LI NING COMPANY LIMITED

（李寧有限公司）

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

OPERATIONAL HIGHLIGHTS AND ESTIMATED RESULTS FOR THE FIRST HALF AND THE OUTLOOK FOR THE FULL YEAR OF 2011

Li Ning Company Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**"), will be holding a discussion with investors and analysts on the operational highlights and estimated results of the Group for the six months ended 30 June 2011, as well as its outlook for the full year as set out in this announcement. This discussion is an update to the disclosure of information consistently made by the Group since January this year.

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. **Investors are advised to exercise caution when dealing in the shares of the Company.**

EXECUTIVE SUMMARY

The Group has always adhered to its core strategy and mission – to focus on branding and product innovation and compete on differentiation. Through its focus on the very essence of sports, the Group aims to inspire people's desire and power to make breakthroughs.

In recent years the sporting goods industry in China has experienced changes that are marked by the consumers' consistently escalating requirements and maturing awareness towards branding and sports functionality. At the same time, rising costs have inflicted far-reaching impacts on the overall structure of the industry and have had a profound influence on different segments of the value chain. On the other hand, competition within the industry is intensifying and the overall competitive landscape is presently shifting. It was against this macro environment that the Group proactively introduced key reform measures in 2010, including the brand revitalisation and distribution channel reforms, to better align the growth objectives of the Group with the industry's development trend.

The Group is currently in the early stages of this reform process. Consistent with its constant communications with investors since January this year, the management has envisaged that in the near term future, the Group's operating performance and financial indicators will both be affected. More importantly, throughout the reform process, the management has been analysing and reviewing the situation on an ongoing basis in order to adjust and improve its execution plan. At the same time, the Group has actively enhanced its communications with its investors and the capital market, so as to facilitate investors' timely and effective understanding of the Group's progress and development.

HIGHLIGHTS OF THE FOURTH QUARTER TRADE FAIR FOR 2011

The LI-NING Brand Products Trade Fair for the fourth quarter of 2011 concluded in June 2011. Based on tagged retail prices, the confirmed order value for this Trade Fair rose by more than 5% compared with the corresponding period last year. The average retail prices for apparel and footwear products registered increases of over 10%, while order volumes declined at a high-single-digit rate. Due to the new wholesale discount policy for 2011, order value based on sell-in prices declined by about 1% from the corresponding period last year.

Looking at the results of the LI-NING Brand Trade Fairs for the full year 2011, order value for new products grew by approximately 1% based on tagged retail prices, and declined more than 5% from the year 2010 based on sell-in prices.

DISTRIBUTION CHANNEL REFORM PROGRESS AND RETAIL SALES UPDATES

As of 30 June 2011, the Group has completed integration of 256 single-store, low-efficiency sub-distributors, which is in line with the Group's implementation plan. The Group envisages that by the end of 2011, it will complete integration of 400 single-store sub-distributors. As of the end of June 2011, the number of LI-NING brand factory outlets reached 191.

Retail sales updates are as follows:

- Same-store sales growth was maintained at a low single-digit pace from January to June

- As of the end of June, the total number of LI-NING brand stores reached 8,163

- Inventory at the retail level rose from the end of last year

- Average retail discount increased slightly from those of the same period last year

IMPLEMENTATION OF BRANDING STRATEGY

This year, with brand revitalisation as its core strategy, the Group strengthened its integrated marketing plan to communicate constantly with its consumers using a combination of major sporting events, new product features as well as the brand's unique personality. Some of the principal marketing activities include "Conquer I" basketball products promotions, "New Generation Ultra-light, Breathable Running Trainers" promotions, and promotional activities jointly hosted around the Sudirman Cup badminton championships.

