

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

OPERATIONAL AND FINANCIAL UPDATES

Li Ning Company Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) provides the Group's recent business operational and financial updates as follows.

TRADE FAIR RESULTS FOR THE FOURTH QUARTER OF 2012

Set out below is the results of LI-NING brand products trade fair for the fourth quarter of 2012:

Year-on-year change	Order value (%)	Average retail price (%)	Order volume (%)
Total order	High-teens decrease	–	–
Footwear products	Low-teens decrease	Low single-digit decrease	Low-teens decrease
Apparel products	Over 20% decrease	Low single-digit decrease	Over 20% decrease

Note: Trade fair results do not wholly reflect the Group's revenue.

Throughout this year, competition within the sporting goods industry has intensified, discount promoting efforts have further increased and the pressure of inventory clearance at the retail level remains strong. Despite taking an early initiative in implementing a series of reforms at the retail level, the Group is still affected by the unfavourable market conditions, and the effects of the reforms have yet to emerge. In response to the challenging industry environment, and to avoid adding greater inventory pressure at the retail level, the Group has actively communicated with distributors to control order arrangements. As a result, trade fair results for the fourth quarter of 2012 decreased as compared with the same period last year.

Trade fairs for the full year of 2012 have been completed and the amount of new product trade fair orders for the full year show a high-single digit percentage decrease as compared with that of last year.

In face of the challenging operating environment, the Group will concentrate on its strategy to focus on its core business and enhance operation efficiency. During this year and next year, the Group will strive to clear out inventory at the retail level, streamline the retail store network, control the pace of new store openings, close down inefficient stores and improve retail efficiency. Moreover, the Group will endeavour to strengthen sports marketing, enrich brand equity, as well as optimise products and the supply chain.

The following parts of this announcement are made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

SPONSORSHIP OF THE CHINESE BASKETBALL ASSOCIATION

On 11 June 2012, the Group signed a memorandum of cooperation regarding the Group's role as the equipment sponsor of the Chinese Basketball Association ("CBA"). The agreement has a term of five seasons from 2012/2013 to 2016/2017.

Basketball is a mainstream sport in China with a particularly strong influence on young consumers. This sport enjoys massive market capacity and maintains a rapid growth trend. Moreover, this sport category has always been one of the most valuable contributors to the business of the Group.

After years of development, CBA has built substantial commercial value as well as brand value. It has grown to become one of the most popular sports leagues with the highest fan loyalty in China. Moreover, the commercial operations of CBA are highly mature. Statistics, such as its media coverage, TV viewership and number of spectators and the scale of sponsorships, attest to the strong commercial value of the CBA.

The board of directors of the Company and the management of the Group believe that this sponsorship is an important strategic choice for the Group from a long-term development perspective. With the sponsorship rights of the CBA, the Group will fully utilise the CBA's sports marketing platform, extensive exposure and excellent resources to expand the LI-NING brand's basketball business, enhance the brand value and further develop the Group's business overall, while aiming to contribute more to the development of China's basketball industry.

Moving forward, the Group plans to further develop its basketball business through:

- Launching more high-quality products and enhancing its image as a professional sporting goods brand;
- Strengthening consumers' perceived relevance between the LI-NING brand and the basketball sport category by fully leveraging on the matches, marketing resources and various sales and promotional activities of the CBA;

- Developing grassroots marketing activities by collaborating with the CBA to strengthen the link between the LI-NING brand and the fans and consumers across the nation.

THE GROUP'S FINANCIAL SITUATION AND PLANNING

Based on the trade fair results, the Group's sales revenue for 2012 is anticipated to record a negative growth as compared with that of 2011.

Regarding expenses, due to the resources required to secure and support the CBA contract for its duration, the Group's expenses in brand marketing and promotion will increase substantially from the fourth quarter of 2012 to the third quarter of 2017. Together with the impairment loss of intangible assets of the Lotto brand licensing business (please refer to the Company's announcement dated 11 June 2012) and other factors, such as the interest payable in relation to convertible bonds, it is anticipated that the Group's profit before taxation and profit attributable to equity holders for the first half of 2012 and the full year 2012 will have a rather substantial decline as compared to the corresponding period in 2011.

Despite the aforementioned financial pressures, the Group will further strengthen its expenses control. The Group will also adjust the sports marketing expenses structure and improve management efficiency to maintain the stability of overall expenses.

The above estimated financial results of the Group for the first half year and the full year 2012 are merely based on management's preliminary assessment of the Group's information currently available and are not based on any figures or information audited or reviewed by the Company's auditor.

Potential investors and shareholders are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 11 June 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. Chu Wah Hui, Mr. James Chun-Hsien Wei, Mr. Chen Yue, Scott and Mr. Kim Jin Goon. The independent non-executive directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei and Mr. Chan Chung Bun, Bunny.