



LI-NING

Stock Code: 2331

Interim Results 2010

August 2010

Agenda



-  **Financial Highlights**
-  **Business Review**
-  **Outlook & Future Strategies**
-  **Open Forum**



变 90后 改变风格

变 风格 你不了解 90后

后 李宇 改变 胆量 改变未来 改变纪录

改变世界 改变动力 改变世界 90后 李宇 心跳 心跳 改变你

Verander 变更

Baguhin 改变

改变 改变态度

你不了解 90后 改变胆量 改变未来 改变纪录

改变 改变风格

改变 Make The Change

胆量 改变未来 改变纪录

了解 90后 改变心跳 改变习惯 改变尺码 改变音量



Financial Highlights

Verander 变更

Baguhin 改变

Verander 变更

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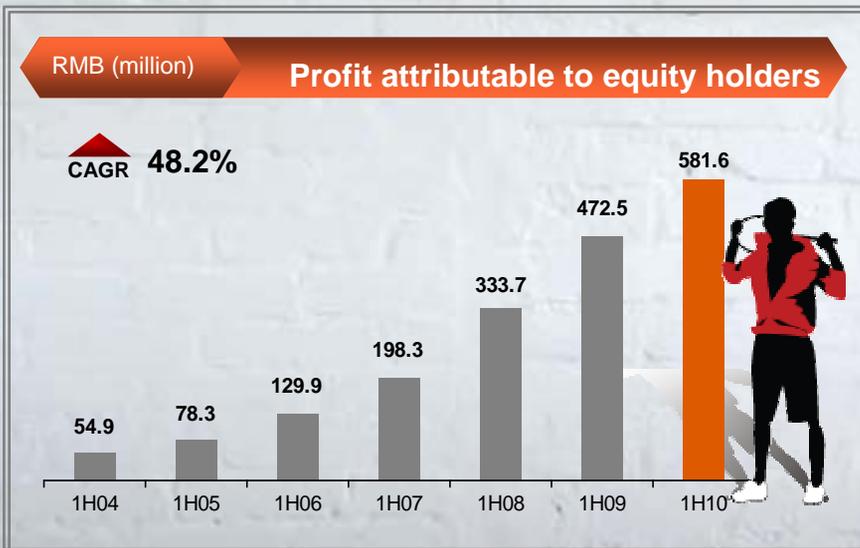
Verander 变更

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Verander 变更

Consistent Growth for Seven Consecutive Years



Financial Highlights



1H2010

1H2009

Change

For the 6 months ended 30 June

(RMB million)

| | | | |
|--|----------------|---------|---------------|
| Revenue | 4,504.6 | 4,051.9 | +11.2% |
| Gross profit | 2,158.4 | 1,936.6 | +11.5% |
| Operating profit | 813.3 | 685.8 | +18.6% |
| EBITDA | 912.6 | 773.3 | +18.0% |
| Profit attributable to equity holders | 581.6 | 472.5 | +23.1% |
| Earnings per share (RMB cents) | 55.58 | 45.53 | +22.1% |
| Interim dividend (RMB cents) | 22.15 | 13.58 | +63.1% |



