



LI NING COMPANY LIMITED
李寧有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2331)

Li Ning Reports 2011 Annual Results

* * *

Step up execution of strategic reforms
Sharpen focus on core business

Financial Highlights

RMB million	For the year ended 31 December		Change
	2011	2010	
Revenue	8,928.5	9,478.5	-5.8%
Gross profit	4,114.5	4,481.6	-8.2%
Operating profit	631.0	1,546.8	-59.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	890.7	1,759.2	-49.4%
Profit attributable to equity holders	385.8	1,108.5	-65.2%
Basic EPS (RMB cents)	36.70	105.84	-65.3%
Full-year dividend per ordinary share (RMB cents)	11.13	42.12	-73.6%
Comprising: Final dividend (Proposed) (RMB cents)	Nil	19.97	N/A
Interim dividend (Paid) (RMB cents)	11.13	22.15	-49.8%

(29 March 2012 – Hong Kong) – **Li Ning Company Limited** (“Li Ning” or the “Group”; HKEx stock code: 2331), one of the leading sports brand enterprises in China, announces its results for the year ended 31 December 2011. Revenue declined year-on-year by 5.8% to RMB8,929 million. Profit attributable to equity holders decreased by 65.2% to RMB386 million, while earnings per share decreased by 65.3% to RMB36.70 cents. The results were broadly in line with the Group’s performance guidance over the past year. In 2012, the Group will press ahead with business reforms to enhance operational efficiency and effectiveness of strategic execution.

Under the current operating condition, the Board of Directors believes that the Group should retain cash for its future development; therefore it does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: RMB19.97 cents per ordinary share). An interim dividend of RMB11.13 cents per ordinary share was paid during the year (2010: RMB22.15 cents), and by taking that into account, the full-year dividend payout ratio was still over 30%.

Mr. Li Ning, Chairman of the Group commented, “Against the backdrop of China’s macroeconomic conditions and the overall industry landscape, the Group’s operations faced various challenges in 2011. Nevertheless, the Group adhered to its core strategy and mission – focusing on the essence of sports while endeavouring to enhance its brand and product innovation and competing on differentiation. During the year, the Group kept a close watch on external changes against its development strategies and continued to proactively implement reform initiatives to strengthen operational efficiency and the effectiveness of the execution of our strategic reforms, which enabled us to adapt to the development of the industry as well as meet corporate growth needs in the current phase.”

Throughout 2011, the Group adhered to its core brand strategy and stepped up the implementation of integrated marketing to constantly and consistently communicate with consumers on the brand positioning, and to strengthen the brand equity through the integration of key sports tournaments, functionality of new products and unique brand personality. To seize the opportunities in the London 2012 Olympic Games, the Group added to their strong cast of professional world-class sports sponsorship resources, and recently signed Christian Taylor, the young, up-and-coming American triple jump star and the Eritrea Track & Field National Team, which is renowned for distance running. Other international sponsorship resources include the Swedish Olympic Delegation, the Spanish National Basketball Team and the Argentina National Basketball Team. All these teams will be equipped with LI-NING gear throughout the London Olympics inside and outside of the stadium, giving the LI-NING brand and products maximum exposure.

During 2011, the Group's distribution channel reform progressed steadily as planned. The Group proactively optimised the pace of store opening and focused its resources on adjusting store structure and the management of existing stores. As at 31 December 2011, the total number of LI-NING brand conventional stores, flagship stores, factory outlets and discount stores amounted to 8,255, representing a net increase of 340 stores over the course of the year. In particular, there were 269 LI-NING brand factory outlets, and 358 LI-NING brand discount stores (31 December 2010: 133 factory outlets; 180 discount stores). The Group has reached its target proportion of retail revenue accounted by clearance channels for the year. As at 31 December 2011, the Group had completed the integration of 425 low-efficiency, single store sub-distributors and achieved its target for the year. The Group had 57 distributors. Moving forward, the Group will further accelerate the development of clearance channels and expects to achieve a reasonable and healthy store network structure by the end of 2012. The Group will also carry out full-scale promotion of sixth-generation stores with store-front image and shopping experience that further embody the LI-NING brand personality and values. The Group also established its brand image stores and benchmarking stores at the provincial and prefecture levels to help elevate its regional brand position and increase market share.

