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LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

PROFIT WARNING INSIDE INFORMATION

This announcement (“**Profit Warning Announcement**”) is made by Li Ning Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the information currently available, the Group expects to record an increase in its net loss for the 6-month period ended 30 June 2014 (the “**Period**”) as compared to that for the 6-month period ended 30 June 2013 (the “**Previous Period**”). Based on its preliminary review of unaudited consolidated management accounts of the Group for the Period, the Company’s management currently estimates that the loss attributable to equity holders of the Company for the Period will be no less than RMB550 million.

The loss attributable to equity holders of the Company was principally due to the following factors:

- (1) a net loss excluding provision for doubtful debts and other items for the Period currently estimated to be approximately RMB300 million, which was in line with that for the Previous Period and mainly due to: (i) upfront investment to implement the transformation plan initiated in July 2012 (“**Transformation Plan**”), including the expansion of direct retail network and commitments to key sports marketing resources, and (ii) reduced sell-in following a period of channel inventory de-stocking which, despite year-on-year growth during the first half of 2014, was still below optimal levels. The Board believes that these are critical initiatives for the implementation of the Transformation Plan, and it takes time for the benefits of the Transformation Plan to be reflected financially and for the Group to ramp up to its full profit potential and achieve long-term sustainable growth.

- (2) other items for the Period, including provision for doubtful debts currently estimated to be approximately RMB100 million and other expenses currently estimated to be approximately RMB200 million. These are primarily one-off items and many of them are resulted from the remaining impact of certain legacy issues as highlighted below.

As regards provision for doubtful debts, although most channel partners have improved their profitability through the Channel Revival Plan (adopted in December 2012 as a key component of the Transformation Plan) and the overall accounts receivables and days sales outstanding trends have improved over time, the provision for doubtful debts to be made for the Period is currently estimated to be approximately RMB100 million mainly due to channel de-leveraging, continued weakness in some of the channel partners and growth in sell-in to distributors. The Board believes that this provision for doubtful debts further reduces the remaining risks of bad debts among the weakest channel partners that are identified to date, which, coupled with the continuing process of inventory clearance, accounts receivables provisioning, channel de-leveraging and optimization of the Group's capital structure since 2012, has also lowered the financial risks for the Group in future.

Other expenses for the Period include write-down of deferred tax assets and certain investments, closure of flagship stores, and other one-off expense items.

The Group is in the process of transforming from a traditional wholesale model to a retail-oriented model to meet the demands of the increasingly sophisticated consumers in China. Its new strategy has seen improvement on new product performance especially in core sports categories since the second half of 2013 and a continued sell-through momentum on new products in the first half of 2014. The direct retail platform in which the Group has been investing is also building a foundation for increasing retail's contribution to the Group's revenue in future.

As such, the Board believes that, assuming consumers continue to appreciate the results of the various initiatives of the Group's transformation, there will be continued improvement in the Group's operating performance.

The Company would like to point out that the Profit Warning Announcement and the above-mentioned figures are only based on the Company's preliminary review of the draft management accounts of the Group, which will be subject to adjustments and finalization in the near future. Details of the performance of the Group for the six months ended 30 June 2014 will be disclosed in

the unaudited consolidated interim results announcement of the Company, which is expected to be published in mid August 2014. The Company will announce the date of board meeting for approving the interim results in due course.

By order of the Board
Li Ning Company Limited
Li Ning
Executive Chairman

Hong Kong, 17 July 2014

As at the date of this announcement, the executive directors of the Company are Mr. Li Ning and Mr. Jin-Goon Kim. The non-executive directors are Mr. Zhang Zhi Yong and Mr. Chen Yue, Scott. The independent non-executive directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei, Dr. Chan Chung Bun, Bunny and Mr. Su Jing Shyh, Samuel.