For immediate release

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

Li Ning Company Reports Annual Results for 2012
Transformation Plan Yields Initial Success

FY 2012 results highlights

- *Revenue was RMB6,739 million, down 24.5% year-on-year*
- *Earnings before interest, tax, depreciation and amortization (EBITDA) was a loss of RMB1,377 million; loss attributable to equity holders was RMB1,979 million*
- *Good progress being made on effective implementation of transformation plan, including the Channel Revival Plan, across critical areas of the business*

2013 outlook

- *Market and industry conditions continue to be difficult, and the Company's financial performance is expected to remain challenging at least in the first half of 2013*
- *Focus on continued implementation of the transformation plan, to restore profitability to sales channels and transition into a retail-oriented business model for long-term sustainable growth*
- *Operational performance is expected to gradually stabilize, generating healthier cash flow and better operating results*

26 March, 2013 – Hong Kong – **Li Ning Company Limited** ("Li Ning" or the "Group"; HKEx stock code: 2331), one of the leading sports brand companies in China, announced today its results for the year ended 31 December 2012. Revenue amounted to RMB6,738.9 million, representing a year-on-year decrease of 24.5%. Gross profits were RMB2,549.9 million, representing a year-on-year decline of 36.9%. Profit attributable to equity holders was a 613.0% decrease to RMB(1,979.1) million, partly due to sell-in reduction, provisioning for accounts receivables and inventory, costs involved in executing the Transformation Plan, including the Channel Revival Plan, and other restructuring costs. Earnings per share decreased by 612.1% to RMB(187.96) cents. The Board of Directors resolved not to declare year-end dividend for the year ended 31 December 2012 considering the current operating conditions.

In 2012, the Group's financial performance was significantly affected by the unfavorable market environment and the challenges brought about by the current phase of the Group's development. In response to the challenging industry environment, the Group proactively implemented transformation measures and launched the Channel Revival Plan, supporting channel inventory reduction and reducing the sell-in to release pressure on channel partners and strengthen their financial position and cash flow (part of the total revenue reduction of RMB2,189.6 million). In addition, other key factors significantly impacted the Group's financial performance included costs related to the Transformation Plan, including the Channel Revival Plan, write downs of inventory (RMB399.7 million reduction in gross profit and 5.9% reduction in gross margins to 37.8%), provisioning of accounts receivables

(RMB933.2 million increase to administrative expenses), net impact from renegotiation of license rights to the LOTTO brand (RMB 59.5 million loss), and other restructuring costs. The Group believes that many of these factors may be one-time in nature.

During the year, the Group continued to streamline and rationalize its sales network, closed down non-performing stores and opened new ones with better growth potential. The total number of LI-NING brand conventional stores, flagship stores, factory outlets and discount stores amounted to 6,434, representing a net decrease of 1,821. Among the various brands under the Group, with the exception of the LOTTO brand which recorded a significant drop in revenue year-on-year due to the process of operational downsizing, other brands including Double Happiness maintained steady development, while AIGLE and Kason recorded notable revenue growth.

Mr. Li Ning, Founder and Executive Chairman of the Group, commented, “The management and Board of Directors made a conscious decision to take the steps necessary to stop the deterioration in the channels. While this has had a negative impact on our P&L for the short term, we believe it is a critical step in positioning Li Ning for profitable, sustainable future growth, and to ensure the best outcome for all stakeholders.”

China’s sporting goods industry is experiencing the worst industry down cycle that the sector has seen. Years of over-expansion caused the building up of inventory for channel partners, adversely affecting store productivity and profitability. The Group believes that the traditional wholesale model is no longer sufficient for companies to advance in the new, increasingly competitive industry landscape, nor is it able to meet increasingly sophisticated consumer demand. Over the past two years, problems in the Group’s sales channels started to impact the Group’s own financial position. When the situation deteriorated further in 2012, the Group took a series of bold and decisive actions to fundamentally address these issues and to help the Group recover and return to long term, sustainable profitability.

By bringing in strategic investor TPG, one of the world’s leading international private equity investment firms, the Group was able to leverage its strong operational capabilities as well as sector expertise. In July 2012, the Group announced a comprehensive Transformation Plan, designed to address the current challenges in a systematic and structured manner. It quickly became apparent that efforts on channel clearance needed a more drastic approach and had to be done on a much larger scale. With that, the Group launched its Channel Revival Plan in December 2012, as a key component of the Transformation Plan, to support its channel partners on multiple fronts, including inventory clearance and buy-back, sell-in reduction, sales network rationalization, adjustments to channel policies and customized programs to restructure accounts receivables. While the Group has made significant provisions and write-downs to better reflect the current assessment of collectability of accounts receivables and ability to monetize inventory, the goal of the Channel Revival Plan is to ultimately improve channel profitability and collections.

The Channel Revival Plan, along with other initiatives of the transformation plan, has resulted in remarkable progress in the past few months. The Group brought in several industry veterans with rich experiences in multinational companies, to manage its supply chain, marketing and sales, product development and design. In addition to enhancing its execution capabilities, key early initiatives include rationalization of the Group’s cost structure, developing an improved pricing strategy with broader coverage of key customer demographics, and implementation of a more retail-oriented model combining prescriptive ordering at trade fairs with successful test pilots for fast response product lines and rapid replenishment. The goal of the transformation plan is to transition from the conventional wholesale-oriented practice to a retail-oriented model at every stage of its operations.

Mr. Jin-Goon Kim, Executive Vice Chairman of the Group, commented, "We have achieved a lot in making some very meaningful and fundamental changes to the business. While this progress has not translated yet to our financial results, we are very focused and determined, and have a clear strategic vision in what we want to achieve as we are pioneering solutions and practices to overcome these industry issues."

During 2012, as part of the transformation plan, the Group also optimized its sponsorship resources by focusing on sponsoring Chinese national teams (accounting for over half of the gold medals won by the Chinese delegation at the London Olympics 2012) and consolidating its leadership position in major sporting categories (basketball, badminton and running). The Group also increased its commitment to basketball, which has the highest participation rate amongst youth, through strategic sponsorships of the China Basketball Association (CBA), the most popular basketball league in China, and Dwyane Wade, a current NBA superstar. The Group will strengthen its sports marketing ability and make it a key component of the company's core competitiveness.

Mr. Kim continued, "Going forward, we will continue to roll out existing initiatives on a broader scale. In the near term, we expect that rationalization of the store base and reductions on sell-in will continue to have a net negative impact on revenue. However, with the recent adoption of initiatives on channel efficiency and faster replenishment, the Company should start to generate healthier cash flow and build a foundation for more sustainable growth."

Mr. Li added, "Given the continued uncertainties in the current market and industry conditions, we understand there are still some challenges ahead. While the transformation of the existing business model and resolution of channel inventory buildup may take time and lead to a near-term down-sizing of our business, we are confident that with the support of our shareholders and other constituents, the management reform and strategic adjustments currently taking place in the Group will help us to strengthen our capabilities, as well as our value and long-term growth potential as China's leading sports brand."

- The End -

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 also manufactures, develops, markets, distributes and/or sells sports products under several other brands, including Double Happiness (table tennis), Kason (badminton), AIGLE (outdoor sports), and Lotto (sports fashion) which are either self-owned, licensed or operated through joint ventures.

For further information, please contact:

Brunswick Group Limited

LNC@brunswickgroup.com

Tong Zhao
Tel: +852 3512 5000
Mobile: +852 9011 8258

Siobhan Xiaohui Zheng
Tel: +852 3512 5000
Mobile: +852 9131 5202