

For Immediate Release



LI NING COMPANY LIMITED

(李寧有限公司)

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2331)

Media Clarification

(27 December 2010 – Hong Kong) In relation to recent media reports about the distribution reform measure implemented by Li Ning Company Limited (“Li Ning” or the “Group”), the Group wishes to clarify the following:

- The Group is carrying out the distribution reform measure and the consolidation of 500-600 less efficient sub-distributors forms an important part of this exercise. This distribution reform measure and store closures are entirely two different concepts;
- As at 30 June 2010, the Group has about 129 distributors and over 2,000 sub-distributors. A majority of the sub-distributors are relatively small in scale and operate an average 2 stores each. In fact, over 1,700 sub-distributors operate only 1 store each. The Group is aware that a majority of the sub-distributors are relatively weak in retail management, product procurement and product lifecycle management. This leads to less than satisfactory performance in terms of store efficiency and operating profit margin in the stores operated by these sub-distributors. In addition, these sub-distributors also lack the scale to enjoy the benefits from economies of scale. Meanwhile, from a macro perspective, on the back of the fast-changing competitive landscape of the sporting goods industry in China, coupled with ongoing urbanization in China, which spurs consumers to trade up their consumption needs, and to demand for better-quality products underpinned by stronger brands and the fact that distributors are facing escalating cost pressure, in particular wages and rental costs, these call for reforms necessary for Li Ning’s distribution system after years of development which would enable the Group to select the right mix of distributors/sub-distributors that could cope with the Group’s as well as the industry’s future development;
- Consolidation of less efficient sub-distributors is done through which stores currently run by these less efficient sub-distributors will be acquired by more efficient distributors or those sub-distributors who demonstrate their intention to further expand their development. Meanwhile, the Group will encourage large distributors to increase the number of directly-managed stores;
- Every year, the Group opens up new stores and closes down stores as part of its normal course of business. Factors such as lease expiration and store relocation are the main reasons for store closures;
- The Group would like to reiterate that, at present, the targets for LI-NING stores for 2010 and 2011 remain unchanged.
- The above information is consistent with the content of the distribution reform measure the Group announced since November 2010.

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