As a professional sporting goods brand, the Group has continued to advance its product design and innovation capabilities. Through continuous enhancement in product functionality and quality as well as application of its technology platforms, the Group strived to offer products which are able to meet the needs of both general consumers and professional athletes. The Group continued to endorse top-notch domestic and international sports sponsorship resources with its advanced products to assist these athletes in achieving outstanding performances in the sports arena. In addition to developing specialised products for professional athletes, the Group created products for general sports enthusiasts such as "LI-NING ARC" running shoes, the brand new "LI-NING MIX" urban-sports shoes, etc.

The Group endeavours to establish a demand-driven, flexible and market-responsive supply chain system to cope with its business model and growth effectively. Since 2008, in response to the rapid escalation in labour costs and the unstable supply of labour in the coastal areas in recent years, the Group had proactively initiated a shift of its supplier base to Central China and establishing an all-in-one production base in Jingmen, Hubei Province. In 2011, the base continued to scale upwards and has become a core component of the Group's supply chain by ensuring more stable supply of resources while also achieving a cost advantage. The "LI-NING Logistics Centre" in Jingmen, which the Group commenced constructing in 2010, is expected to begin trial runs in the first half of 2012. In 2011, the Group put great effort in promoting the healthy development of the supply chain by educating its suppliers on fulfilling social responsibilities in the supply chain as well as management of chemicals. The Group also devised a "Restricted Substance List for Apparel, Footwear and Accessories Products" and published "The Joint Roadmap towards Zero Discharge of Hazardous Chemicals by 2020" in order to encourage sustainable development of the supply chain and build the green reputation for the brand.

In 2011, the Group focused on the transformation and development of LI-NING brand's core business by proactively seeking internal integration, enhancing efficiency and continuously conducting organisational adjustments and improvements to increase business execution and to better assess business performance.

In 2012, the Group will sharpen its focus on the core LI-NING brand business, enhance its operational efficiency, and optimise its organisational structure. At the same time, the Group will also improve the gross profit margin by adjusting its product structure, and widen strengthen the efficient management of various expenses. With regard to distribution channels, the Group will press ahead with distribution channel reforms, enhance retail efficiency in the second- to fourth-tier markets. As for branding, the Group will leverage on the opportunities in the London 2012 Olympic Games. The Group plans to enhance its brand image by further clarifying branding strategies and improving its management. The Group will also integrate brand positioning by effective use of resources in sports marketing, enhancing effectiveness of utilising brand marketing resources and strengthening the connection between brand, product and the consumer.

Mr. Li concluded, "Looking ahead, we anticipate that the global economic recovery will still face many challenges. The Group will benefit from the transformation of China's economy from being investment-driven to consumption-driven. At the same time, the annual growth rate of China's sporting goods industry is expected to maintain steady growth as a result of stimulation from the London 2012 Olympic Games. The Group remains cautious of the macro-economic environment in China in 2012 and the adjustments the sporting goods industry is undergoing. Nevertheless, the Group believes that our strategies and implementation measures, are both rational and on the correct course. In the coming year, the Group will be committed to improving its operational efficiency and focusing on the effective execution of its strategies in order to lay a solid foundation on which to achieve the Group's long-term vision and objectives."

About Li Ning Company Limited

Li Ning Company Limited is one of the leading sports brand companies in China, mainly providing sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes primarily under the **LI-NING** brand. Headquartered in Beijing, the Group has brand marketing, research and development, design, manufacturing, distribution and retail capabilities. It has established an extensive supply chain management system and a retail distribution network in China, predominantly through outsourced manufacturing operations and franchised distribution.

In addition to its core LI-NING brand, the Group (i) manufactures, markets, distributes and sells outdoor sports products in China under the French brand **AIGLE**, the exclusive rights of which were granted to a joint venture established with Aigle International S.A.; (ii) engages in the manufacture, research and development, marketing and sale of table tennis and other sports equipment under the **Double Happiness** brand through a subsidiary in which the Group has 57.5% interest; (iii) develops, manufactures, markets, distributes and sells licensed products in China under the Italian sports fashion brand **Lotto** under an exclusive license granted by a company owned by Lotto Sport Italia S.p.A.; and (iv) engages in the research and development, manufacture and sale of badminton equipment under the **Kason** brand.

For further information, please contact:

iPR Ogilvy Ltd.

Coty Lee/ Demi Lo/ Veronica Hui/ Canny Lo

Tel: (852) 3920 7656/ 3920 7625/ 3170 6752/ 3170 6753

Fax: (852) 3170 6606

Email: coty.lee@iprogilvy.com/ demi.lo@iprogilvy.com/
veronica.hui@iprogilvy.com/ canny.lo@iprogilvy.com