



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

**Li Ning Reports 2012 Interim Results**

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**Develops Transformation Blueprint to Improve Core Strength and Operational Capabilities**

**Financial Highlights**

RMB million	For the six months ended 30 June		Change
	2012	2011	
Revenue	3,880.1	4,289.3	-9.5%
Gross profit	1,715.5	2,029.1	-15.5%
Operating profit	183.6	442.3	-58.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	305.0	568.0	-46.3%
Profit attributable to equity holders	44.3	293.7	-84.9%
Basic EPS (RMB cents)	4.21	27.94	-84.9%
Interim dividend per ordinary share (RMB cents)	Nil	11.13	N/A

(22 August 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 six months ended 30 June 2012. Revenue was RMB3,880.1 million, representing year-on-year decline of 9.5%. Profit attributable to equity holders and earnings per share both went down by 84.9% to RMB44.3 million and RMB4.21 cents respectively. The results were broadly in line with the Group’s performance guidance throughout the period. Moving forward, the Group will endeavour to enhance overall management strength and operational capabilities, set forth the go forward plan and short-term initiatives.

Under the current operating conditions, the Board of Directors resolved not to declare interim dividend for the six months ended 30 June 2012 (30 June 2011: RMB11.13 cents per ordinary share). The Board believes that the Group should retain cash for its future development.

Mr. Li Ning, Chairman of the Group commented, “During the first half of 2012, in the face of the industry slowdown and intensifying competition, the Group’s business performance showed a relatively large degree of decline. To effectively respond to the industry environment, and to propel the Group’s long-term, sustainable development, the Group decided to focus its resources on the core LI-NING brand and the Chinese market, centre on the essence of sports, to give full play to the brand value. Despite the pressures, the Group continued to press ahead with its reforms during the first half.”

Adhering to the strategy of focusing on its core business, during the first half of 2012, the Group formulated and executed its Olympics integrated marketing plan and sustained its consistent communication with consumers on the brand positioning via marketing platforms founded on core sports competitions, combined with new product functionality and unique brand personality to strengthen brand equity. In particular, the Group further invested into its basketball category in June, when it signed a memorandum of cooperation regarding the Group’s role as an equipment sponsor for the CBA for five seasons from 2012/2013 through 2016/2017.

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2012 marks the year of the Games of the 30<sup>th</sup> Olympiad, and to capture the opportunities of the London 2012 Olympic Games, the Group conducted and participated in a series of activities including the “Olympic Flame Witnesses Change”, wherein Mr. Li concluded the torch relay across Greece with the last flame handover; “Witness the Change, the Dragon Dazzles London” press conference for sponsorship of five national gold medal teams’ Olympic sports gear; an exhibition tour to showcase LI-NING brand’s professional Olympic gear for the five national gold medal teams; and “The Chinese will Make the Change” themed Olympics marketing and promotions which integrates a variety of resources including TV commercial, outdoor advertisement, brand public relations, POP key vision, in-store displays, field events, themed sales as well as digital sales and marketing.

For the Olympics, the LI-NING brand maintained a close partnership with the five Chinese national gold-medal teams in badminton, gymnastics, diving, table tennis and shooting, for which it has been a long-term sponsor. The Group endorsed other world-class sports sponsorship resources involved in the London 2012 Olympic Games, such as Christian Taylor, the young, up-and-coming American triple jump star who won gold; the Spanish National Basketball Team, which won silver, and superstar pole vault athlete, Yelena Isinbaeva, who won bronze. All these teams and athletes were 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 the first half of 2012, the Group’s continued to steadily progress with distribution channel reforms, by making structural adjustments to its stores according to the evaluation results based on a principle of profitability and cost-savings, and closing 1,200 inefficient stores. As at 30 June 2012, the total number of LI-NING brand conventional stores, flagship stores, factory outlets and discount stores amounted to 7,303, representing a net decrease of 952 stores as compared to 31 December 2011. In particular, there were 271 LI-NING brand factory outlets and 394 LI-NING brand discount stores (31 December 2011: 269 factory outlets, 358 discount stores) and the proportion of retail revenue accounted by clearance channels increased.

