



Li Ning Company Limited
(李寧有限公司)

Stock code: 2331

2009

Interim Results
Announcement

August 2009



Agenda



- **Financial Highlights**
- **Business Review**
- **Future Plans**
- **Q&A**

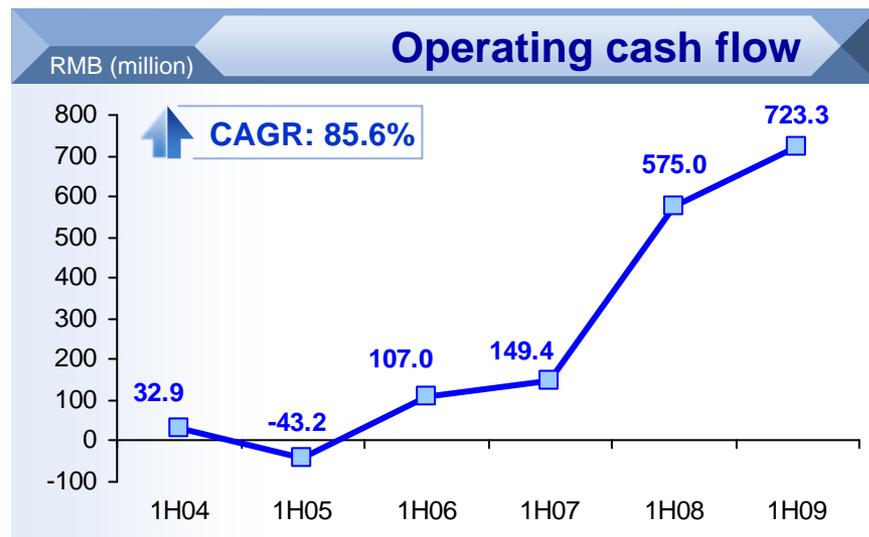
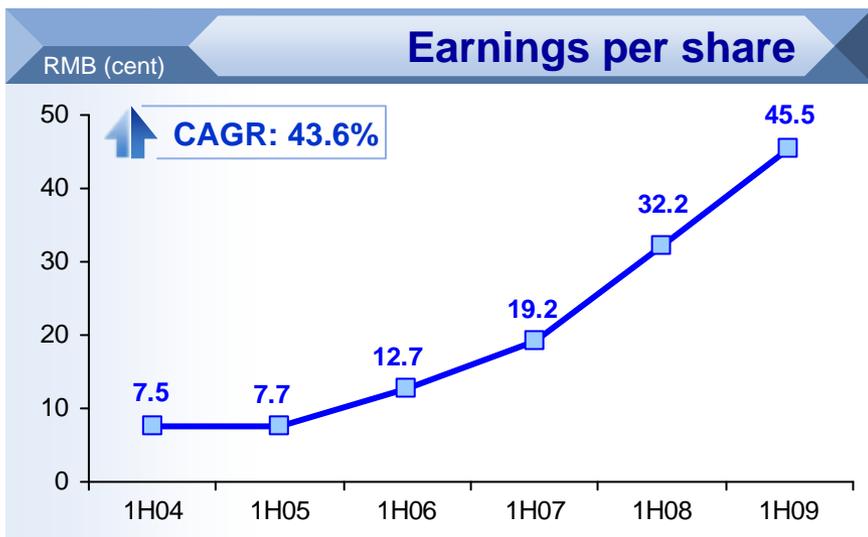
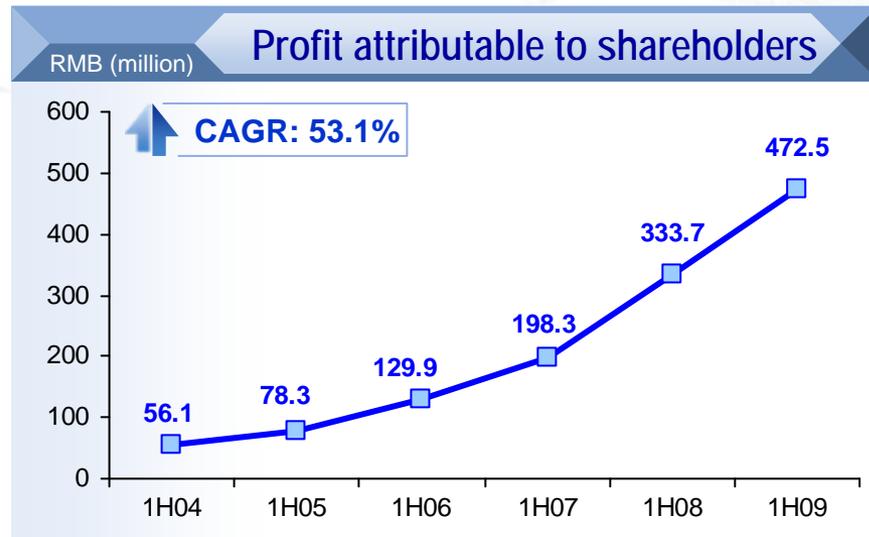
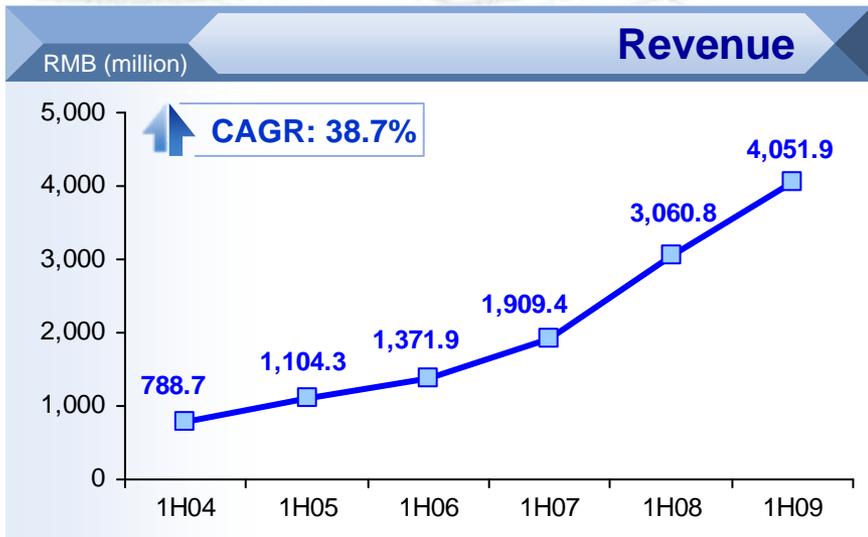