Profit Margins and Expense Ratios



1H2010

1H2009

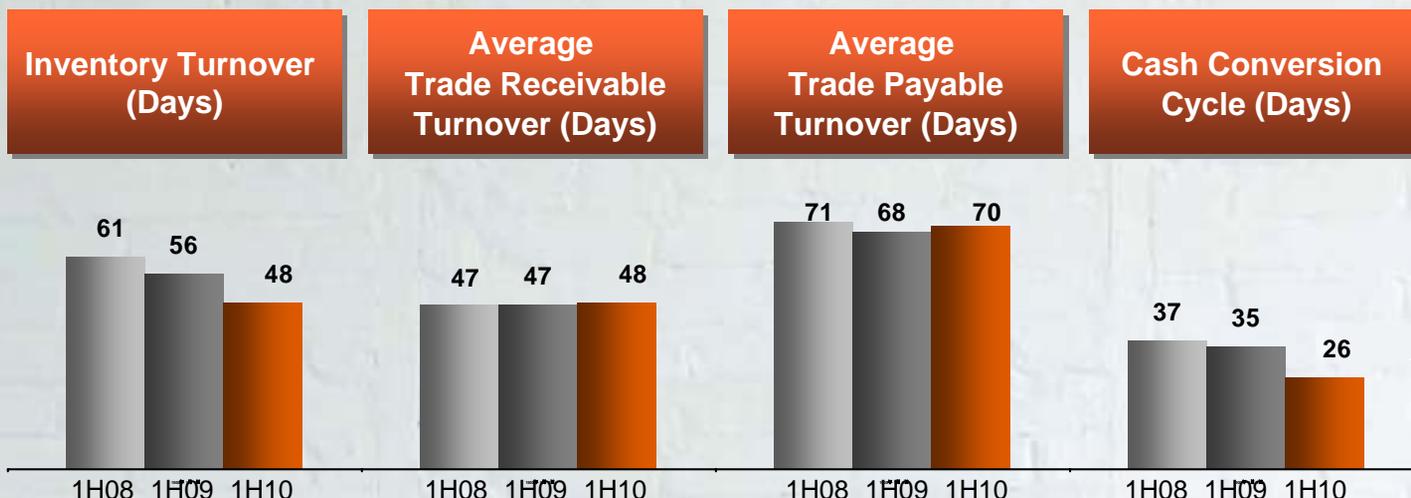
Change

For the 6 months ended 30 June

| | | | |
|--|--------------|-------|-----------------|
| Gross Profit Margin | 47.9% | 47.8% | +0.1p.p. |
| Operating Margin | 18.1% | 16.9% | +1.2p.p. |
| Margin of profit attributable to equity holders | 12.9% | 11.7% | +1.2p.p. |
| R&D Expenses (as % of revenue) | 2.5% | 2.3% | +0.2p.p. |
| A&P Expenses (as % of revenue) | 13.2% | 15.4% | -2.2p.p. |
| Human Resources Costs (as % of revenue) | 7.7% | 7.8% | -0.1p.p. |
| Effective Tax Rate | 25.0% | 25.4% | -0.4p.p. |



Key Financial Indicators



| | 1H2010 | 1H2009 | Change |
|--------------------------------|--------|--------|--------|
| For the 6 months ended 30 June | | | |

| | | | |
|--------------------------------------|-------|-------|-----------|
| Return on Equity (ROE) (Half-yearly) | 20.3% | 22.5% | -2.2 p.p. |
| Return on Asset (ROA) (Half-yearly) | 10.4% | 10.1% | 0.3 p.p. |
| CAPEX* (RMB million) | 74.0 | 77.8 | -4.9% |

* Excluding acquisition expenditures



Healthy Balance Sheet



(RMB million)

| | 2010-6-30 | 2009-12-31 | Change |
|---|----------------|------------|-----------------|
| Cash and Cash Equivalents (Including time deposits and restricted deposits) | 1,440.6 | 1,266.6 | 13.7% |
| Bank Loans | 231.9 | 260.0 | -10.8% |
| Net Cash* | 1,208.7 | 1,006.6 | 20.1% |
| Current Liabilities | 1,861.7 | 1,864.9 | -0.2% |
| Current Ratio (times) | 1.9 | 1.7 | 0.2p.p. |
| Total Liabilities to Total Assets Ratio | 43.4% | 46.8% | -3.4p.p. |