As at the end of June, there were 52 distributors, five fewer than at 31 December 2011. During the first half, the Group announced its new sub-distribution policy for 2013 with a view to allocating channel benefits in a reasonable manner and enhancing the level of control over sub-distribution channels. In the second half of 2012, the Group will step up its construction of high-efficiency factory outlets for its subsidiaries in order to improve their inventory clearance capabilities. The Group will also press ahead with construction of sixth-generation stores and polish the sixth-generation image of stores at the retail end as well as systematically enhance the retail operations of stores to increase efficiency, improve store performance and enrich consumers’ shopping experiences.

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 is committed to creating product offerings which are able to meet the needs of both general consumers and professional athletes. The Group continued to sponsor domestic and international sports resources with its top-notch gear to support these athletes in achieving outstanding performances, especially for the London 2012 Olympic Games. Since the Olympic Games fell in the Year of Dragon, the LI-NING brand launched the innovative “Scarlet Scales” (赤鳞) sportswear for professional athletes, which was inspired by the characteristics of a dragon in traditional Chinese culture and roof tiles shaped like dragon scales, dating back some 8,000 years, that marked a core breakthrough in the design of sportswear for the 2012 National Olympic teams.

The Group endeavours to establish a demand-driven, flexible and market-responsive supply chain system to effectively cope with its business model and growth. During the first half of 2012, the Group undertook several measures to enhance its supply chain management. Besides focusing on controlling costs, clearing inventory, assessing risks and increasing operational efficiency, the Group also commenced trial operations of “LI-NING Logistics Centre” in Jingmen in April 2012. The Group proactively explored and attempted overseas procurement, and established new partnerships with OEM suppliers in Southeast Asia in an effort to achieve greater cost optimisation as well. Furthermore, the Group continued to strengthen management of suppliers on fulfilling social responsibilities and adherence to environmental regulations by conducting in-depth exchanges and collaborations with various brands through “The Joint Roadmap towards Zero Discharge of Hazardous Chemicals by 2020”. The Group also followed up with the elimination of hazardous chemicals in day-to-day work and conduct of the subprojects, as well as maintained communication and dialogue with all key stakeholders.

During the first half, the Group strove to clear inventory at the retail level, streamline the store network, close down inefficient stores and improve retail efficiency. Moreover, the Group endeavoured to strengthen sports marketing, as well as optimise products and the supply chain in order to steer the Group back onto a healthy path of development as quickly as possible.

In early July, the Group announced changes to its management team and the appointment of a new board member. The Group will be led by Mr. Li Ning, Founder and Executive Chairman, and Mr. Jin-Goon Kim, Executive Vice Chairman. The Board also announced the appointment of Mr. Samuel Su as an independent non-executive director.

Moreover, the Group announced a new go-forward plan, involving a “Three Stage Transformation Blueprint” with the main goal of improving the Company’s core strength and achieving long-term profitability. Phase 1 of the plan starts with certain short-term strategic and operational measures, including clearance of channel inventory, improving cost structure in product and operations, strengthening organisation and execution capabilities, improving channel productivity and profitability, narrowing focus onto core products and domestic market, and investing the in brand. Phase 2, which is in its pilot phase, is set out for 2013 to 2014. During phase 2, we aim to improve the supply chain management, go-to-market and merchandising model and provide more exciting products and consumer experience to solidify the brand’s leading position in China’s sportswear market. Phase 3 covers the coming two to four years, and is currently under development. In phase 3, we will focus mainly on transforming the Group’s business model through improvement of profit structure for the Company and its channels, drawing consumers’ product and brand experience closer to market demand and development of virtuous cycles based on higher retail productivity and return on cash and investments.

Mr. Li concluded, “In the long-run, the consumer goods industry, which the Group operates in, will still benefit from the transformation of China’s economy from being investment-driven to consumption-driven. At the same time, the escalating competition within the Chinese sporting goods industry is also fueling greater intensity amongst sportswear brands’ competing for distribution channels, sports resources and media resources. Moreover, consumers now pose greater demands on brand and product value. Facing these shifts in demand and increasing costs, the Group expects changes in the competitive landscape of the Chinese sporting goods industry over the next three years. We believe that while transformation within the industry and the competitive environment is inevitable, the ongoing management reforms and adjustment in strategies which the Group is currently undertaking will equip the Group with a higher capability to adapt to the long-term development of China’s sporting goods industry and build our competitive edge for the future.”

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### 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.

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