



Li Ning Company Limited

(李寧有限公司)

Stock code: 2331

***We Define Our Games***

**2008 Interim Results  
Announcement**

August 2008

TOWNSEND, SEAN	
USA	15
8.8.0	

# Agenda

- \* **Financial Highlights**
- \* **Business Review**
- \* **Future Plans**
- \* **Open Forum**



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# ***Financial Highlights***

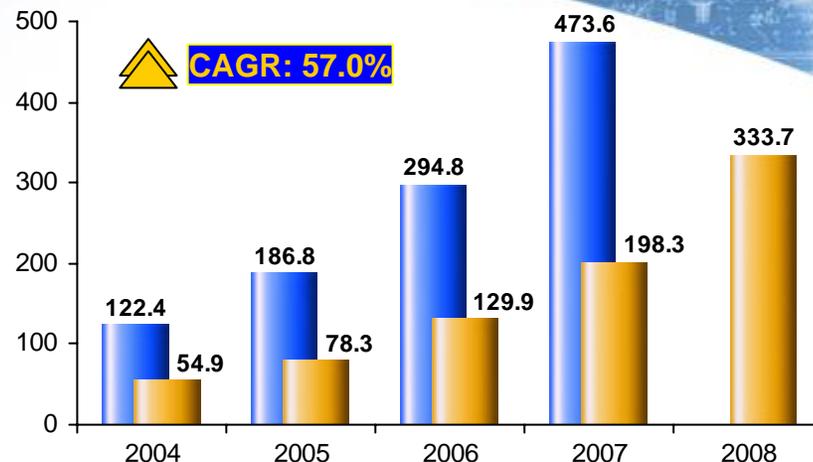
# Five Years of Solid Growth



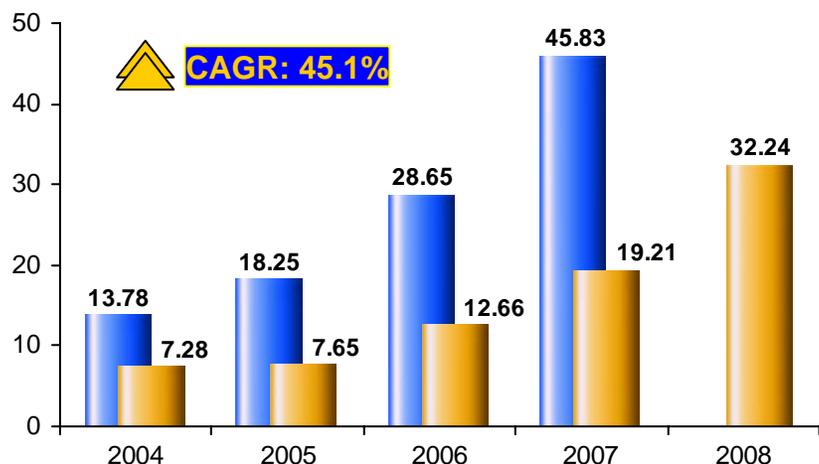
RMB Mil Revenue



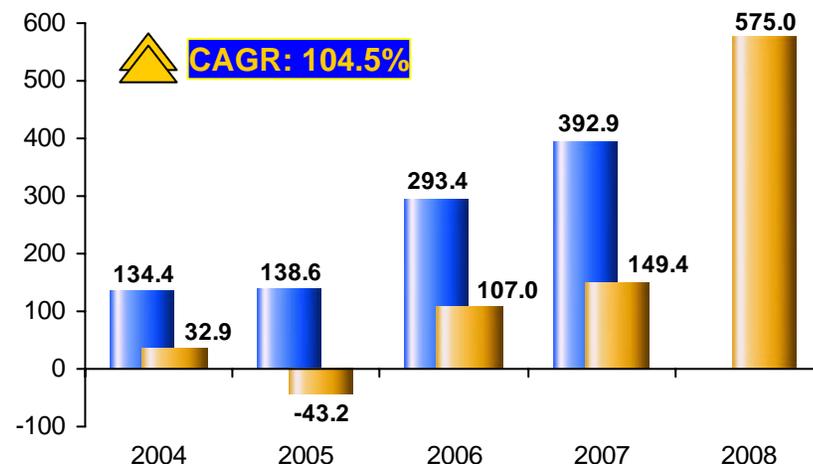
RMB Mil Profit Attributable to Equity Holders