Financial Highlights



Solid Growth for Six Consecutive Years



Financial Highlights



	1H2009	1H2008	change
(RMB million)	<i>For the six months ended 30 June</i>		
Revenue	4,051.9	3,060.8	32.4%
Gross profit	1,936.6	1,482.2	30.7%
Operating profit	685.8	452.6	51.5%
EBITDA	773.3	495.3	56.1%
Profit attributable to equity holders	472.5	333.7	41.6%
Earnings per share (RMB cents)	45.53	32.24	41.2%
Interim dividend (RMB cents)	13.58	9.63	41.0%



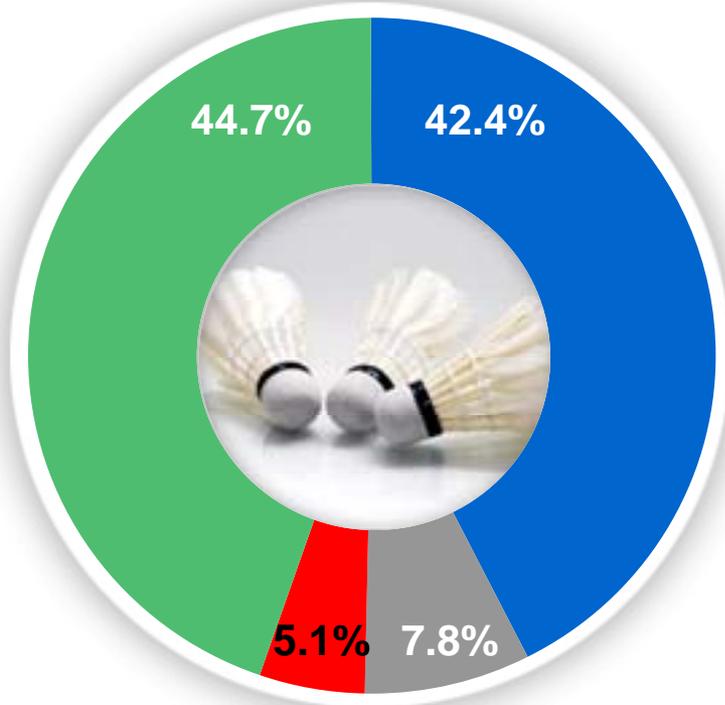
Revenue Analysis by Product Categories



1H2009

Li-Ning Brand
Apparel

Li-Ning Brand
Footwear



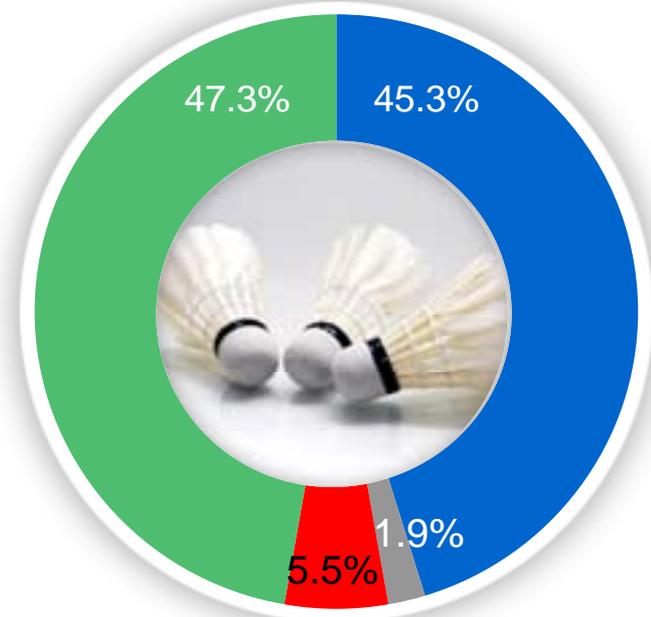
Li-Ning Brand
Accessories/Equipment

Other Brands

1H2008

Li-Ning Brand
Apparel

Li-Ning Brand
Footwear

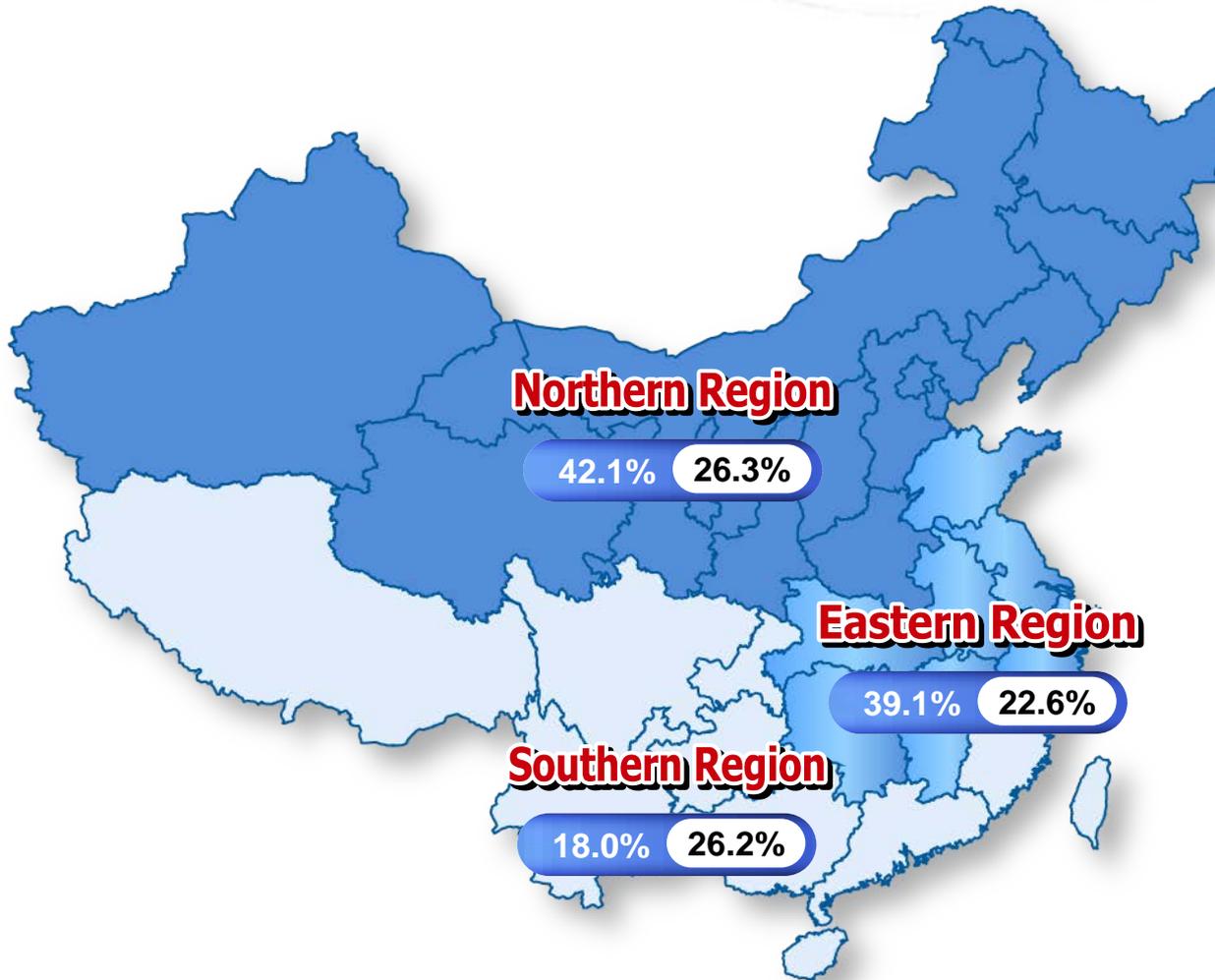


Li-Ning Brand
Accessories/Equipment

Other Brands



Revenue Analysis by Geography



International Market:



Domestic market:



