Li Ning Company Limited

李寧有限公司



Interim Results 2004

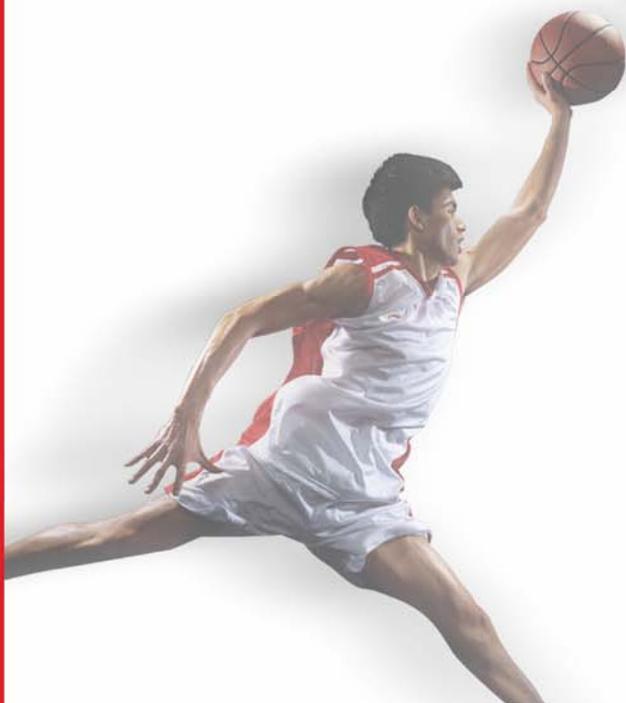
Agenda



- ➔ Financial Highlights
- ➔ Operational Review
