



Anything is Possible



Li Ning Company Limited

(李寧有限公司)

(Incorporated in the Cayman Islands with limited liability)

2005 Interim Results Corporate Presentation

August 2005



Agenda

- **Financial Highlights**
- **Operational Review**
- **Market Analysis**
- **Future Outlook and Strategies**
- **Open Forum**





Anything is Possible

Impossible



Financial Highlights

Financial Summary

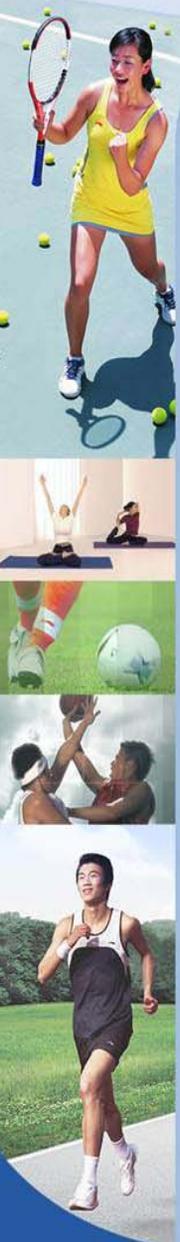


(RMB Mil)	2004	2005	Change
Turnover	788.7	1,104.3	+40.0%
Gross profit	361.5	530.6	+46.8%
Profit before taxation	87.0	119.5	+37.4%
Profit attributable to equity holders	54.9	78.3	+42.6%
Basic EPS (RMB cents)	7.28	7.65	+5.2%
Interim dividend per share (RMB cents)	Nil	2.30	N.A.

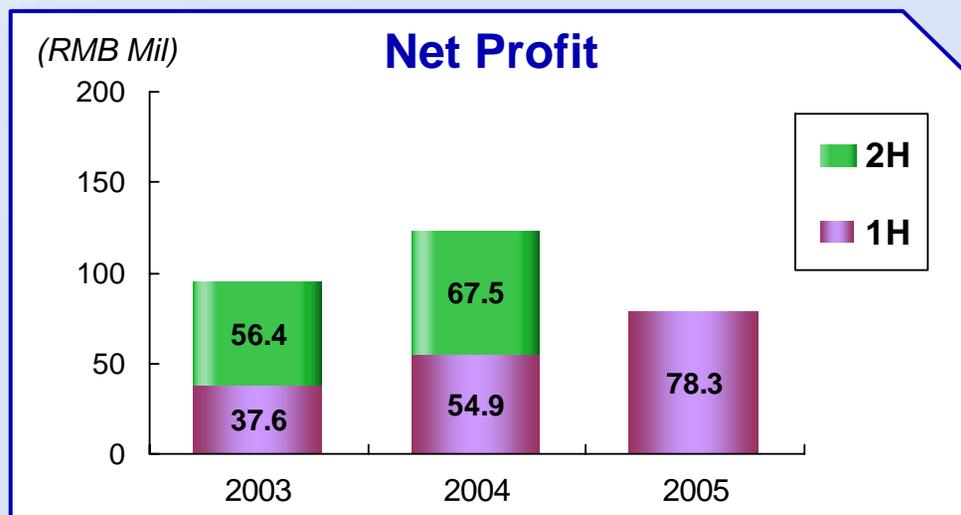
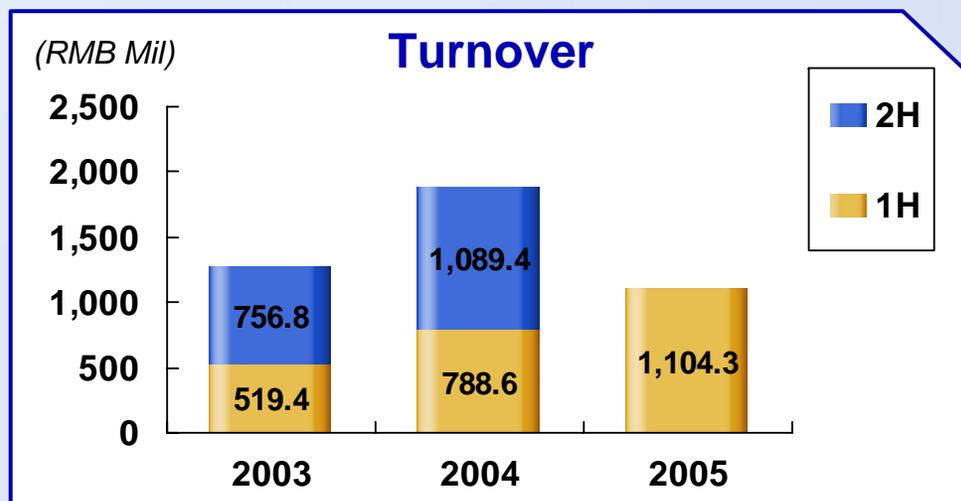
For the 6 months ended 30 June