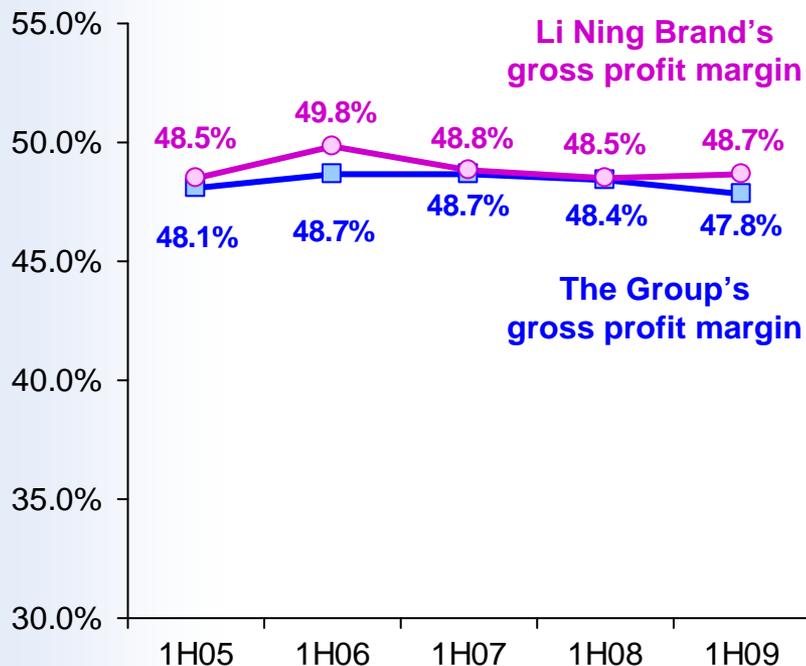
% of total revenue revenue growth



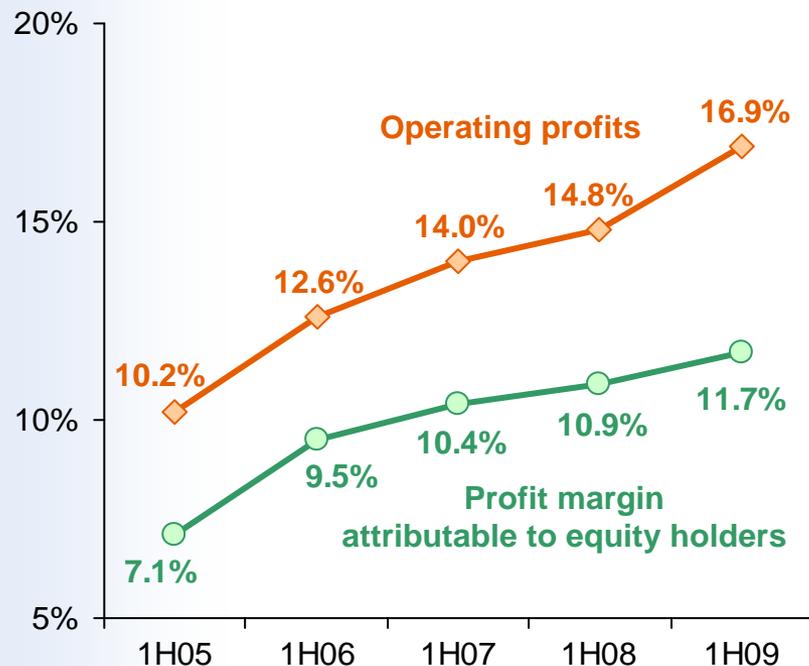
Healthy Profit Margins



The Group's and Li-Ning Brand's gross profit margin



Operating margin and profit margin attributable to equity holders



- ❏ The Group's gross profit margin fell slightly, mainly due to the different positioning strategy of the new brands. However, Li-Ning Brand's gross profit margin has increased.
- ❏ Operating profit margin and profit margin attributable to equity holders increased, as a result of improved cost management and efficiency.



Key Financial Indicators



	1H2009	1H2008	change
(RMB million)	<i>For the six months ended 30 June</i>		
Inventory turnover (days)	56	61	-5
Avg. trade receivable turnover (days)	47	47	0
Avg. trade payable turnover (days)	68	71	-3
Cash conversion cycle (days)	35	37	-2
R&D expenses (as % to revenue)	2.3%	3.0%	-0.7p.p.
A&P Expenses (as % to revenue)	15.4%	18.7%	-3.3p.p.
Human Resource Cost (as % to revenue)	7.8%	6.6%	+1.2p.p.
Effective tax rate	25.4%	25.4%	0
Return on Equity (interim)	22.5%	18.3%	+4.2 p.p.
CAPEX*	77.8	99.7	-22.0%

*Excluding acquisition cost



Healthy Financial Position



(RMB million)	1H2009	FY2008	change
	As at 30 June	As at 31 Dec.	
Cash and Cash Equivalents <i>(Including fixed deposits)</i>	1,041.6	788.0	+32.2%
Bank Loans	311.4	607.5	-48.7%
Net Cash	730.2	180.5	+304.5%
Current Liabilities	1,809.2	2,086.8	-13.3%
Current Ratio	1.6	1.4	+0.2
Total Liabilities to Total Assets Ratio	49.7%	51.8%	-2.1p.p.