*Net Cash = Cash and Cash Equivalents – Bank Loans

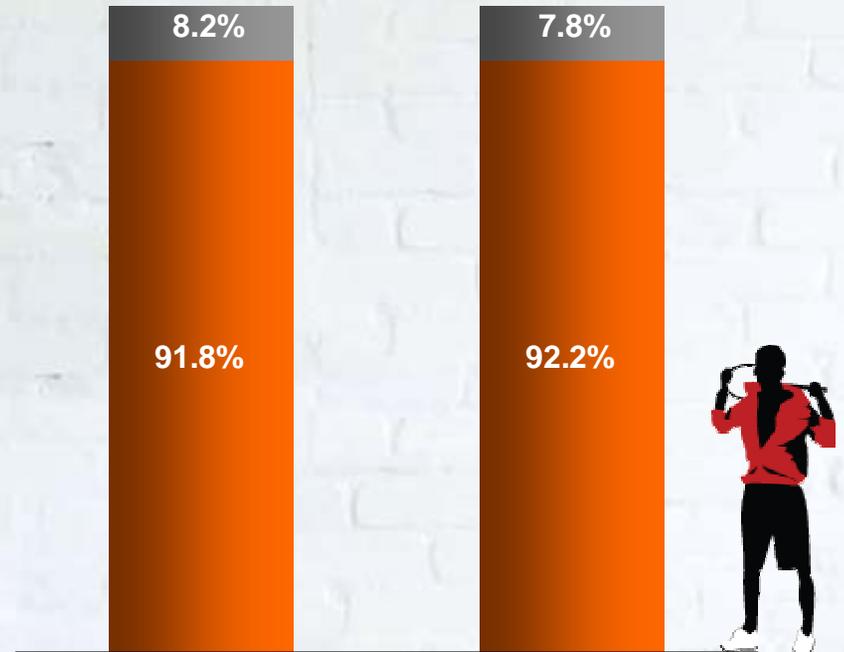
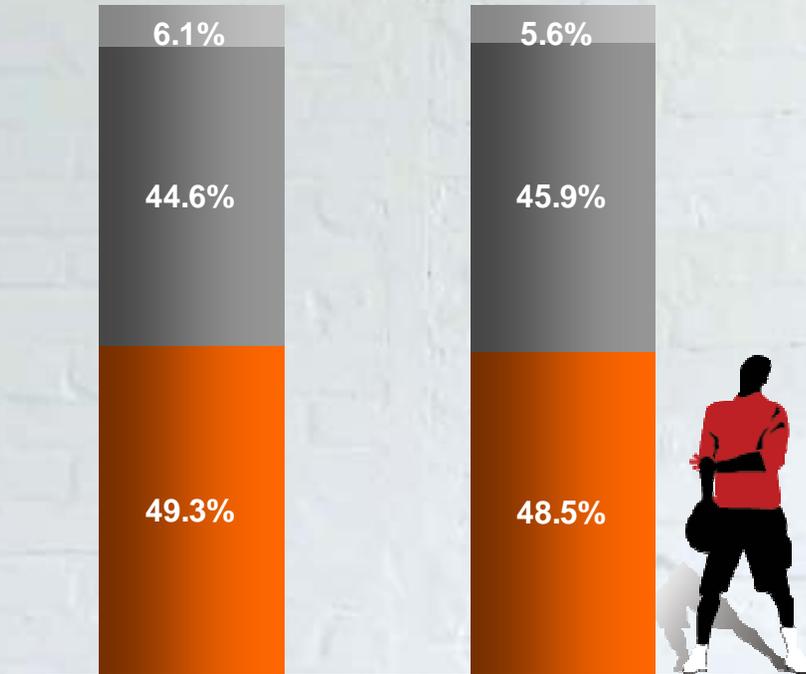