- ➔ Future Plans and Strategies
- ➔ Open Forum



Financial Highlights



Financial Summary

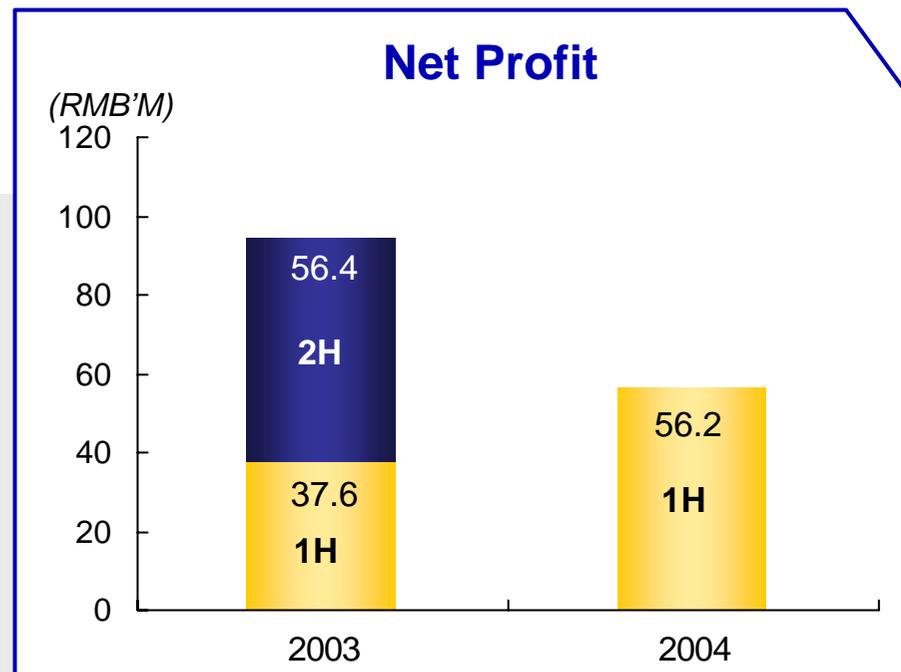
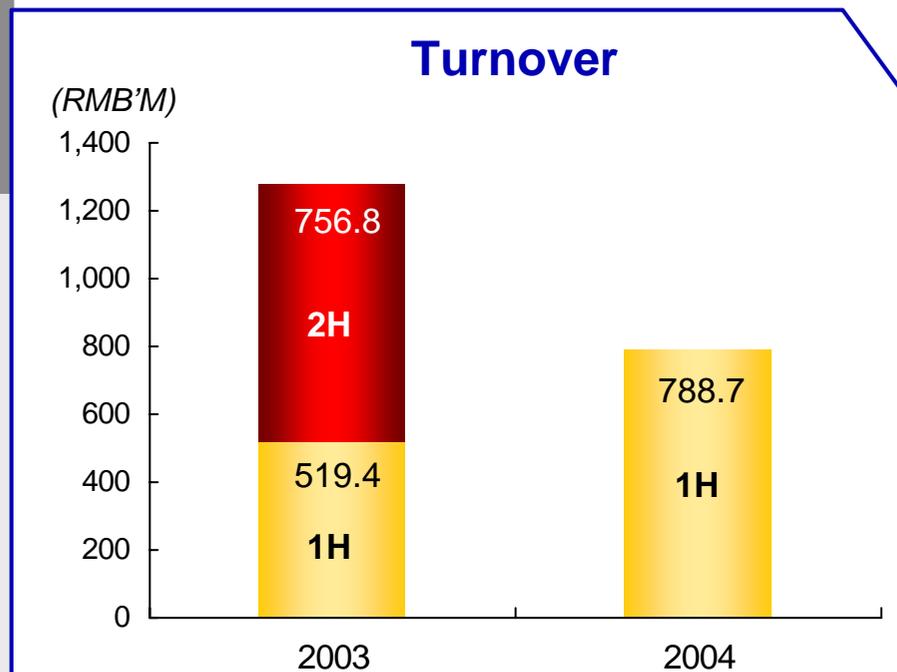