Business review



An Analysis of the Group's Competitive Strengths



Core Competencies

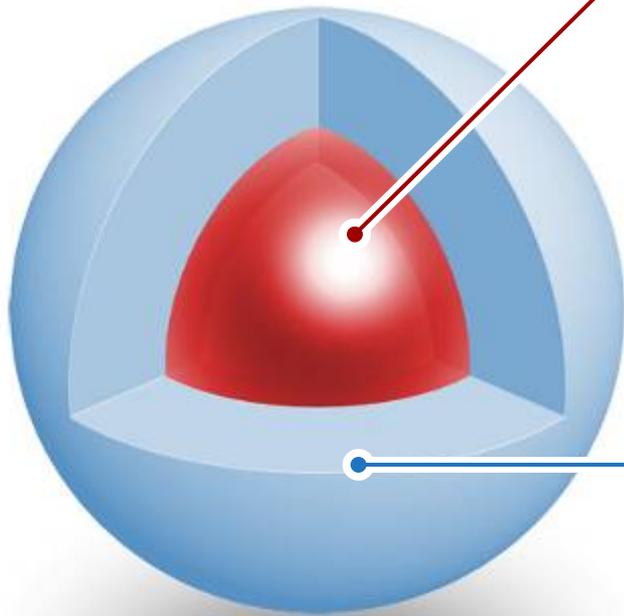
- Brand Building and Marketing
- Product Design and R&D

Key to
differentiation

Pillar Capabilities

- Supply Chain
- Channel Support

Enhancing
operational
efficiency



Extensive Sports Marketing Resources and Innovative Sports Marketing (1)



Five Gold Medal Teams

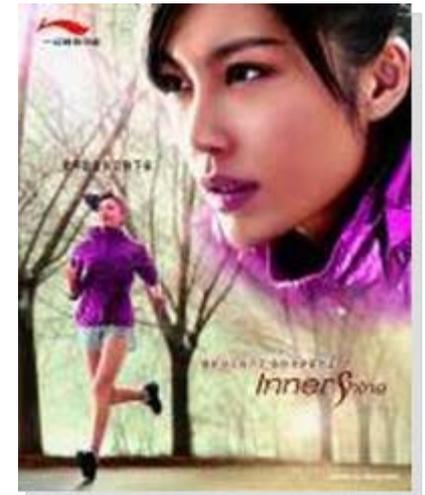
- Sponsor the Chinese National Badminton, Table tennis, Diving, Gymnastics and Shooting teams to maintain the leadership of the China Olympics delegation

Running / Track and Field

- Signed up of Elena Isinbayeva, the leading pole vault athlete
- Sponsorship of 17 provincial track and field teams
- Launched iRUN running club and “Fun Run” theme which further enhanced the trendiness of the brand and consumers’ positive impression

Women’s Fitness

- “Inner Shine” – stress on the unique beauty of oriental women
- Cross-over promotions to reach target consumers
 - The 2nd “LI-NING x Nirvana Yoga” Miss Yoga Competition”
 - Co-organized “LI-NING BALANCE” Yoga Course with Nirvana Yoga
 - Co-organized “LI-NING Inner Dance” course with Beijing Modern Dance
- Deepened LI-NING’s brand penetration via collaboration with Beijing CSI Fitness Investment Management Limited



Extensive Sports Marketing Resources and Innovative Sports Marketing (2)



Basketball

- 3 NBA players including Shaquille O'Neal, Baron Davis and Jose Calderon
- Sponsor Spanish and Argentina Basketball teams

Tennis

- ATP partnership
- Leading tennis players, e.g. Yan Zi and Ivan Ljubicic

Community Marketing Events

- Sponsorships include CUFL and LI-NING Junior Secondary School Basketball League
- "LI-NING Sports World" in CCTV's official website



Product R&D and Design



R&D Centre

- R&D centres in Mainland China, Hong Kong and Portland, Oregon in the USA
- Li Ning Sports Science Research and Development Centre: 3 laboratories specialize in sports biodynamics, mechanical testing in footwear products, foot and shoe tree development



Partnership

- Cooperation with Michelin
- Ongoing R&D works with reputable education institutions and professional bodies