Note: Period-on-period growth of profit attributable to equity holders without the IFRS2 effect would have been 55.7%.

Continual Turnover and Profit Growth



- Satisfactory turnover and profit growth mainly attributable to:
 - Well defined and clear brand promotion strategies
 - Network enhancement and expansion
 - A strong product portfolio that fulfills the needs of customers
 - Continual enhancement in supply chain management

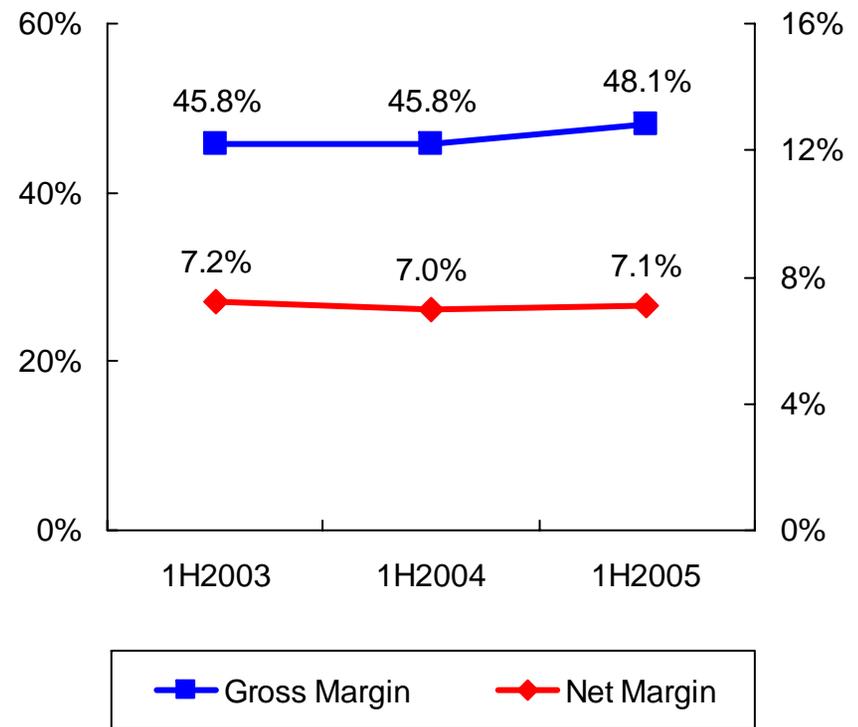


Sustainable Margins



- Stable gross and net profit margins as a result of:
 - Strong product R&D added value to products
 - Transformed from controlling manufacturing costs to deploying resources for the R&D of new products to offer more room for profit margins
 - Continual improvements in inventory management
 - Implementation of EPOS system that led to increased efficiency

Margin Overview



Turnover Analysis By Product Categories and Brands



By product categories:

(RMB Mil) 2004 2005 Change

Apparel 454.3 **648.9** **+42.8%**

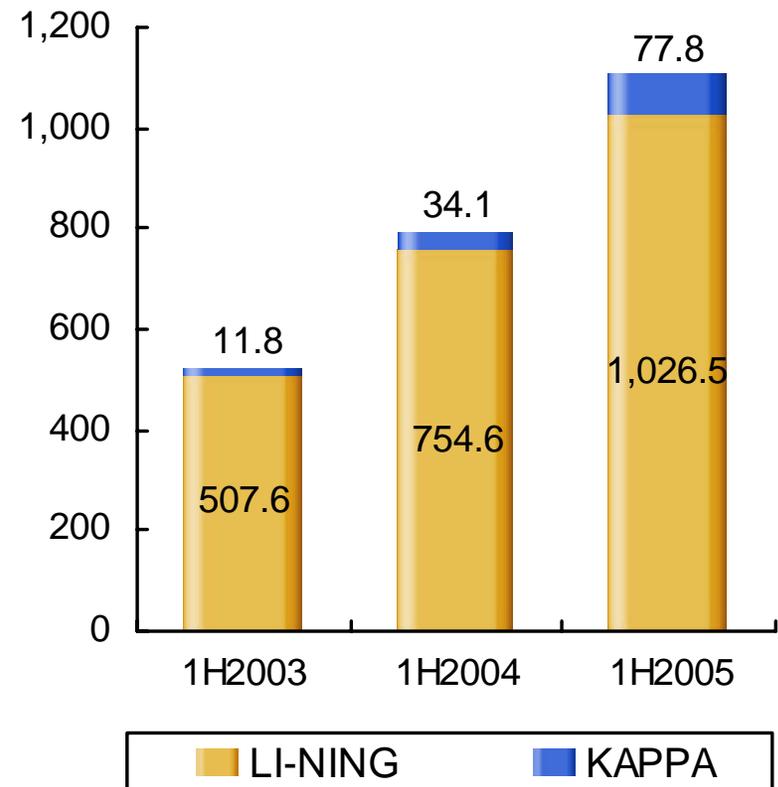
Footwear 238.1 **366.8** **+54.0%**

Accessories 96.2 **88.6** **-7.9%**

For the 6 months ended June 30

By brands

(RMB Mil)



Turnover Analysis By Region

Turnover Breakdown in 1H2005 (By Region)

● Beijing & Shanghai: 8.5%



Key Financial Indicators



(RMB Mil)	As at 31 Dec 2004	As at 30 June 2005	Change
Inventories	318.3	291.9	-8.3%
Avg. Inventories Turnover (days)	112	97	-15
Avg. Accounts Receivables Turnover (days)	33	39	+6
Avg. Trade Payables Turnover (days)	77	65	-12
Short-term Liabilities	40	9	-77.5%
Long-term Liabilities	Nil	Nil	N.A.
Cash and Cash Equivalents	322.6	149.1	-53.8%



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Review of Operations

Strategic Alliances with World Leaders



Fostered alliances with leaders in their respective fields

Branding and Marketing

Joined hands with **NetEase** to establish a dedicated sports channel named “Li Ning-NetEase Sports Channel” for the promotion of sports and the “Li-Ning” brand



Entered into a 3-year strategic marketing partnership with **NBA Properties Inc.**



Product Design

Cooperated with **Swarovski** for the launch of sports goods with Swarovski’s products

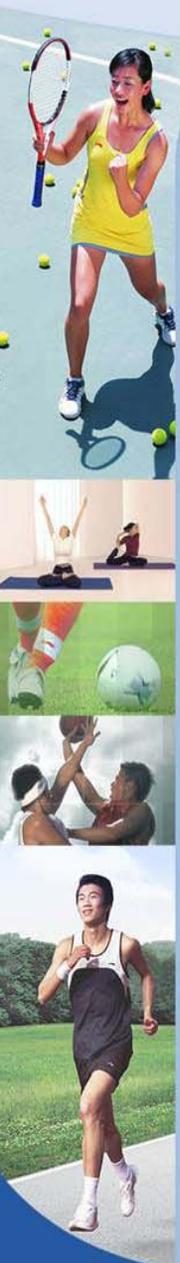


Long-term Strategic Alliance

Developed long-term alliance with **AIGLE** to form a joint venture with the exclusive right for the manufacture, sales and distribution of products under the AIGLE brand in the PRC for 50 years