RMB Cents Basic EPS



RMB Mil Operating Cash Flows



■ Full year
 ■ 1st half

# Financial Highlights

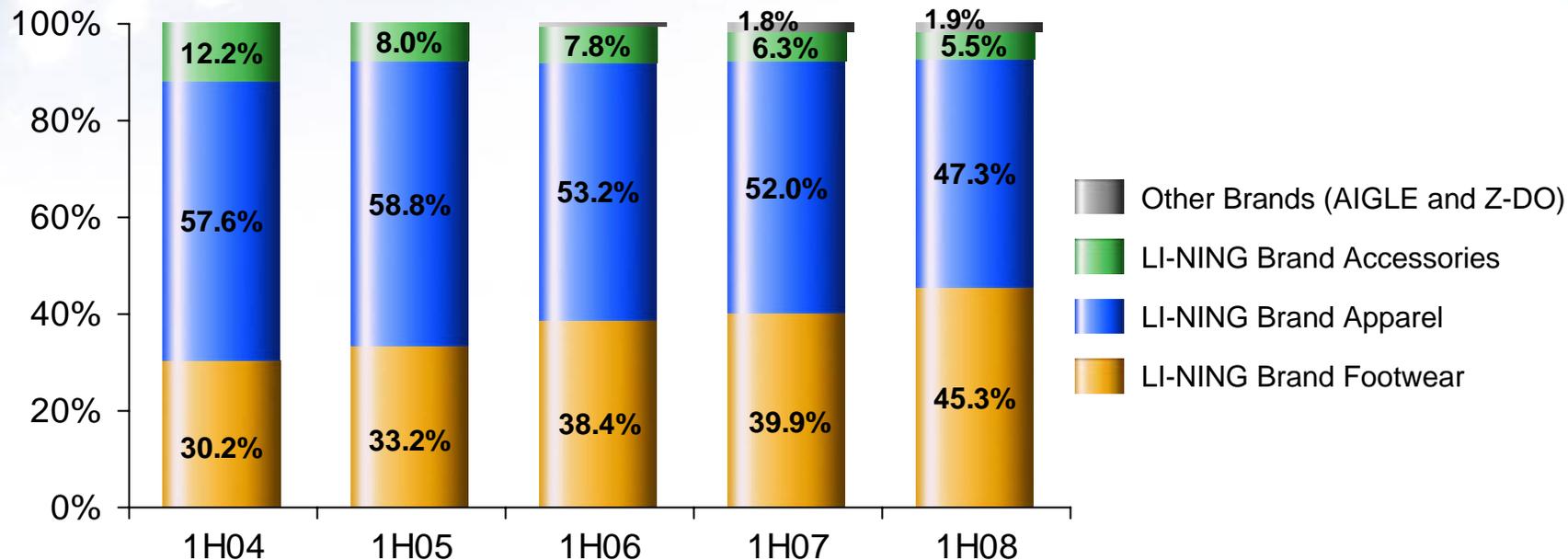


	<b>1H2008</b> (RMB Mil)	<b>1H2007</b> (RMB Mil)	<b>Change</b>
	<i>Six months ended 30 June</i>		
<b>Revenue</b>	<b>3,060.8</b>	1,909.4	<b>60.3%</b>
<b>Gross Profit</b>	<b>1,482.2</b>	930.4	<b>59.3%</b>
<b>Operating Profit</b>	<b>452.6</b>	266.6	<b>69.7%</b>
<b>EBITDA</b>	<b>495.3</b>	299.2	<b>65.5%</b>
<b>Profit attributable to equity holders</b>	<b>333.7</b>	198.3	<b>68.3%</b>
<b>Basic EPS (RMB cents)</b>	<b>32.24</b>	19.21	<b>67.8%</b>
<b>Interim DPS (RMB cents)</b>	<b>9.63</b>	5.76	<b>67.2%</b>