R&D achievements and products

- “LI-NING BOW“ on footwear products
- “AT DRY SMART“ on apparel products
- Combine advanced technology and oriental elements into fashionable design



Effective Distribution Management



- Drove forward expansion into second- and third-tier cities, with 82% of the newly opened LI-NING brand stores established in such markets
- Strengthened the use of DSR team
- Opened 2 new flagship stores during the period, making a total of 11 stores as at the end of the review period
- Set up the first flagship store in Singapore to expand into the badminton market in Southeast Asia via distributor resources

No. of stores	2009-6-30	2008-12-31	2008-6-30
LI-NING	6,809	6,245	5,853
Other brands*	741	672	540

* Including Z-DO, AIGLE and Lotto



Effective Supply Chain Management



- Hosted 2 order fairs for LI-NING brand
- Optimized supply chain planning
- Established differentiating distribution logistics model
- Established a supplier information database
- Established procurement centres
- LI-NING Jingmen Logistics Centre to reduce procurement costs



Other Brands



	Business	Strategies and Execution
	<ul style="list-style-type: none"> Principally engaged in table tennis equipment, including balls, rackets and tables Sold through integrated sports stores and wholesale channels 	<ul style="list-style-type: none"> Leverage the absolute cutting edge of the brand in table tennis to tap the indoor sports market Became the equipment sponsor of London Olympics 2012
	<ul style="list-style-type: none"> 20-year exclusive license in China Positioned as “stylish, leisure, innovative and energetic” and focus on leisure sports fashion Focus on shop-in-shop format in malls in metropolitans and first-tier cities, supplemented by street-level stores in shopping districts 	<ul style="list-style-type: none"> Optimize product mix and design to create differentiation Speed up sales channel expansion and strengthen support at the shop level to boost store efficiency and drive sales
	<ul style="list-style-type: none"> Acquisition completed in first half of 2009 Principally engaged in sale of Kason brand badminton equipment, including shuttlecocks, rackets and strings Distributed through professional channels 	<ul style="list-style-type: none"> An integral part of the Group’s badminton strategy Targets mid-range and mass consumer brackets Positioning, product mix, R&D and sale channels currently under revamp
	<ul style="list-style-type: none"> A sub-brand under LI-NING, a low risk business venture Focus on sports and leisure apparel, footwear and accessories of everlasting styles Focus on hypermarket channels 	<ul style="list-style-type: none"> Gradually shift from shop-in-shops to shelves in hypermarket stores Enact measures to cut cost to accommodate hypermarket price range
 AIGLE	<ul style="list-style-type: none"> A Joint venture with AIGLE France Focus on high-end outdoor sports apparel and footwear 	<ul style="list-style-type: none"> Improving single-store growth as business model matures Launched a membership strategy to cultivate core consumer group Opened discount outlets to better manage inventory





Outlook and Strategies





- Lingering global financial crisis
- Uncertainties in the macro-economic environment
- Pressure for China to maintain growth momentum
- Recent rebound stemmed from structural changes and yet to reflect in the consumer sector

Challenges



Opportunities

- Structural changes in China's economy to count on more from domestic consumption in growth
- China's sporting goods market is expected to grow 20-25% annually between 2009-2013
- On-going urbanization
- Growing population and changing demographics
- Rising disposable income of urban population
- Global sports events



Cement Leadership Position in China



Strengthening of Fundamentals

- Strategy-driven and capability-accretive market share acquisition
- Strengthen the association between the LI-NING brand and badminton
- Brand revamp to highlight brand positioning and personality
- Step up product innovation to achieve differentiation
- Establish career path to attract and nurture talents

International Expansion

- Implement phased expansion to add depths to the company's capability, branding to propel international expansion

Sales Channel Expansion Plan

<i>As at year end</i>	No. of LI-NING stores
2009	7,100
2010	7,800
2011	8,600
2013	10,000



Vision, Mission and Core Values



Vision

A world's leading brand
in the sports goods industry

Mission

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



Core Values





Questions and Answers



Investor Relations



<http://www.lining.com>

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

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

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