LI-NING Brand Revenue Breakdown by Product Category



LI-NING Brand Revenue Breakdown by Product Category

Revenue from LI-NING brand to Group's total



■ LI-NING brand apparel
 ■ LI-NING brand footwear
■ LI-NING brand accessories

■ Revenue from other brands
■ Revenue from LI-NING brand

1H2010

1H2009

1H2010

1H2009



LI-NING Brand Revenue Breakdown by Geography



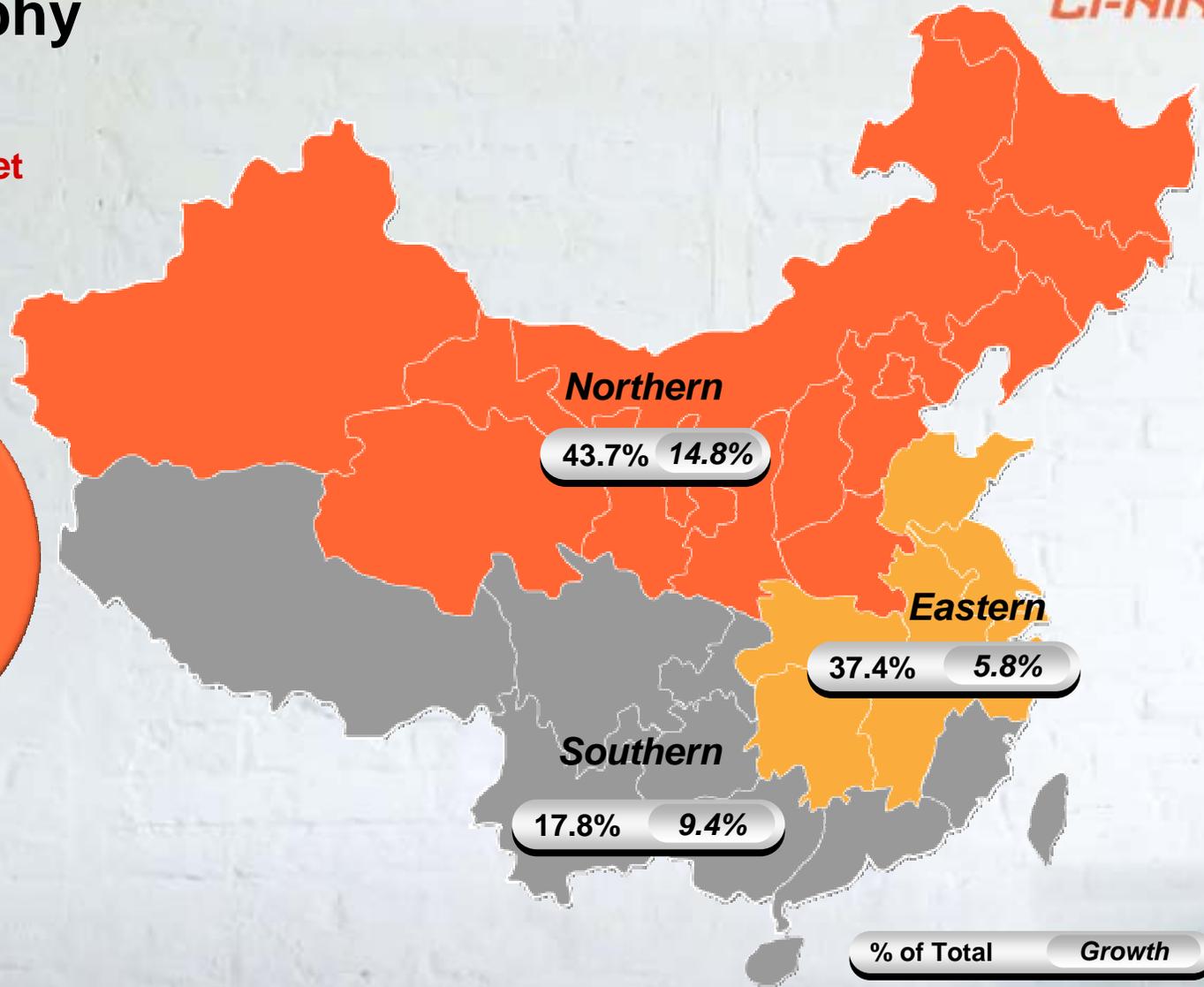
International Market

1.1%



Domestic Market

98.9%



% of Total Growth



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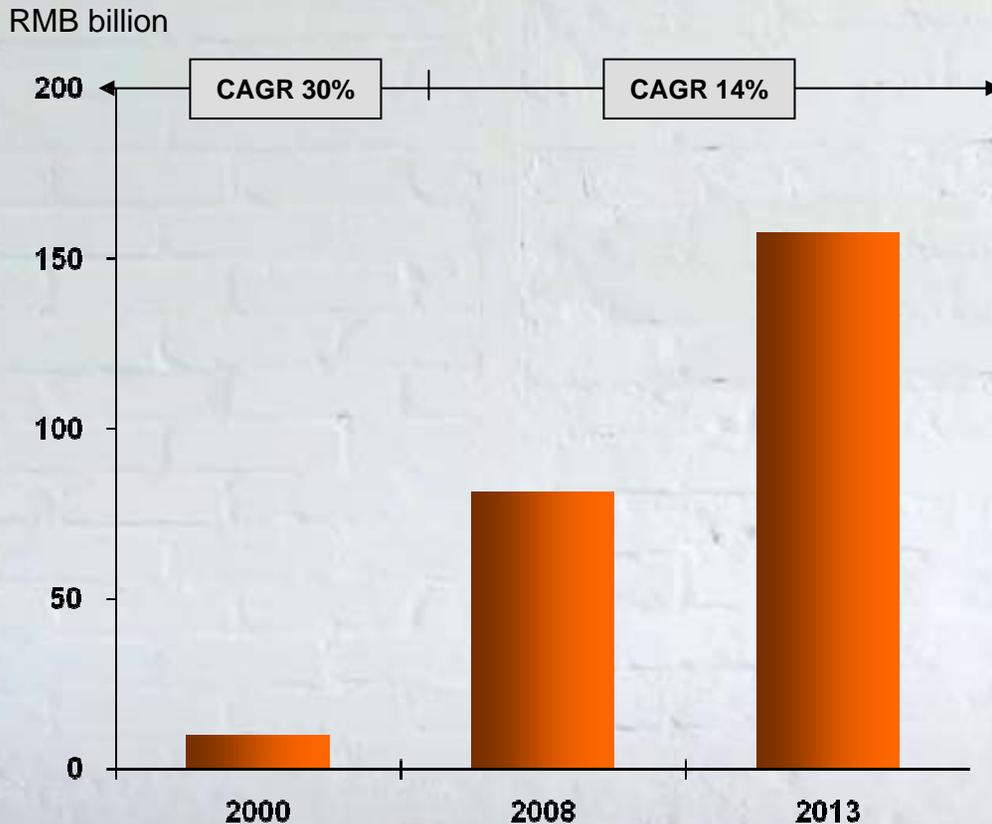