# Revenue Analysis by Product Categories

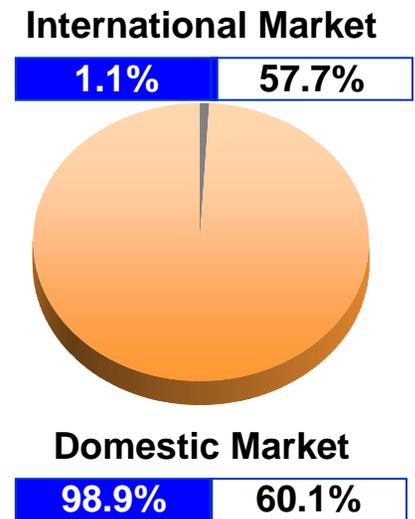
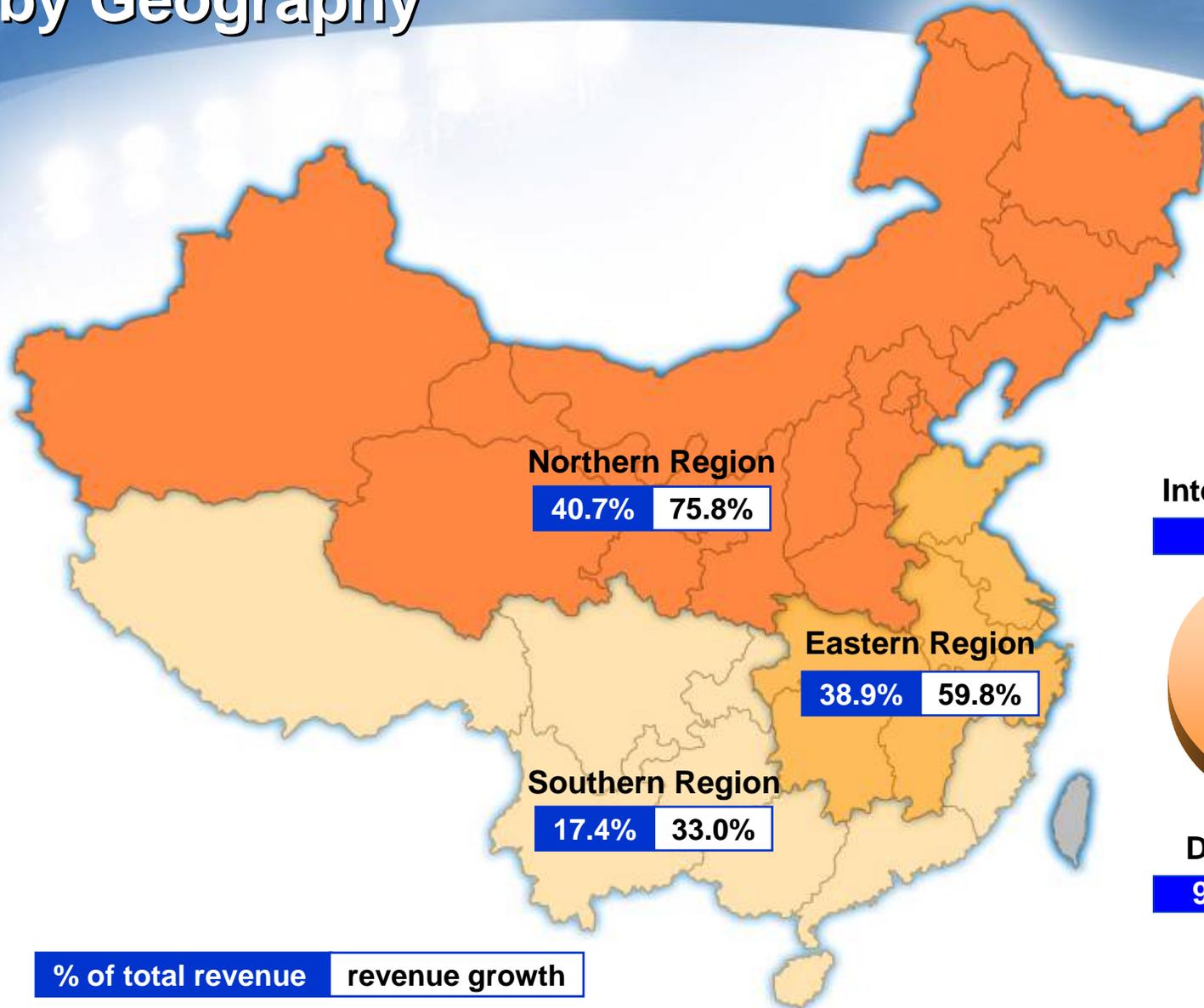