Effective Marketing and Advertising Programmes



一切皆有可能

球场上，看谁才是焦点！

李宁Topgun篮球系列

一切皆有可能

勇者无畏

打破西班牙战服，演绎斗牛士神话

一切皆有可能

勇者无畏

打破西班牙战服，演绎斗牛士神话

一切皆有可能

跑出轻松！
放下烦恼的自己！

李宁 RUNFREE 系列跑鞋

Rapid Distribution and Retail Network Expansion



LI-NING brand	31 Dec 2004	Jun 30, 2005	change
 Franchised retail outlets	2,272	2,698	 +18.8%
 Directly managed retail stores	117	115	 -1.7%
 Directly managed concessions	233	245	 +5.2%
Total	2,622	3,058	 +16.6%
KAPPA brand (Disposed of in August 2005)			
 Franchised retail outlets	254	314	 +23.6%
 Directly managed retail stores	3	2	 -33.3%
 Directly managed concessions	8	8	N.A
Total	265	324	 +22.3%



Well-received New Product Series

- An enriched product offering with a full range of specialised products for popular sports



Running



Basketball



Tennis



General sports



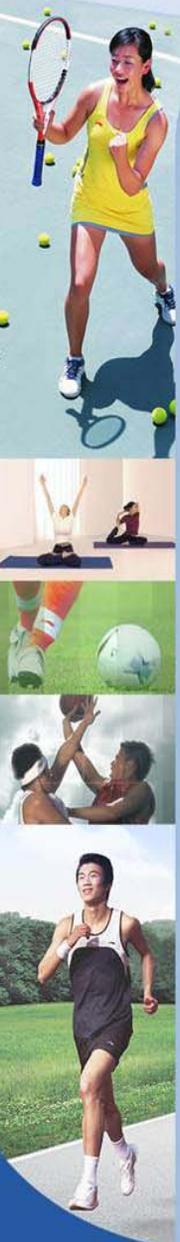
Soccer



Swarovski series for ladies



“RUN FREE” Spree



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李宁 **RUNFREE**
超轻透气跑鞋

- 超轻EVA材质
更轻50%
- RS减密橡胶
柔韧耐磨
- “管形”通风系统
超强透气

- Launched on 15 March, 2005 and soon became a hot item for customers
- “Sold-out” rate from mid March till end of May 2005, according to the E-POS system, was about 83.5%



Competitive Strengths





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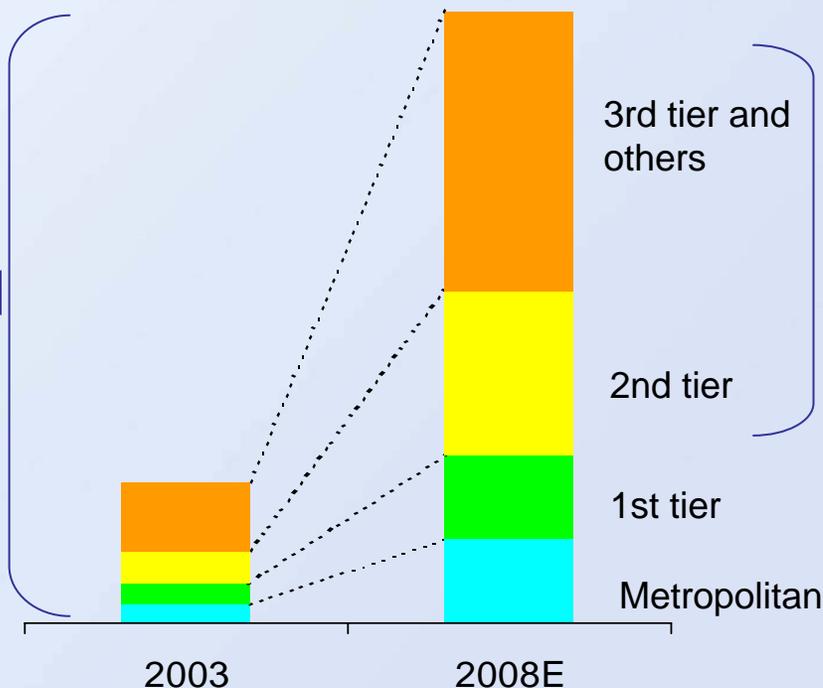
Market Analysis