Business Review

Changing Industry Landscape



*Size of the Sporting Goods Industry in China and Forecasts



* Source: the Company internal research

Explosive Growth before 2008

- Per capita income grew to a new level
- Beijing Olympics raised the enthusiasm for sports to unprecedented levels
- International brands entered China market
- China as the world's manufacturer of sporting goods
- Relatively low entry barrier, channel expansion was the key to growth

Market Embracing Changes since 2009

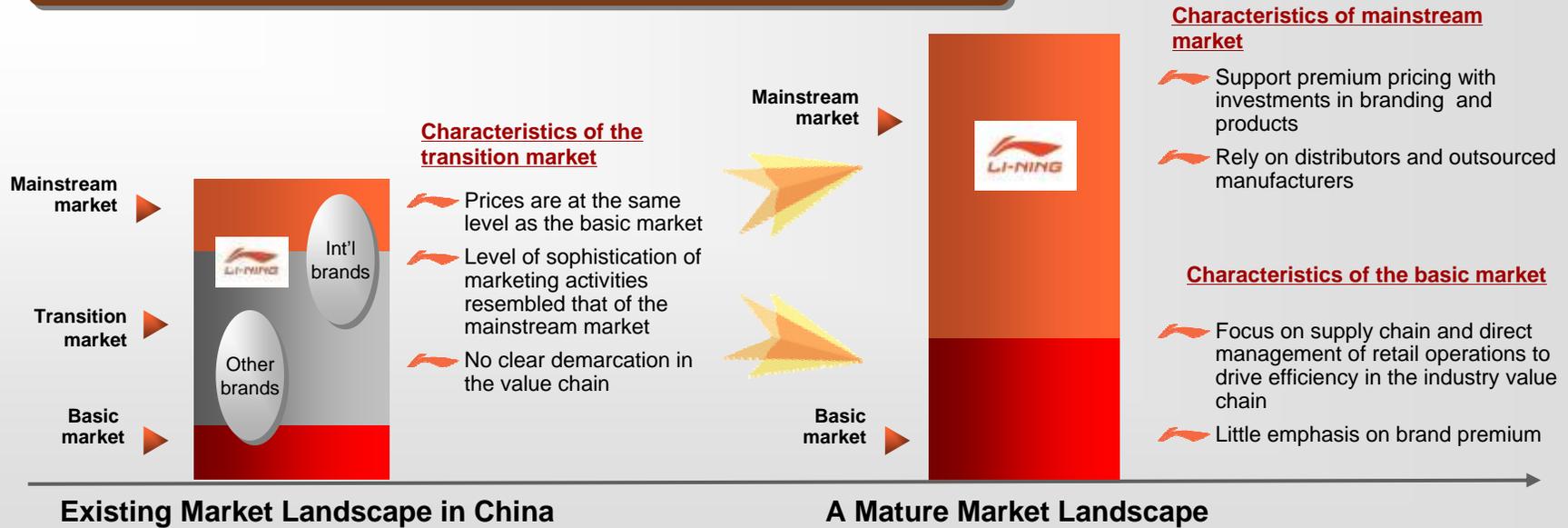
- Ongoing urbanization drives growth of the entry-level market for sporting goods
- Intensifying competition on non-functional goods
- Cost increases lead to changes in the business model of the sporting goods sector
- Changes in consumers' needs