## % Stable Growth of Footwear Products as of Total Revenue

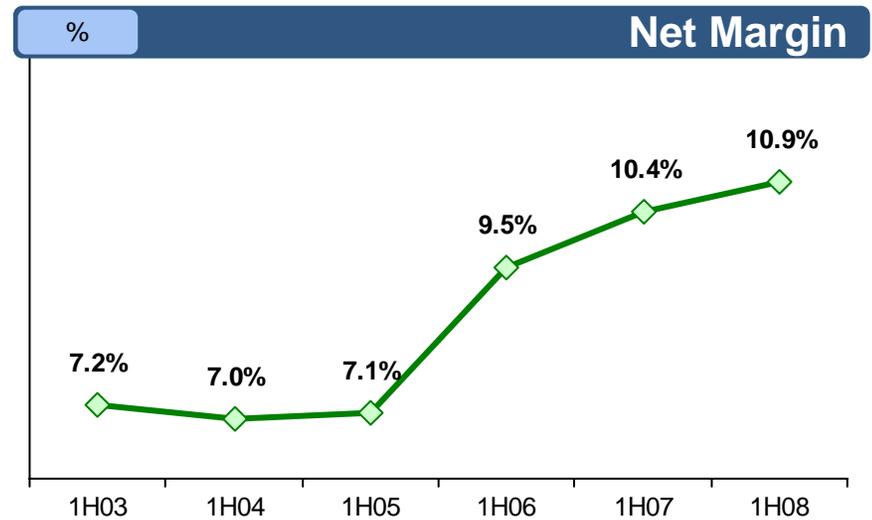
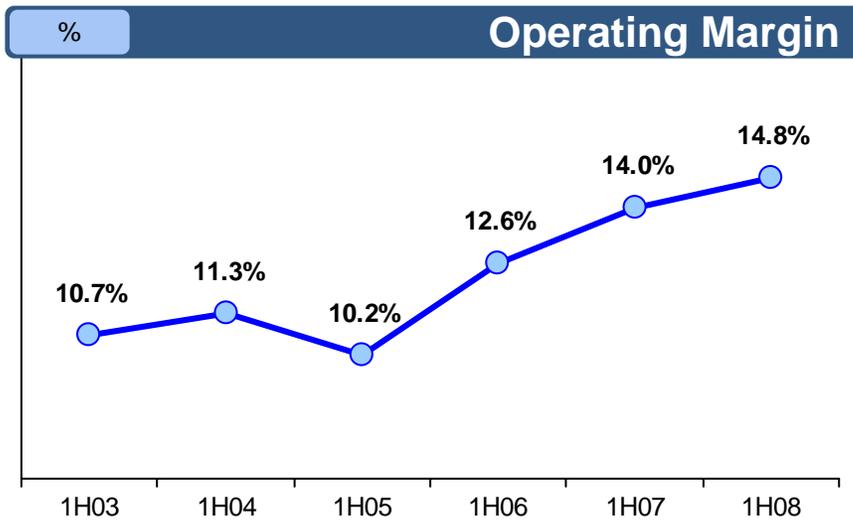
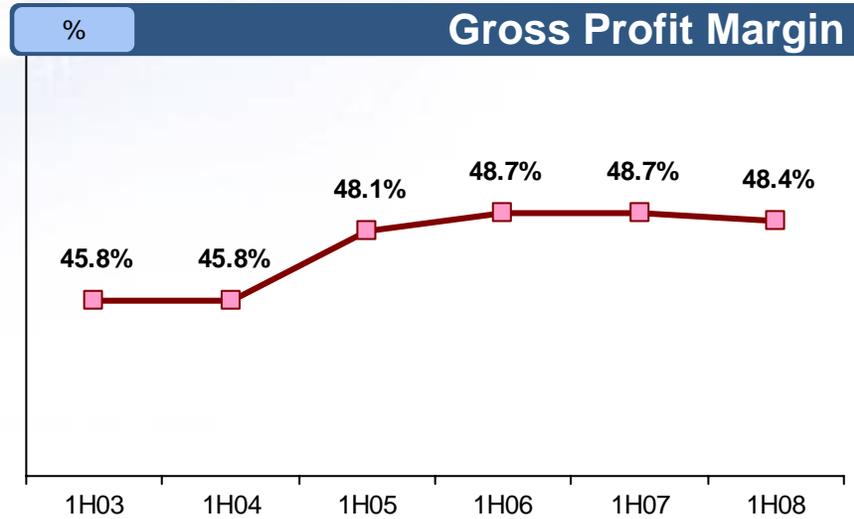