(RMB' M)

For the 6 months ended June 30

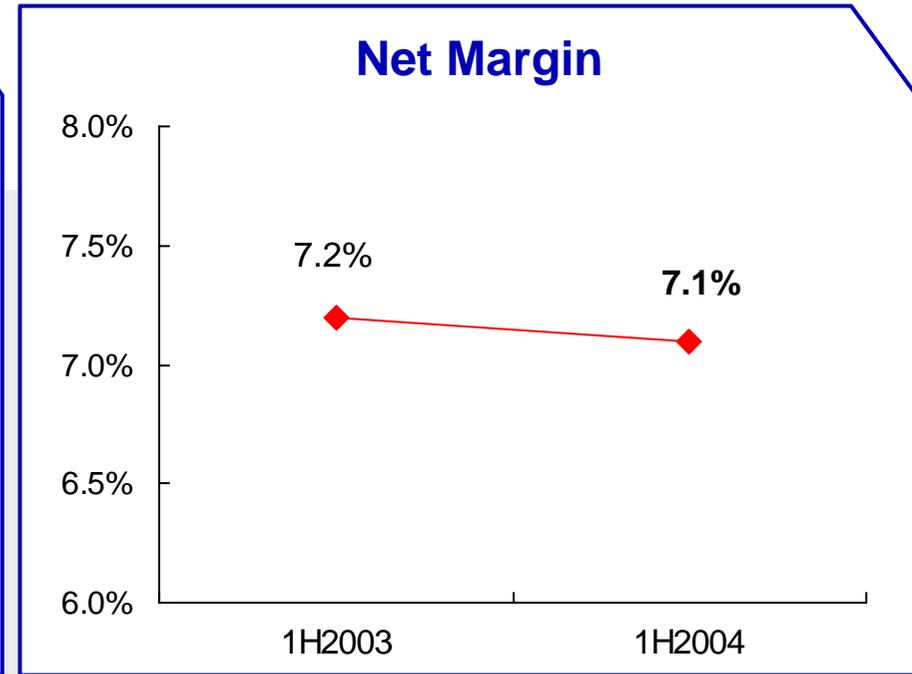
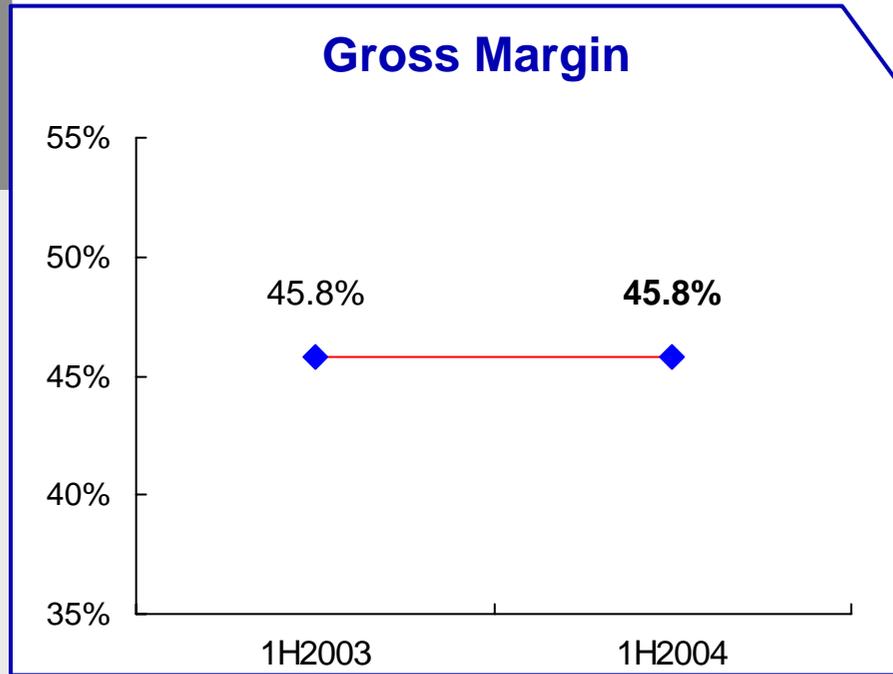
	2003	2004	Change
Turnover	519.4	788.7	+51.8%
Gross profit	237.9	361.5	+52.0%
Profit from operations	55.7	90.2	+61.9%
Profit before taxation	53.2	88.3	+66.0%
Profit for the period	37.6	56.2	+49.5%
Basic earnings per share (RMB cents)	5.01	7.45	+48.7%

Rapid Turnover Growth



- ➔ Rapid financial growth driven by
 - Expansion of sales channels and product range
 - Increased advertising and promotional efforts
 - Effective cost control

Promising Gross Margin & Net Margin



- Maintained gross margin and net margin at healthy level
 - Benefited from strong growth in turnover
 - Enhanced economies of scale and effective cost control
 - Net margin slightly dropped by 0.1% in 1H2004 due to the increment of effective tax rate