Changes in Business Model and Consumers' Needs



Cost Increases Drive Polarization of the Market



Changes in Consumers' Needs

- Consumers' perceived acceptable price tags commensurate with their income levels
- Satisfaction of needs for sporting functionalities and sports culture
- Sports has become an integral part of the lifestyles of residents in metropolitan and tier-1 cities. This drives the demand for functional products
- Essence of sports as the key driver

LI-NING's Choice – Highlight Sports DNA and Develop a Unique Personality for the Brand



Our Choice:

Real sports for real sports lovers

Target the mainstream market

Translate mind share into market share

Action Steps:

Clearly defined brand positioning anchored on sports categories

Strengthen product innovation to cater to rising consumer expectations

Strengthen relationships with partners and enhance single-store performance to offset cost increases

Migrate to more efficient distribution channels



Brand Revitalisation

– A Systematic Approach to Brand Management



Consistency in Communications, Product and Retail Operations

Brand Essence

Inspiring
Sportsmanship

Brand DNA

Heritage/Inspiration/
New Play/
Chinese Experience

Brand Positioning

Real sports for
real sports lovers

Brand Personality

Light-hearted wit/
True to life/
Curious/Inventive

Brand Manifesto

Every 'body' can
become a legend

Key Branding Tools

Logo



Slogan

Make the Change



Brand Revitalisation

– Distinctive Marketing Strategy to Strengthen Brand Association



| Category | Sponsorship Resources |
|--|--|
| Benchmark Sport | <ul style="list-style-type: none"> Chinese National Badminton Team Chinese National Youth Badminton Team and several top provincial teams Singapore Badminton Team |
| Key Business Drivers | <ul style="list-style-type: none"> NBA stars including Shaquille O'Neal, Baron Davis, Jose Calderon, Hasheem Thabeet Elena Isinbayeva, "pole vault queen" Andreas Thorkildsen, "javelin prince" Provincial track and field teams A number of tennis stars including Ivan Ljubicic, Yan Zi, Sun Shengnan, Peng Shuai and Yang Tsung-hua ATP sponsorship Espanyol, a strong team in Spain La Primera |
| LI-NING brand DNA and core China sports assets | <ul style="list-style-type: none"> Chinese National Table Tennis Team Chinese National Gymnastics Team Chinese National Diving Team Chinese National Shooting Team |



Brand Revitalisation

– Leverage R&D Strength to Create a Clearly Defined Product Mix



New Product Collections



Urban Sports
Features Light Urban Sports



Brand Heritage
Showcases Brand Equity



Athletic Pro
Top-notch sports gear
for professional athletes



Crossover
Collaborates Local and
International Design
Talents

Product Design and R&D

- Li Ning Sports Science Research and Development Center: Specialises in sports science research, product testing, research and development of core technologies and enhancement of product functionalities
- Global Innovation Center in Oregon, USA: Specialises in the design, production and testing of professional gears for LI-NING-sponsored athletes and teams
- A team of global design talents

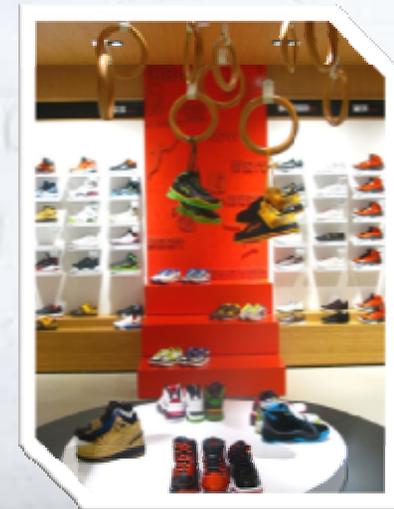


Brand Revitalisation

– An Across-the-Board Upgrading of Retail Experience



- Launched the sixth-generation stores to showcase the brand's DNA
- Target mostly at metropolitan and 1st-tier cities to enhance the brand image
- As at 30 June 2010, there were 41 sixth-generation stores
- The majority of stores in 2nd- and 3rd-tier cities are still in fifth-generation refurbishments. They will undergo gradual adjustments in their store images and shop fronts