Market Analysis by Segment



China Sports Goods Market by Segments

Market growth fuelled by increasing consumption power and the 2008 Beijing Olympics



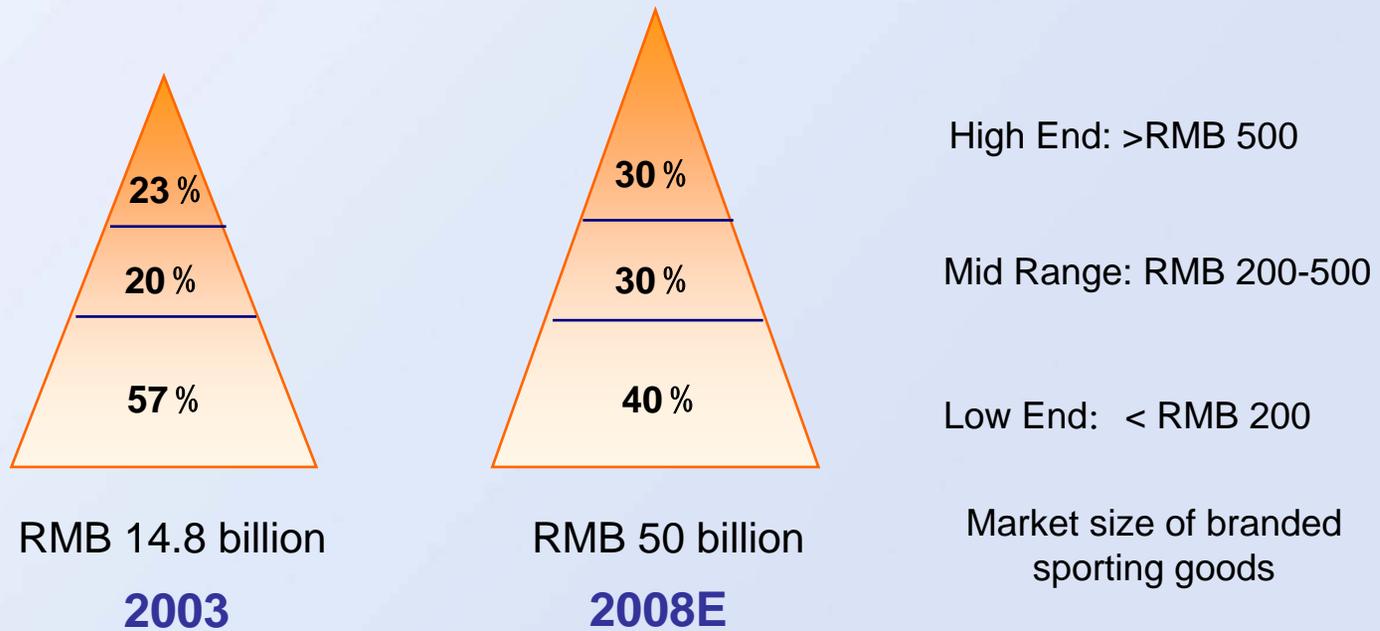
2nd and 3rd tier cities offer exponential growth potential in the next few years in China