ESTIMATED RESULTS FOR THE FIRST HALF AND THE OUTLOOK FOR THE FULL YEAR 2011

The Group believes that the industry will undergo a transformation in the next two to three years, and that the Company is still at the investment stage of securing its long term competitiveness. Despite the impact on its overall sales revenue, the Group will continue to furnish sufficient financial resources to branding, product research and development as well as to motivating and attracting talent. Therefore, although the Group expects that its financial performance will be affected in the near term, it remains convinced that these moves are indispensable in this proactive revitalisation process, and will contribute positively to its long-term, healthy development.

Based on the initial review of the Group's unaudited consolidated management accounts for the six months ended 30 June 2011, the management's estimates of the financial results for the first half of 2011 are as follows:

- Revenue: Since the beginning of the year, the Group has stepped up its efforts in reforming its distribution channels. In a bid to speed up inventory clearance at the retail level, the Group decided to buy back a portion of inventory from its distributors. In addition, as forward order growth remained flat when compared with last year and there had been relatively fewer replenishment orders, revenue from sales of LI-NING brand products will experience a degree of slowdown as compared with the same period last year. The growth in revenue from sales of the Group's other brands will remain flat. The Group's overall sales revenue will decline by approximately 5% compared with the same period last year.

- Gross profit margin: As a result of the new wholesale discount policy and the increase in raw material costs, gross profit margin will decrease by approximately 1 percentage point compared with the 47.9% recorded for the same period last year.

- Expense ratio: Since the Group strengthened its management efficiency at the retail level and increased the proportion of directly-operated retail stores, rental and human resource costs were set to escalate more quickly. On the other hand, the comparison base for advertising and promotion expenses of last year was relatively low. These, together with the fact that the Group increased its investment in branding this year, will translate into about a 7 percentage-point increase in the Group's overall expense ratio (including distribution costs and administrative expenses) from the 31.8% recorded in same period last year.

- Other income: According to local government policies, other income is expected to decline compared to the same period last year.

- Net profit: As a combined result of the above factors, the margin of profit before income tax is expected to decline by about 8 percentage points from 17.6% for the same period last year. Margin of profit attributable to equity holders is expected to decline to approximately 6-7% from 12.9% recorded in the same period last year.

- Cash conversion cycle: Accounts receivable days will increase by about 20 days from that of the same period last year as the Group offered more support to distributors. Reflecting the impact from returned goods, inventory turnover days is expected to increase by about 25 days. The accounts payable days is also expected to be lengthened by around 20 days. The overall cash conversion cycle is, therefore, expected to increase by about 25 days from that of the same period last year.

Due to the anticipated significant year-on-year increase in raw material costs in the second half of 2011, the Group expects that its gross profit margin for the second half of 2011 will decrease compared with the same period last year. Therefore, the margin of profit attributable to equity holders for the full year 2011 is expected to decline by about 1-2 percentage points when compared with the first half of 2011.

The consolidated management accounts for the six months ended 30 June 2011 have not yet been reviewed or approved by the Company's auditor and audit committee. The Group plans to announce its detailed interim results for the six months ended 30 June 2011 in the latter half of August 2011.

FUTURE EXECUTION

The Group is taking proactive steps of reform to strengthen its implementation of strategies in distribution channel as well as branding and product development in order to improve its business performance. Measures that the Group will take include:

- Channel: Step up the pace in advancing the distribution channel reforms and measures to accelerate clearance of inventory at the retail level, exercise better management on distribution channels, raise retail efficiency and improve cash turnover.

- Branding: Continue to boost investment on branding, further refine the brand strategy, optimise organisational structure and operational flow, invest more on sports tournament promotions and ensure creativity is converted into effective communications that strengthen the connectivity among brand, products and consumers.

- Product: Constantly improve product functionality and quality, optimise product SKU structure, prioritize the application of the Group's technology platform, streamline product pricing strategy, strengthen the offering of better value for the money and place sales volume growth higher in the priorities.

The Group believes that the transformation of the industry, the shifts in the competitive landscape, and the adjustments it has made in its strategies 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.

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

Hong Kong, 7 July 2011

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.