Gross profit margin of LI-NING brand products	1H2008	1H2007	Change
	<i>Six months ended 30 June</i>		
LI-NING Brand Footwear	46.1%	48.3%	-2.2 p.p.
LI-NING Brand Apparel	50.7%	48.7%	+2.0 p.p.
LI-NING Brand Accessories	49.1%	52.0%	-2.9 p.p.
<b>LI-NING Brand Overall</b>	<b>48.5%</b>	<b>48.8%</b>	<b>-0.3 p.p.</b>

# Li-Ning Brand Revenue Analysis by Geography



# Healthy Profit Margins



# Key Financial Indicators



	1H2008	1H2007	Change
	<i>Six months ended 30 June</i>		
<b>Inventory Turnover</b> <i>(days)</i>	<b>61</b>	71	<b>-10</b>
<b>Avg. Trade Receivable Turnover</b> <i>(days)</i>	<b>47</b>	55	<b>-8</b>
<b>Avg. Trade Payables Turnover</b> <i>(days)</i>	<b>71</b>	69	<b>2</b>
<b>Cash Conversion Cycle</b> <i>(days)</i>	<b>37</b>	57	<b>-20</b>
<b>R&amp;D Expenses</b> <i>(as % to cost of sales)</i>	<b>5.8%</b>	5.2%	<b>0.6 p.p.</b>
<b>A&amp;P Expenses</b> <i>(as % to revenue)</i>	<b>18.7%</b>	17.1%	<b>1.6 p.p.</b>
<b>Human Resource Cost</b> <i>(as % to revenue)</i>	<b>6.6%</b>	7.8%	<b>-1.2 p.p.</b>
<b>Effective tax rate</b> (%)	<b>25.4%</b>	25.5%	<b>-0.1 p.p.</b>

# Solid Financial Position & Cash Flow



	1H2008 (RMB Mil)	1H2007 (RMB Mil)	Change
	<i>Six months ended 30 June</i>		
<b>Cash and Cash Equivalents</b> <i>(Including fixed deposits)</i>	<b>1,429.3</b>	821.1	<b>74.1%</b>
<b>Current Liabilities</b>	<b>1,956.0</b>	729.8	<b>168.0%</b>
<b>Non-Current Liabilities</b>	<b>50.3</b>	56.2	<b>-10.5%</b>
<b>CAPEX</b>	<b>99.7</b>	81.7	<b>22.0%</b>
<b>Total Liabilities to Total Assets Ratio</b>	<b>51.4%</b>	33.9%	<b>+17.5 p.p.</b>
<b>Return on Equity</b> <i>(half-year)</i>	<b>18.3%</b>	13.5%	<b>+4.8 p.p.</b>