Remarks: By retail value
Source: Consumer Behavior Yearbook, Company Research

Market Analysis by Product Retail Prices



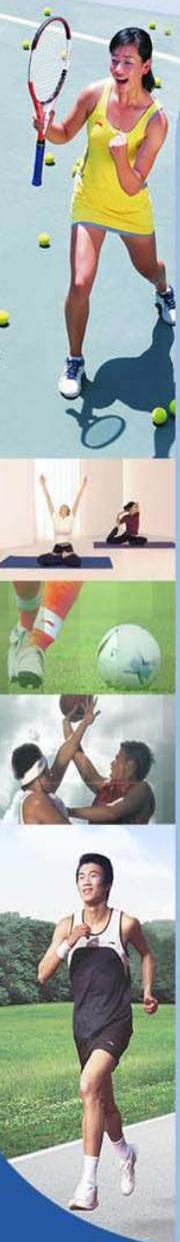
2003 – 2008 Sports Goods Retail Price Analysis



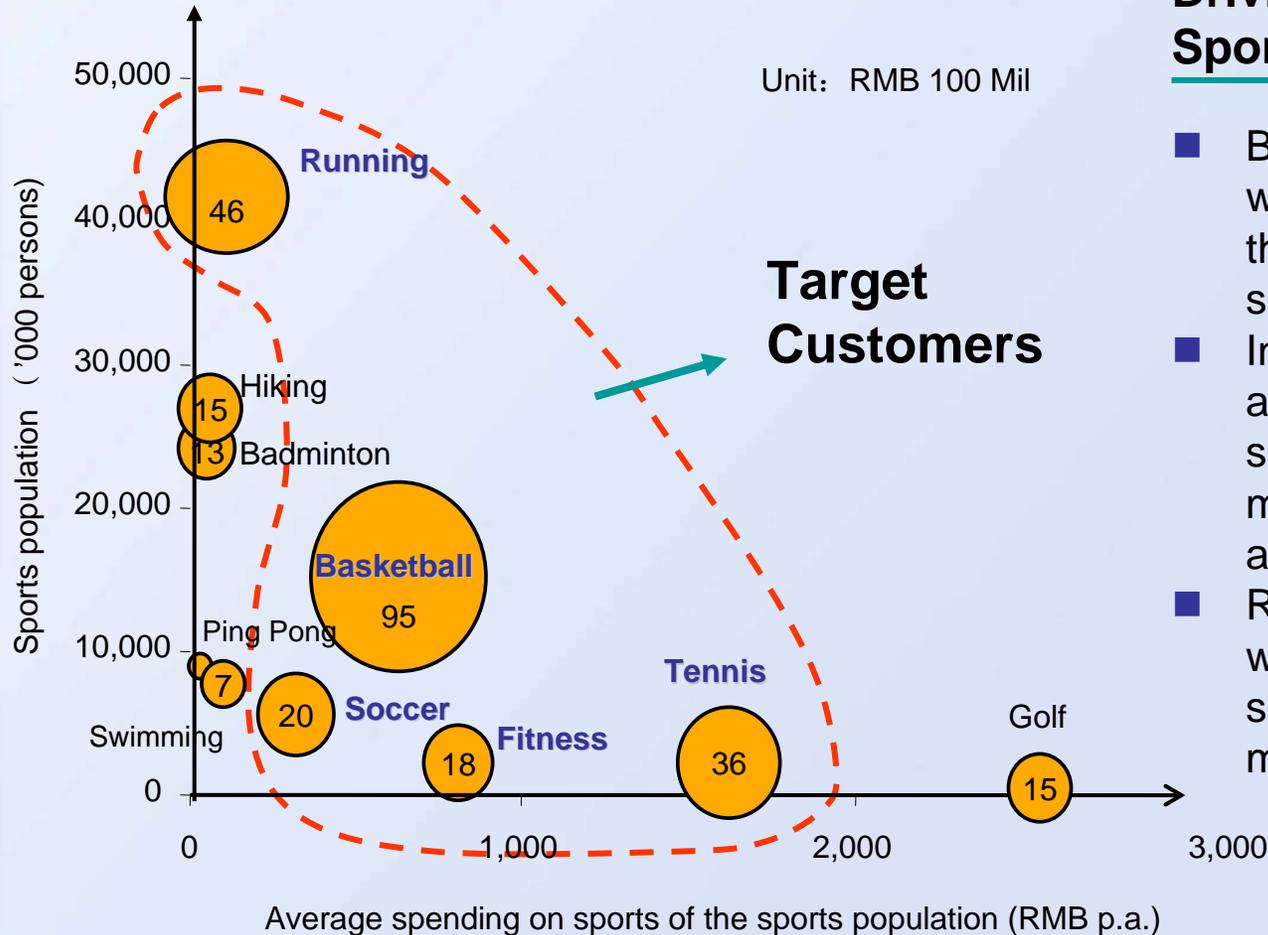
- Currently, low end products form the market mainstream
- Along with increasing consumption power, mid ranged products is expected to pick up rapidly
- By 2008, mid ranged and high end products will each take up 30% share in the market, eroding the share of low end products