Promoting Sales Channel Reforms

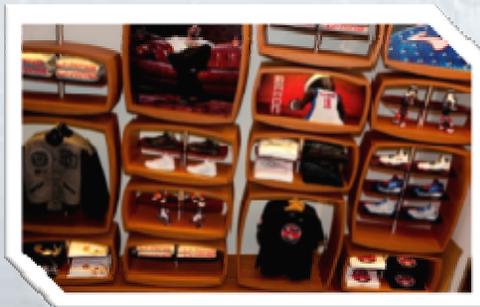


- Exerted more influence on distribution channels to drive market share
- Focused on strengthening shopping mall/department store channels to drive single-store efficiency and competitiveness
- Explored new channel formats
 - Fashion stores
 - Speciality stores which sell single-category or limited-category products
 - e-commerce
- Continued flattening of the channel structure
- Established teams dedicated to the Northern, Eastern and Southern regions of China
- Improve the timing and quality of responses to issues faced at the retail level through better management of the retail system

| No. of stores | 2010-6-30 | 2009-12-31 | 2009-6-30 |
|----------------------|-----------|------------|-----------|
| LI-NING | 7,478 | 7,249 | 6,809 |
| Other brands* | 891 | 907 | 714 |

* Including AIGLE, Z-DO and Lotto

| Target no. of stores | 2010-12-31 | 2011-12-31 | 2012-12-31 | 2013-12-31 |
|----------------------|------------|------------|------------|------------|
| LI-NING | 7,900 | 8,500 | 9,300 | 10,000 |



Flexible and Responsive Supply Chain Management



- Organized 2 trade fairs
- Continued to improve supply chain planning
- Optimised the procurement system and cost structure
- Improved corporate social responsibility guidelines for suppliers
- Developed distribution logistics for retail operations
- First phase of Jingmen Industrial City commenced production
- Li Ning Logistics Centre in a planning stage



Multi-brand Strategy to Complete Product Offerings



Reinforced leadership in table-tennis sector

Launched more than 100 new products



An Italian sports fashion label

completed defining the product design themes based on consumer preference studies and differentiation strategies



Famous badminton brand, mainly targeting mid-range and mass segments

Exploited synergies from Kason's manufacturing techniques, R&D capabilities and LI-NING's edges



Distributes sporting goods mainly in supermarkets

Optimised the structure of suppliers and improve the supply chain system



A French outdoor sporting goods brand

Achieved substantial increases in same-store sales driving overall sales gains



Testing the Water in Niche Markets



Fashion Lifestyle Brand “LNG” and Mini Footwear Stores

- A sports-inspired fashion brand
- Sell single-category or limited-category products
- Carve out a niche market
- Give modern interpretation to teen trends by fusing with Chinese traditional culture
- 41 LNG stores at the moment and 116 mini footwear stores



LI-NING Kids' Collection

- Licensed business
- Target children and teenagers aged 2-14 with a passion for sports
- 94 stores at the moment



e-Commerce

- Integrate resources to capture the fast-growing B2C business
- Proprietary e-shops and penetrate into other major e-Commerce platforms in China
- <http://www.e-lining.com>
- <http://lining.mail.taobao.com>



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Prospects and Strategies

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Maina 变更
Zme 变更
Newid 改变
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Promjer 变更
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Cautiously Optimistic Outlook



Market Outlook

Competitive landscape

- International brands appropriate more attention to second- and third-tier cities, intensifying competition in the mid- to high-end price points
- Local brands host sales promotions more frequently in second- and third-tier cities, intensifying competition on volume

Market forecasts

- Positive for the next 10-15 years in line with China's ongoing urbanization
- As consumers become increasingly sophisticated in their behaviour, the industry is embracing an era of more rational development, a sharp contrast to the explosive and nascent mode of expansion before 2008

Opportunities and Challenges

Opportunities

- Government policy continues to benefit the industry
- Hosting of major sports events spurs demand for sporting goods
- Changes in lifestyle and trading up of consumption drive growth in the mid- to high-end market

Challenges

- Consumer confidence level picking up slowly
- Macro-economic recovery remains fragile
- Discrepancy between Sell-in and Sell-through in the industry will continue for some time