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# ***Business Review***

# The Winning Way

**Branding**

**Product R&D  
Design**

**Distribution  
Management**

*Anything is Possible*

**Supply Chain  
Management**

# Olympics-related Promotions

- \* Olympics-concept campaigns
- \* Sponsored LI-NING branded gear to China's National gold medal winning teams and other international teams at the Beijing Olympics 2008
- \* CCTV partnership - reporters for the network appeared in LI-NING branded products during the Games



# Olympics-related Promotions



- ✿ Established flagship stores with higher standard in Olympics host and co-host cities
- ✿ Olympics promotion events targeting shopping malls across China
- ✿ “Hero’s Assembly - LI-NING China Tour 2008”
- ✿ LI-NING Sports Park



# Other Innovative Marketing Activities

- \* Tennis: ATP partnership, Sponsorship of Ivan Ljubicic
- \* Basketball: “LI-NING-SHAQ”
- \* Women’s fitness: Partnership with Beijing Nirvana Yoga
- \* Local community sports: CUFL, CUBA



# Unparalleled Product R&D and Design



- \* Developed hi-tech kits for China's 4 National gold medal-winning teams
- \* Collaboration with Michelin
- \* Applied "LI-NING BOW" to basketball and tennis footwear products
- \* Launched the fifth generation super-light and ventilated running shoes
- \* R&D centers in Mainland China, HK and Oregon, the United States
- \* AT Dry Smart technology



# Effective Sales Channel Management



- ❁ Aggressive expansion in 2<sup>nd</sup> and 3<sup>rd</sup> tier cities, in which 57% of the new stores are established in these cities
- ❁ Strengthened the DSR team, continuous improvement in retail management and same-store-sales growth
- ❁ Set up flagship store in Olympics host and co-host cities
- ❁ Launched 5<sup>th</sup> generation stores

No. of store	2008-6-30	2007-12-31	2007-6-30
 LI-NING Brand	5,853	5,233	4,358
Other Brands*	540	443	224

\* Other brands include Z-DO and AIGLE,



# Flexible and Efficient Supply Chain Management



- \* Organized 2 trade fairs for LI-NING and 3 for other brands in 1H08
- \* Improved product planning, reduced SKU and consolidated the usage of raw materials
- \* Streamlined the logistics model to shorten transit time for deliveries
- \* Set up a centralized procurement centre to lower procurement costs



# Replicate Core Competencies through Multi-brand Operation



		 AIGLE			
<b>Positioning</b>	Principal Brand	High-end Outdoor Sports Brand	Sub-Brand	Top Table Tennis Brand	Italian Sports Fashion Brand
<b>Product Category</b>	Professional and sports lifestyle  Focused on 5 major sports	Outdoor and casual wear	Classic and sports lifestyle	Table tennis equipment	Focus on tennis and soccer
<b>Channel</b>	Nationwide coverage  Aggressive push in 2 <sup>nd</sup> and 3 <sup>rd</sup> tier cities	Metropolitan and 1 <sup>st</sup> tier cities	Hypermarkets	Sports stadium, department stores, and sports equipment stores	Metropolitan and 1 <sup>st</sup> tier cities



AIGLE

# — High-end Outdoor Sports Brand



- \* Targets metropolitan and 1<sup>st</sup> tier cities
- \* Stronger retail level support with special emphasis on consumer communications
- \* Leverage on the Group's distribution management experience
- \* Product localization to cater the tastes and preferences of the Chinese market by tapping into the Group's supply chain management expertise and in-depth market knowledge
- \* Target to breakeven in end of 2009





# — Targets Hypermarket Channel



- ❖ Leverage on the Group's strengths in supply chain management, product development and channel management
- ❖ Established footprint in 114 cities, with 70 distributors and 506 stores
- ❖ Adopts a strategy of low pricing and high quality, branded products to enjoy the first mover advantage in the hypermarket channel





