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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)**

### **Estimated Results for Year 2011 and Outlook for Year 2012**

This announcement is made by Li Ning Company Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”), pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as part of the Company’s ongoing effort to maintain and enhance the transparency as well as to ensure the timely disclosure of information to shareholders and investors.

**Shareholders and investors are advised to exercise caution when dealing in the shares of the Company.**

#### **Estimated Results for Year 2011**

Consistent with the Group’s communications with the capital market over the past year, in view of the current market situation of the sporting goods industry in China, as well as the challenges the Group is facing in the present stage of its corporate development, the Group’s financial performance will be affected in the short term. Based on an initial review of the Group’s unaudited consolidated management accounts for the year ended 31 December 2011, the management’s estimates of the key financial results for the year 2011 are as follows:

- Due to the flat growth in orders and the repurchase of a portion of inventory from distributors, the Group’s revenue is estimated to decline by approximately 6-7% when compared with that of 2010.
- It is estimated that the new wholesale discounting policy, combined with the increase in production costs, will result in a decrease in gross profit margin by approximately 1-1.5 percentage points when compared with 47.3% recorded in 2010.
- As the Group maintained or further increased its investment in areas such as branding, products and human resources during the year, it is estimated that the overall expense ratio (including distribution costs and administrative expenses) will increase by approximately 7-8 percentage points from 33% recorded in 2010.
- Other income is expected to decline when compared with that of 2010, mainly due to a decrease in local government grants.
- As a combined result of the above factors, the margin of profit attributable to equity holders is expected to decline by approximately 7-8 percentage points from 11.7% recorded in 2010.

The above estimation is broadly in line with the Company’s performance guidance disclosed to investors in 2011. The Group’s consolidated management accounts for the year ended 31 December 2011 have not yet been reviewed and approved by the Company’s auditor and audit committee. The Group plans to announce details relating to its annual results for the year 2011 around the end of March 2012.

## Outlook for Year 2012

In view of the challenges currently faced by the sporting goods industry in China, the Group will continue to proactively implement a range of reform strategies in 2012. Key measures include:

- Focus on its core business, enhance operational efficiency, carry out reforms in organisational structure and introduce across-the-board cuts in expenses (with the exception of expenses relating to brand marketing and promotion and product research and development), in particular by reducing day-to-day expenses and enhancing staff efficiency, so as to improve the net profit margin.
- Adjust product structure and control procurement costs in order to enhance product gross profit margins.
- Press ahead with distribution channel reforms, enhance retail efficiency in the second- to fourth-tier markets, and undergo further clearance of inventory at the retail level to accelerate cash conversion.
- Leverage the opportunities afforded by the London Olympic Games to enhance brand image.

The Group remains cautious of the macro-economic environment in China in 2012 and the adjustments the sporting goods industry is undergoing. Nevertheless, the board of directors and the management of the Company believe that the Group's strategies and their implementation measures are both rational and on the correct course. In this 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.

By order of the board  
**Li Ning Company Limited**  
**Li Ning**  
*Chairman*

Hong Kong, 19 January 2012

*As at the date of this announcement, the executive directors of the Company are Mr. Li Ning, Mr. Zhang Zhi Yong and Mr. Chong Yik Kay. The non-executive directors are Mr. Lim Meng Ann, Mr. Chu Wah Hui and Mr. James Chun-Hsien Wei. The independent non-executive directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei and Mr. Chan Chung Bun, Bunny.*