Reinforcing Leadership Position



Integrated Branding and Marketing



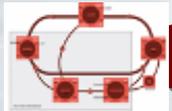
Branding Strategy

Strengthen the positioning and personality of the LI-NING brand



Product Strategy

Develop and expand strategic lines while leveraging product capabilities



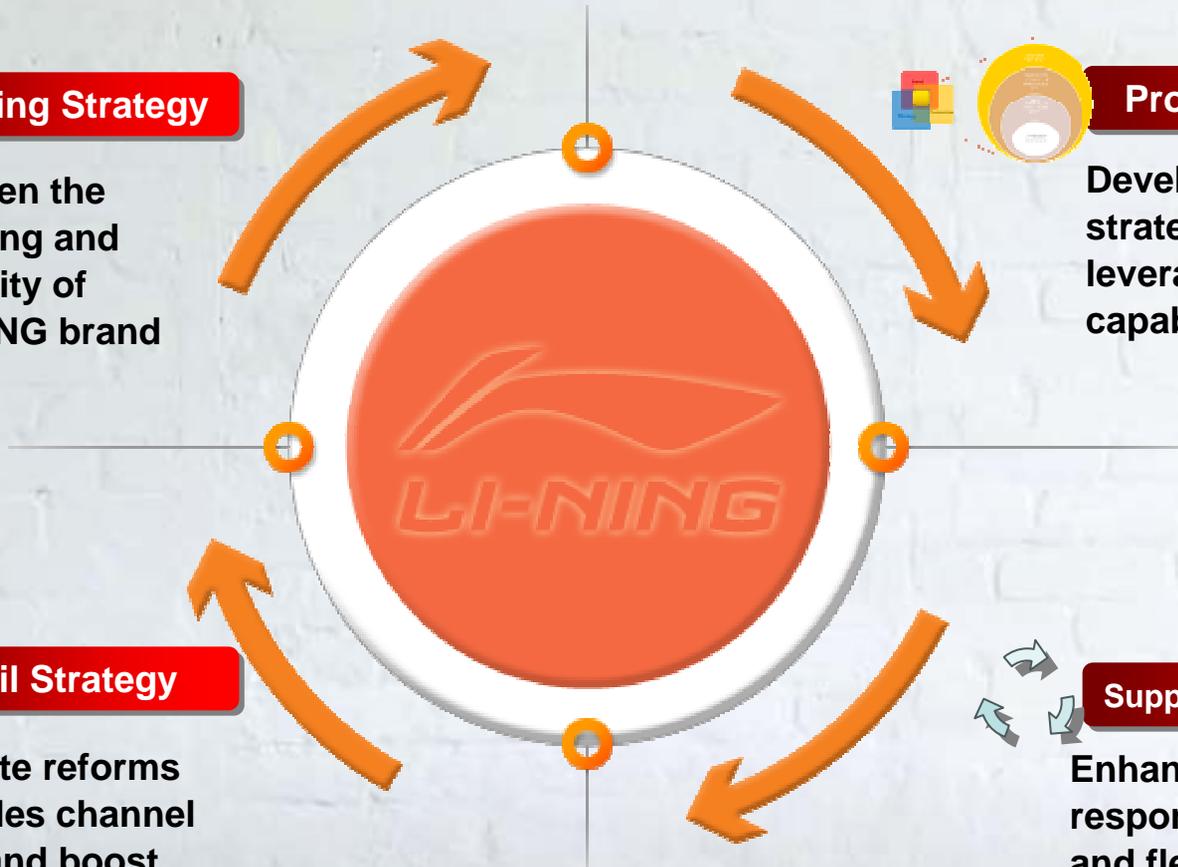
Retail Strategy

Accelerate reforms in the sales channel system and boost retail management capabilities



Supply Chain Strategy

Enhance the response, efficiency and flexibility of the supply chain



Prospects, Missions and Core Values



A world – leading brand in the sporting goods industry

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

- Live for Dream**
-  Break-throughs
 -  Consumer oriented
 -  Integrity and Commitment
 -  Achieving excellence
 -  “We”Culture



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Questions and Answers

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ider 变更
1uutus 变更
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Zme 变更
Newid 变更
Promjer 变更
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Investor Relations



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Disclaimer



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