# — World's Top Table Tennis Brand



- \* Completed acquisition in July 2008
- \* Specialize in table tennis equipment:
  - Racket
  - Table
  - Ball
  - Rubber & Glue
- \* Leverage on the Group's strengths in product design for footwear and apparel and supply chain management to complete Double Happiness's product offering
- \* Tap into the Group's distribution management expertise to develop co-branded LI-NING – Double Happiness table tennis equipment





# — Sports Fashion Brand



- \* Exclusive license for 20 years in China
- \* Tap into the rapidly growing sports fashion market in China
- \* Leverage on the Group's supply chain and distribution management expertise





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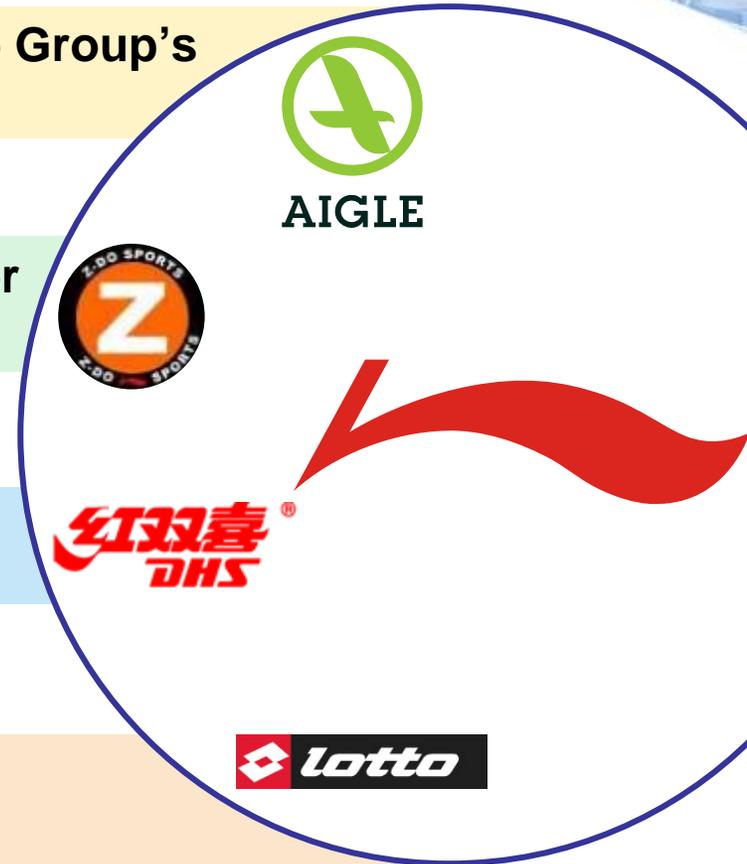
# ***Outlook and Future Plans***

# Robust Growth in China's Sporting Goods Sector



# The Next Level — Branding and Products

- 1** Revamp brand's DNA to clearly define the Group's positioning and target consumers
- 2** Establish a benchmark sports category for the LI-NING brand
- 3** Strengthen product Design and R&D
- 4** Adopt multi-brand strategy to cater to the needs of different market segments



# The Next Level — Distribution Management

- \* Two-pronged strategy: franchise model while deepening engagement with end-consumers
- \* Objectives:
  - Metropolitan and 1<sup>st</sup> tier cities: targets same-store-sales growth
  - 2<sup>nd</sup> and 3<sup>rd</sup> tier cities: targets further penetration and same-store-sales growth
- \* By 2013, the plans to establish over 10,000 stores with store efficiency more than doubled as compared to 2007

## LI-NING Store Expansion Plan

As at Year End	No. of Stores
<b>2008</b>	<b>6,200</b>
<b>2009</b>	<b>7,000</b>
<b>2010</b>	<b>7,800</b>
<b>2013</b>	<b>Over 10,000</b>

# The Next Level — Supply Chain Management



# The Next Level — International Expansion

✿ 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



# Vision, Mission & Core Values



**MISSION**



**VISION**



**CORE VALUES**

# Investor Relations



<http://www.lining.com>

<http://www.li-ning.com>

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

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