Turnover Growth by Product Categories

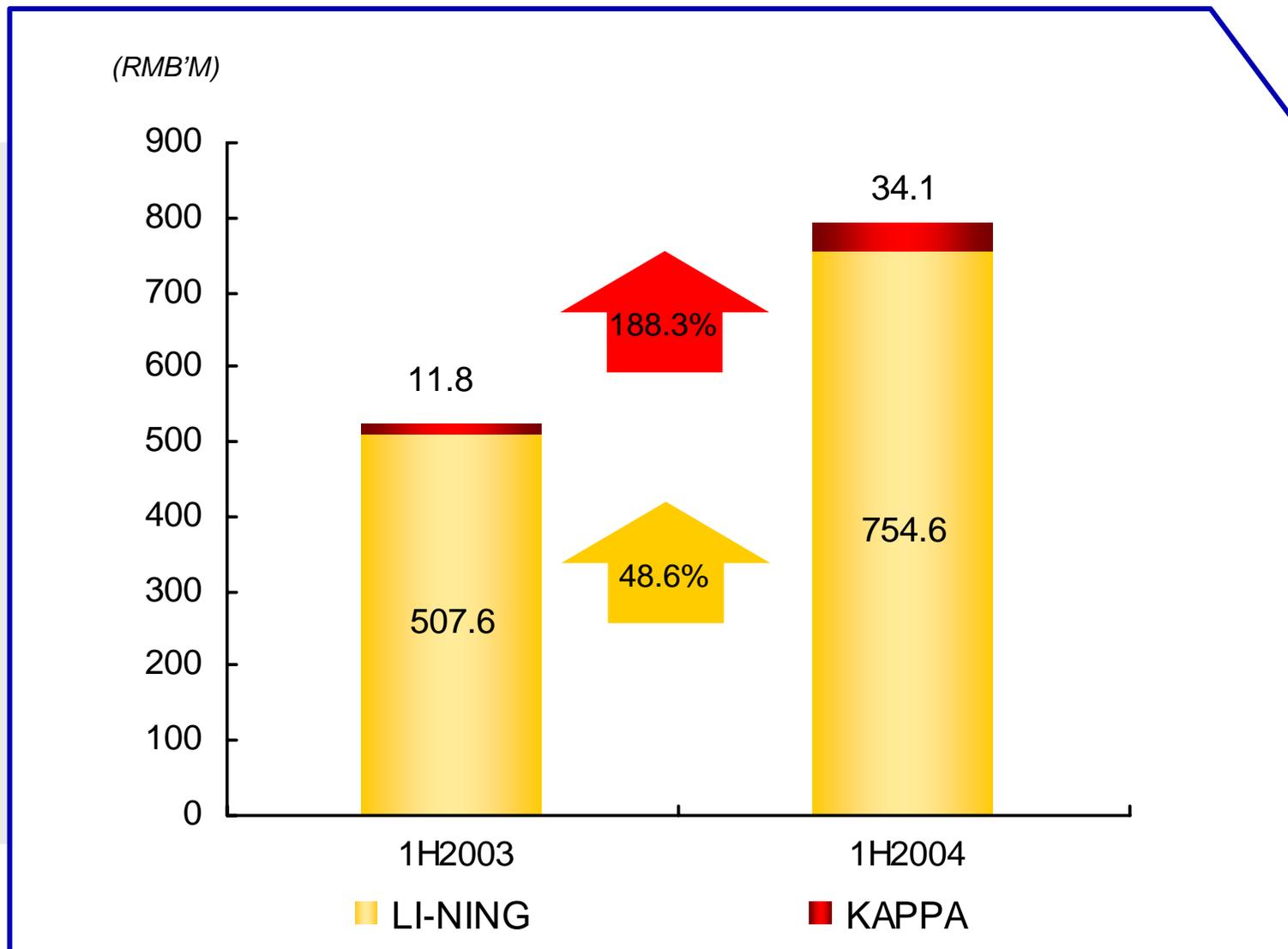
(RMB' M)

For the 6 months ended June 30

	2003	2004	Change
Apparel	283.7	454.3	+60.2%
Footwear	172.0	238.1	+38.5%
Accessories	63.8	96.2	+50.8%
Total	519.4	788.7	+51.8%

- ➡ Strong growth in sales of apparel driven by
 - Expansion of product range and sales channels

