

For immediate release



**LI NING COMPANY LIMITED**

**李寧有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2331)**

## **Li Ning Company Reports Annual Results for 2014**

*Board Appointed Mr. Li Ning as Interim Chief Executive Officer*

*To lead Group on Path to Growth*

### ***Financial and operational highlights***

- *The Group's full year revenue returned to growth, and increased 16% year-on-year to RMB6,728 million. Revenue growth accelerated in the second half of 2014, up 23% year-on-year;*
- *Previous investment in the platform by the Group continued to create pressure on 2014 profitability. Loss attributable to equity holders in the year was RMB781 million. Adjusted EBITDA<sup>1</sup> was at a loss, but improved meaningfully year-on-year with the loss narrowed by 82% year-on-year in the second half of 2014;*
- *Optimization of the retail channel network was completed. Old inventory significantly decreased in channels, and 2014 new product mix (current and past season) was up to 55%;*
- *The Group announced raising capital through an open offer in December 2014, which was completed in January 2015. Proceeds raised will be used to optimize the capital structure and support investment in the growth of the business;*
- *The Board announced appointing Mr. Li Ning as Interim CEO, and believes that the present arrangement facilitates business planning and the execution of strategies, which is beneficial to the Company at the current stage of development and its shareholders*

### ***Outlook***

- *From 2015 to 2017, the Group will focus on three pillars of growth: product, channel and overall retail capability. At the same time, it will seek to reduce costs and improve overall operational efficiency.*
- *The Group will rapidly upscale internal execution capabilities to take advantage of opportunities provided by the Internet. Using sports product technology as a foundation, the Group will seek cross-industry collaboration with technology and innovative companies to provide products and services that match current sports life style and consumer patterns. We believe these will position the Group for further growth.*

19 March, 2015 – Hong Kong – **Li Ning Company Limited** (“Li Ning” or the “Group”; HKEx stock code: 2331), one of the leading sports brand companies in China, announced today its results for the year ended 31 December 2014. Revenue returned to growth and increased year-on-year by 16% to RMB6,728 million.

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<sup>1</sup>Adjusted EBITDA = EBITDA excluding bad debt provision and one-time cost (One-time costs include impairment of available-for-sale financial asset, closure of Flagship stores etc.)

During the year, gross profit margin maintained at a steady level at 45% and gross profit was RMB3,004 million. However, the Group's previous investment in the platform continued to put pressure on 2014 profitability. Loss attributable to equity holders in the year was RMB781 million. The Adjusted EBITDA<sup>1</sup> was at a loss, but improved meaningfully year-on-year with the loss narrowed by 82% year-on-year in the second half of 2014.

In the past year, the Group's old inventory significantly reduced. Inventory mix that is older than 12 months made up around 40% in 2012 and fell to around 25% in 2014. New product mix (current and past season) was over 55%. Channel inventory amount (tag price) continued to fall year-on-year, and fell 33% compared to the peak in 2011.

The Group continued to improve on the foundations put in place from its previous investment. The Chinese government has launched various policies to support the overall development of the Chinese sports industry, to promote an enthusiastic and healthy sports culture in the public and communities. As urbanization continues in China, the public's enthusiasm for sports continues to increase and grow in importance, bringing new opportunities for the long term development of China's sportswear industry. The Group will focus on its core sports resources, and invest in the five core sports categories, namely basketball, running, badminton, training and sports life.

In terms of product mix, basketball, running, training and sports life retail sell through mix increased by 10 percentage points year-on-year, comprising 77% of the Group's total sell through. New products have demonstrated unique competitiveness in the market, deepening an innovative and market-leading brand image. In terms of channels, after three years of channel optimization, inventory has reached a much healthier level. Trade fair orders (excluding subsidiaries), in terms of tag price, registered year-on-year growth for five consecutive quarters up to the 2015Q3 season. The Group's sales channel network has stabilized, but it has also lost certain markets in which it should have a presence due to the effect of earlier store closures. In terms of overall retail capability, product development, stock clearance and cash flow capabilities, each has begun to take shape but will need further strengthening.

In the next three years, the Group will focus on the three pillars of product, channel and overall retail capability to drive business growth. In terms of products, the Group has laid out a two-pronged product strategy based on the five core sports categories, namely: a professional and high-function product strategy targeting professional and active sport enthusiasts, and a fashionable, sports lifestyle product strategy targeting mass consumers' needs, to increase its product competitiveness and regain business in the mass sports lifestyle market. In terms of channels, the Group will continue to strengthen its partnerships with channel partners, expand opportunities in potential markets, and enter strategically in the low-penetrated Southern region in China. In terms of overall retail capability, the Group will have a more accurate plan for the full sales cycle, from product development, planning and assortment, retail sales, inventory clearance to cash flow return, forming a "Closed Loop" to most effectively reinforce a positive sales cycle. This will allow the Group to have a holistic view of all the different stages a product goes through, to improve overall retail capabilities and lower operating costs.

In addition, the Internet has created new models for consumption, information sharing and retail payment for consumers. To capture the new opportunities provided in sports lifestyle by the Internet as well as expand its current business, the Group has decided to link up product development and retail capabilities with the new Internet-enabled business environment, and actively pursue business opportunities through cross-industry collaboration.

In early 2015, the Group has begun in-depth collaborations with Marvel, MI band (小米手環) and Internet companies. Both opportunities have their unique advantages and resources, stimulating different creative opportunities. The products collaborated with Marvel will be launched in early April. It will promote O2O marketing through digital marketing and a “netizen media” viral marketing strategy. Also, the Group earlier announced a strategic partnership with HUAMI Co. Ltd, the fitness wearable company behind the Mi band and a part of the Xiaomi ecosystem, to develop the next generation of “smart” running shoes and explore big data opportunities in health and fitness. This is the first collaboration between sports and “smart” technology in China. Also, due to the use of mobile payment services, the Group has started to upscale its system capabilities to be better matched for the new business models.

Through different opportunities and varying resources and capabilities, the Group hopes to develop together with its partners. The availability and openness of information sharing will create space for business extension and cross-industry collaboration. It will create a series of exploration and development opportunities through “smart” innovations, and help form a unique LI-NING ecosystem. The Group will utilize its advantage in product technology to collaborate with other technology and innovative companies to provide products and services that match current sports lifestyle and consumer patterns. These will set the Group on a next round of growth.

Mr. Li Ning, Founder and Chairman of the Group commented, “2015 will mark the beginning of the Group’s growth phase. The next three years will be a critical time period for us to achieve breakthrough growth in our next stage of development. Going forward, in addition to leading our business strategy, I will take on more responsibilities in driving our day-to-day operations and lead the Group on its path to growth.”

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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 also manufactures, develops, markets, distributes and/or sells sports products under several other brands, including Double Happiness (table tennis), Kason (badminton), AIGLE (outdoor sports), and Lotto (sports fashion) which are either self-owned, licensed or operated through joint ventures.

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