



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 Interim Results

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Committed to Implementing Reforms to Usher the Group towards a Healthy Development Path

Financial Highlights

RMB million	For the six months ended 30 June		Change
	2011	2010	
Revenue	4,289.3	4,504.6	-4.8%
Gross profit	2,029.1	2,158.4	-6.0%
Operating profit	442.3	813.3	-45.6%
Profit attributable to equity holders	293.7	581.6	-49.5%
Basic EPS (RMB cents)	27.94	55.58	-49.7%
Interim dividend per ordinary share (RMB cents)	11.13	22.15	-49.8%

(24 August 2011 – Hong Kong) – **Li Ning Company Limited** (“Li Ning” or the “Group”; HKSE stock code: 2331), one of the leading sports brand enterprises in China, announces its results for the six months ended 30 June 2011. Revenue decreased by 4.8% to RMB4,289 million. Profit attributable to equity holders declined year-on-year by 49.5% to RMB294 million, while earnings per share decreased by 49.7% to RMB27.94 cents. The Board of Directors has resolved to recommend payment of an interim dividend of RMB11.13 cents per ordinary share (2010: RMB 22.15 cents).

Mr. Li Ning, Chairman of the Group commented, “2011 marks a year when the Group is focused on proactively driving reforms. During the first half of the year, the Group pressed ahead with important measures such as brand revitalisation and distribution channel reforms for the LI-NING brand. Despite the impact on its overall revenue, the Group continued to furnish sufficient financial resources to branding, product research and development and innovation as well as to motivating and attracting talent while strengthening the management of supply chain efficiency.”

During the first half of 2011, the Group adhered to its core brand revitalisation strategy, stepped up the implementation of integrated marketing to consistently communicate with consumers on the brand positioning and to enhance the brand equity through the integration of key sports tournaments, such as one of the major events in the badminton category – the Sudirman Cup, as well as functionality of new products and its unique brand personality.

The Group has a strong line-up of professional world-class sports sponsorship resources. During the period, the Group continued its sponsorship for athletes including renowned Chinese men’s badminton singles player – Li Dan, Jamaican sprinter Asafa Powell, Norway’s “Prince of Javelin” – Andreas Thorkildsen, NBA, Draft Pick rookie – Evan Turner, the world’s No.1 women’s pole vault athlete – Elena Isinbayeva and Peng Shuai, who has recently performed spectacularly, and made her best singles ranking, i.e. No. 16, thus far in the Women’s Tennis Association.

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As at 30 June 2011, the distribution and retail network of LI-NING brand covers all market tiers in China. The total number of LI-NING brand conventional stores, flagship stores, factory outlets and discount stores amounted to 8,163 stores, representing a net increase of 248 stores as compared to the end of 2010. The progress of shop openings is in line with the Group's expectation. During the period, the Group dedicated great efforts in promoting reform in its distribution, to increase its influence on the sales channel, and has completed the consolidation of 256 low-efficiency, single store sub-distributors. The progress is in line with the Group's expectation. The Group also accelerated the establishment of an inventory clearance channel supported mainly by factory outlets; and as at the end of June 2011, there were 191 LI-NING brand factory outlets. In addition, the Group deepened the organisational reform in the sales division to establish an infrastructure consisting of three major sales regions, namely eastern, northern and southern. In second-tier cities, the Group set up brand image stores to reinforce LI-NING brand's image to boost retail sales. Pressing ahead with the implementation of distribution channel reform will be the Group's priority in the second half of this year. At present, the progress of distribution channel reform is in line with the Group's strategic plan and certain regions have seen positive impacts with strong signs of being on the right course since the start of the reform implementation. Nevertheless, the Group remains cautious as the distribution channel reform is still at a crucial stage.