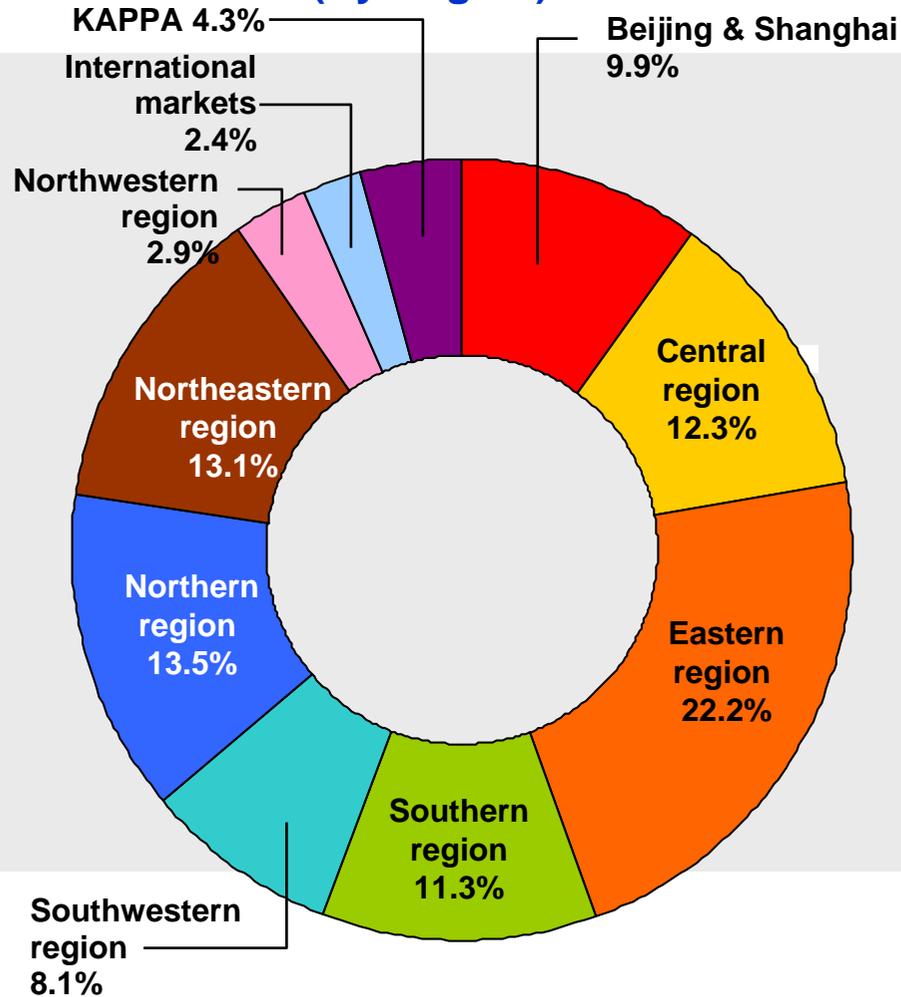
Turnover Breakdown by Brands



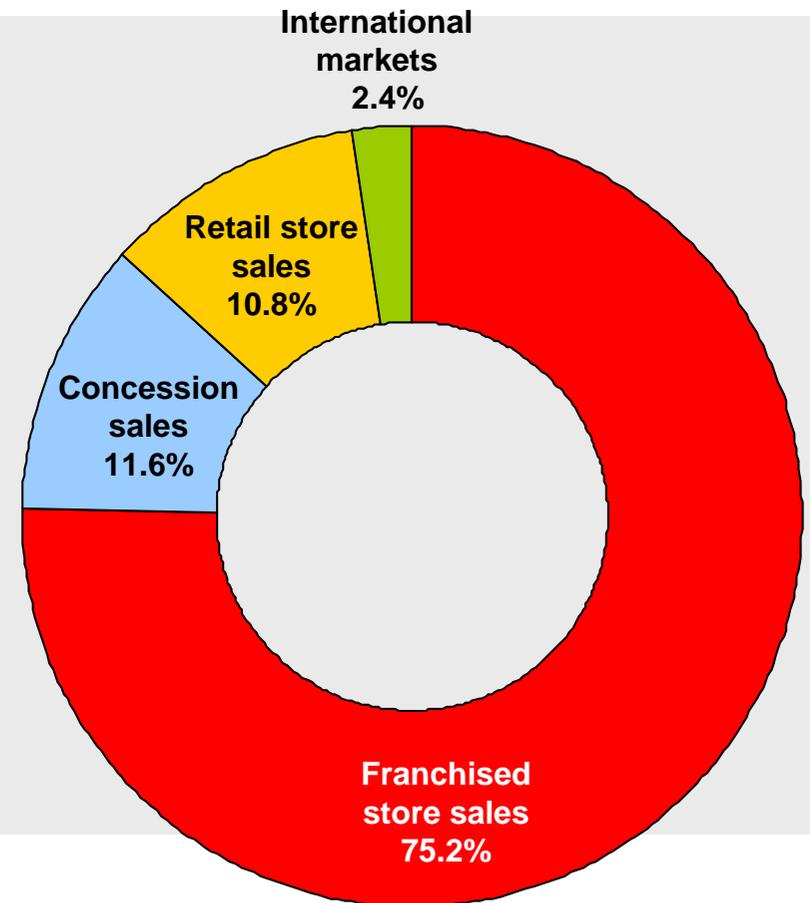
Turnover Breakdown



Turnover Breakdown in 1H2004 (By Region)



Turnover Breakdown in 1H2004 (By Retail Format)



Key Financial Information



<i>(RMB' M)</i>	<i>As at 31 Dec 2003</i>	<i>As at 30 June 2004</i>	<i>Change</i>
Inventories	296.2	286.3	- 3.3%
Avg. Inventories Turnover (days)	143	124	- 19
Accounts Receivables	120.1	166.5	+ 38.7%
Avg. Accounts Receivables Turnover (days)	29	33	+ 4
Avg. Trade Payables Turnover (days)	75	71	- 4
Short-term Liabilities	85	90	+ 5.9%
Long-term Liabilities	n/c	n/c	n/c
Cash and Cash Equivalents	224.5	695.5	+ 209.8%



Operational Review



1H2004 Major Achievements



- Successfully listed on the Main Board of the SEHK
- Reinforced sales channels
 - Opened 468 stores and further enhance market penetration
- Upgraded product design and development capabilities
 - Set up a product design and development centre in Hong Kong
- Strengthened brand awareness and loyalty
 - Olympic effect boosted Li-NING brand equity and sales

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

Extensive Distribution & Retail Network

LI-NING brand	31 Dec 2003	30 June 2004	change
 Franchised retail outlets	1,722	2,099	+21.9%
 Directly managed retail stores	87	105	+20.7%
 Directly managed concessions	176	217	+23.3%
Total	1,985	2,421	+22.0%
KAPPA brand			
 Franchised retail outlets	144	180	+25.0%
 Directly managed retail stores	3	4	+33.3%
 Directly managed concessions	13	8	-38.5%
Total	160	192	+20.0%

Overall			
 Franchised retail outlets	1,866	2,279	+22.1%
 Directly managed retail stores	90	109	+21.1%