Remarks: By retail value
Source: Company

Market Analysis by Sports Types



2008 Sports Market Segment Estimates



Driving Force in the Sports Market

- Basketball and soccer will continue to take the lead in the China sports market
- Increasing popularity and high consumer spending of tennis will make it a major sports activity
- Running and fitness will also be two major sports in terms of market size growth

Remarks: The number in each circle denote segment market size by value of sports apparel and footwear
 Source: Consumer Behavior Yearbook, Company Research



Market Overview



- With increasing GDP, rising sports population and growing sales network in China, the sports product market is expected to maintain robust growth in the next five years
- Sports footwear and apparel will form the top two largest market segments. Sales of these two segments in aggregate are expected to take up 80% of the market in terms of sales value
- 2nd and 3rd tier cities will form the market mainstream by 2008
- Products for running, basketball, soccer, tennis and fitness will be increasingly important in the market, along with the increasing popularity of these sport activities
- Growing consumption power will fuel the growth of mid ranged and high end products



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Future Outlook and Strategies





Future Strategies

Sales Network Expansion

- Increase the number of retail outlets to a total of 5,000 Li-Ning outlets in 2008
- Launch flagship stores at prime locations in metropolitan and 1st tier cities

Enhance Product Development

- Establish own research and development team
- Collaborate with local and international suppliers and manufacturers on new materials and technologies to enhance product performance (running, basketball, soccer, tennis and fitness)

Li Ning Retail Outlet Expansion Plan

	Total
2005	3,300
2006	4,000
2007	4,500
2008	5,000



New Store Image



4th generation Li-Ning store promotes a strong brand identity



Future Strategies



Strengthen brand awareness and loyalty

- Launch specialised footwear series
- Conduct advertising campaigns to increase mass appeal
- Capture business opportunities arising from the 2008 Beijing Olympic



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

- Continue to enhance the Li-Ning brand profile
- Develop a multiple brand portfolio through market segmentation strategies



Enhance supply chain management

- Achieve faster response to market changes and better efficiency
- Install and upgrade E-POS systems connecting HQ with all retail outlets
- Embark on a rolling sales ordering system



Li-Ning Brand Business Strategies



Core Products

- Footwear and Apparel

Target Sports

- Five major areas:
 - ◆ Running
 - ◆ Basketball
 - ◆ Soccer
 - ◆ Tennis
 - ◆ Fitness

Geographical Markets

- Brand building in metropolitan and 1st tier cities
- Major revenue streams from 2nd and 3rd tier cities

Pricing

- Positioned as mid-range priced products

Vision, Mission & Core Values





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Open Forum

To know more about us, please visit the following websites:

<http://www.lining.com/>

<http://www.irasia.com/listco/hk/lining/>