"Sportsmanship" remains fundamental to the LI-NING brand during the brand revitalisation. As a professional sporting goods brand, the Group has continued to strengthen its product designs and research innovation. In addition to achieving competitive differentiation through continuous enhancement in product functions and quality, the Group also strives to create product offerings which are able to meet the needs of both general consumers and professionals. The Group continued to be a long-term sponsor of high-tech gear to the Chinese National Badminton Team, Chinese National Diving Team, Chinese National Shooting Team, Chinese National Table Tennis Team and the Chinese National Gymnastics Team. Meanwhile, it is dedicated to endorsing other top-notch domestic and international sports sponsorship resources with excellent products. In addition to developing products for professional athletes, the Group also offers a wide range of products for general sports enthusiasts. These products include LI-NING 8th Generation Ultralight running shoes, "LI-NING YuShuai VI" basketball shoes, and more.

The Group endeavours to establish a demand-driven, flexible and effective supply chain system to cope with its business growth effectively. In recent years, the supply markets have experienced uncertainties as a result of the impact of inflation and dramatic changes in labour supply in coastal cities. In 2011, the Group focused on controlling and managing the stability of supplies with an aim to control the impact of all variations on product quality, delivery time and cost within a prescribed range. To control costs, the Group has proactively initiated a shift in its supplier base from the coast toward Central China. Since 2009, it had begun construction on an all-in-one production and delivery base in Jingmen, Hubei Province. During the period, local auxiliary support in the Hubei base is also gradually improving, and with the majority of outsourced processes and supporting materials being produced locally, the Hubei base has started forming into a production base of sizable scale.

Looking forward, with regard to distribution channels, the Group's main priorities are to press ahead with the implementation of distribution channel reform and step up the pace in advancing the distribution channel reforms and measures to accelerate clearance of inventory at the retail level. In addition, the Group will exercise better management on distribution channels, raise retail efficiency and improve cash turnover. In terms of branding, the Group's short term goals are to strive to optimize brand strategy management system, effectively utilize the company's current resources, continue to boost investment in branding, intensify on sports tournament promotions and ensure creativity is converted into effective communications that strengthen the connectivity between brand, products and consumers. As for products, the Group will intensify its product innovation, continue to improve product design, research and development, as well as streamline product pricing strategy so as to offer better value for the money and drive growth in sales volume.

On store expansion, the Group adjusted its target for new openings with regard to LI-NING branded stores. The Group targets to open 8,300 stores by the end of 2011, 8,650 stores by the end of 2012, and 9,000 stores by the end of 2013. It must be stressed that emphasis will be placed on retail efficiency rather than expansion driven by new store openings. The Group will focus on the quality and efficiency on store openings. The current target has already factored in the establishment of inventory clearance channels, such as factory outlets. Also, a certain proportion of stores will be opened in untapped areas, especially lower tier cities.

Mr. Li concluded, "The Group believes that the transformation of the industry, the shifts in the competitive landscape, and the adjustments the Group has made will become clearer in the next two to three years. These changes will lead to a more mature stage of development of the sporting goods industry in China. We believe that the reform measures which are currently carried out by the Group will help us better adapt to, and even lead the long term development of the sporting goods industry in China."

About Li Ning Company Limited

Li Ning Company Limited is one of the leading sports brand enterprises in China, possessing brand marketing, research and development, design, manufacturing, distribution and retail capabilities. The Group's products mainly include footwear, apparel, equipment and accessories for sports and leisure uses under its own **LI-NING** brand. The Group has established an extensive supply chain management system, and a retail distribution network in the PRC primarily through outsourcing of manufacturing operations and distribution via franchised agents. The Group also directly manages retail stores for the LI-NING brand.

The Group adopts a multi-brand business development strategy. In addition to its core LI-NING brand, the Group (i) distributes sports products under its **Z-DO** brand via hypermarket channels; (ii) manufactures, markets, distributes and sells outdoor sports products under the French brand **AIGLE** in China, the exclusive rights of which were granted to a joint venture established with Aigle International S.A.; (iii) 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 a 57.5% interest; (iv) develops, manufactures, markets, distributes and sells licensed products under the Italian sports fashion brand **Lotto** in China under an exclusive license granted by a company owned by Lotto Sport Italia S.p.A.; and (v) engages in the research and development, manufacture and sale of professional badminton equipment under the **Kason** brand.

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