 Directly managed concessions	189	225	+19.0%
Total	2,145	2,613	+21.8%

Diversified Product Range



- Continue to expand range of sporting products
- Launched and promoted new specialised footwear series for distinct sports categories such as soccer, baseball, tennis, running and fitness
 - Launched professional 'Tie' series soccer shoes designed for famous soccer star Li Tie
 - New basketball footwear series received very warm welcome from the market



Footwear



Sportswear



Outdoor/
casual wear



Accessories

Effective Marketing & Promotion Activities



- Sponsored the Chinese sports delegation for the 2004 Athens Summer Olympic Games
- Sponsored various major Chinese national sports team
- LI-NING's advertising slogan "Anything is possible" is widely recognised in the market
- New advertising series – "**LI-NING: Flying High in China Sports**" – launched in April 2004 with a very encouraging response
- Close partnership with professional market research institutes and international advertising agencies

Participation in 2004 Athens Summer Olympic Games



- LI-NING is the official partner of the Chinese Olympic Committee and sponsored the Chinese National teams in the Games
- Olympic Games boosted brand equity and stimulated purchase of sports apparel, sales figures in July and August were encouraging
- Recurring media exposure on various teams wearing LI-NING sponsored apparels enhance brand recognition in the international arena

Sports Sponsorship in 2004 Athens Summer Olympic Games





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
- 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 LI-NING and 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

Vision, Mission & Core Values





Open Forum





Appendix



About LI-NING



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

Business Overview

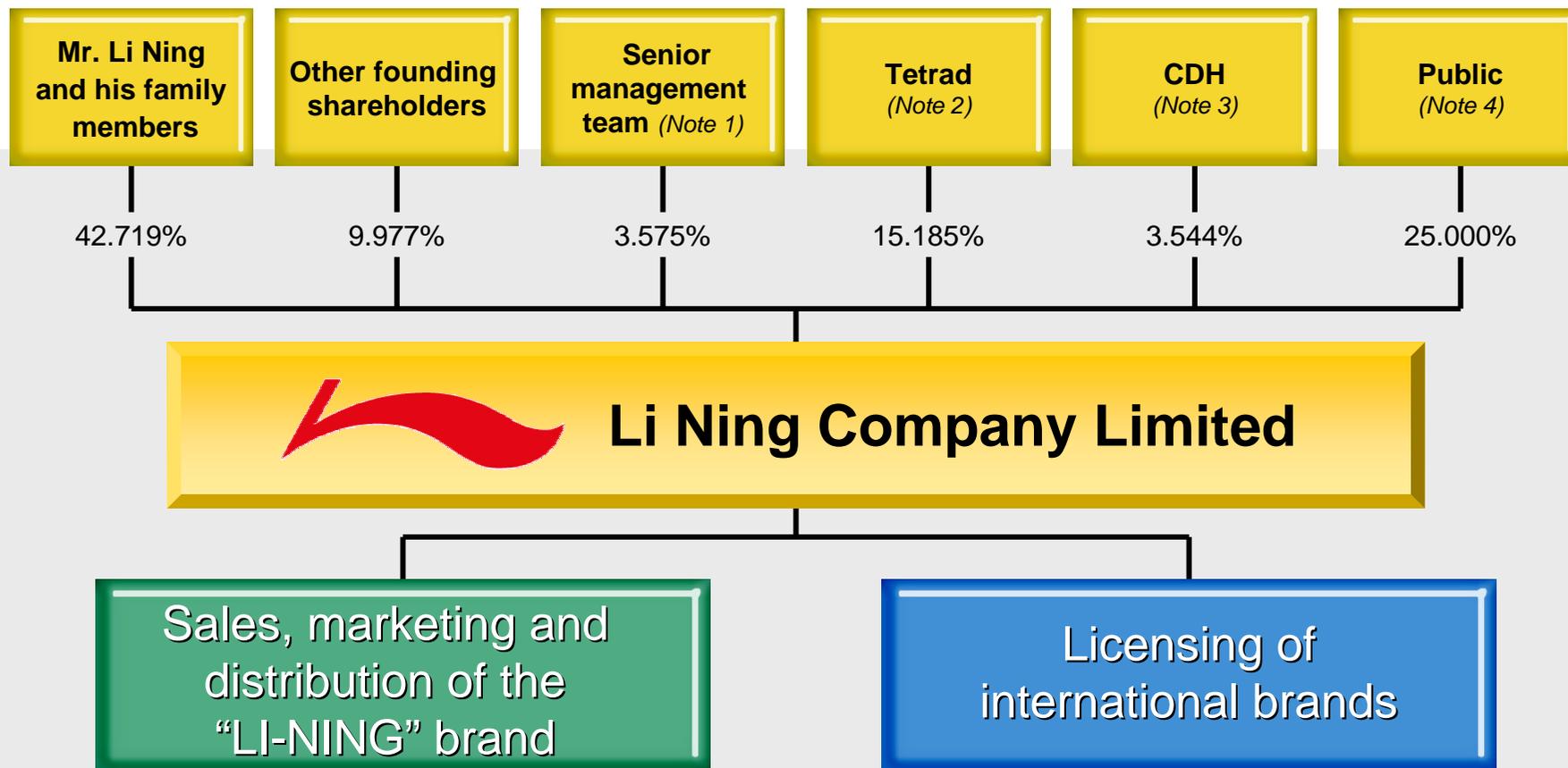


- Sales and marketing of LI-NING branded sports products:
 - Product design, marketing, and research development
 - Retail sales
 - Supply chain management and distribution

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

- Sales and marketing of international sports brands in the PRC

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