

[For Immediate Release]



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2331)

Achieved the first profit in four years
Double-digit revenue growths in retail, wholesale and e-commerce

Results highlights

- Returned to profitability and positive operating cash flow since 2011:
 - Revenue grew by 17% to RMB7,089 million
 - Net profit attributable to equity holders was RMB14 million
 - Achieved RMB687 million operating cash flow
- Gross inventory (before provisions and excluding Double Happiness) declined 20% notwithstanding net addition of 313 direct Points-of-Sale (POS).
- Working capital improved significantly with cash conversion cycle (CCC) shortened by 26 days.
- Achieved balanced channel expansion, with retail, wholesale and e-commerce all recorded double-digit revenue growth:
 - Same Store Sales Growth (SSSG) for overall platform recorded low-single-digit and high-single-digit for Q4 and full year, respectively
 - Maintained positive SSSG for the overall platform in all four quarters throughout the year
- Double digit retail sell-through growth for all core product categories.
- Expansion in POS resumed with a net increase of 507 to 6,133 by the end of 2015:
 - Distributors' POS resumed expansion since 2011 and recorded a net increase of 194 POS.
- Trade fair orders for the third quarter of 2016 registered a low-teens growth on a year-on-year basis.

(Hong Kong, 17 March 2016) **Li Ning Company Limited** (“Li Ning” or the “Company”; together with the subsidiaries, the “Group”; HKEx stock code: 2331) is pleased to announce today annual results of the Group for 2015.

Li Ning Company Limited saw its revenue for the year ended 31 December 2015 reached RMB7,089 million, up 17% from 2014. Operating profit for the year was RMB157 million, against the RMB643 million operating loss incurred in 2014.

The Group grew its revenue and maintained gross profit margin that when coupled with reductions in expenses, its profitability was significantly improved. Profit attributable to equity holders of the Company was RMB14 million (2014: RMB781 million loss). Margin of profit attributable to equity holders stood at 0.2% (2014: -12.9%), up 13.1 percentage points year-on-year. Return on equity attributable to equity holders was 0.6% (2014: -33.7%), up 34.3 percentage points year-on-year.

Basic earnings per share were RMB0.66 cents, against the per share loss of RMB49.97 cents in 2014. The Board of Directors of the Company has resolved not to recommend payment of a final dividend

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for the year ended 31 December 2015.

The Group's overall gross profit margin was 45.0% (2014: 44.9%), which remained broadly stable throughout the year.

During 2015, the supportive national policies stood China's sportswear industry in good stead. Meanwhile, the initiative to lead an eco-friendly life deeply implants the idea of pursuing a healthy lifestyle into hearts of the people. As a result, participation and passion for sports among the average consumers intensified while the trend towards sports was gaining in momentum. In this light, although the consumer goods sector in China remained generally in doldrums, the domestic sportswear industry was able to pick on a favorable track of development.

Trade fair orders for LI-NING brand products from franchised distributors registered year-on-year growths for nine consecutive quarters in terms of tag price. The orders from the latest trade fair, which are for the third quarter of 2016, registered low-teens year-on-year growth.

For the fourth quarter ended 31 December 2015, in respect of LI-NING brand POS which had been in operation since the beginning of the same quarter the previous year, the SSSG of LI-NING brand products for the overall platform (including e-commerce business) registered low single-digit growth year-on-year. Breaking down by channels, the retail (direct operation) and wholesale (franchised distributors) reported mid-single-digit and low-single-digit year-on-year declines, respectively, while the e-commerce virtual stores business registered high-sixties year-on-year growth.

During the year the Group continued its efforts in aggressive clearance of off-season inventories via factory stores, discount stores, event sales, etc. With this, the Group saw its overall inventory level declined significantly with persisting improvements in its inventory structure, thereby established a firm footing sustaining its subsequent healthy development. Gross inventory (before provisions and excluding Double Happiness) declined by 20% notwithstanding net addition of 313 direct POS.

In 2015, the e-commerce division of Li Ning Company continued its efforts in improving the overall operations, merchandise allocation planning and quick-response capability accommodating market changes reflected online. Revenue of the e-commerce division increased by 95% year-on-year. This will emerge into growth for the whole year of 2016.

The Group reported a net positive operating cash flow of RMB687 million for 2015 (2014: negative RMB395 million). As at 31 December 2015, the balance of cash and cash equivalent of the Group stood at RMB1,813 million (excluding Double Happiness), representing a net increase of RMB922 million year-on-year compare with the end of 2014.

As the overall performance of the Group's channel partners continued to improve steadily, the recovery of trade receivables significantly increased, leading to significant improvement in the Group's cash flow.

During the year, the Company continued to substantiate the "Three Pillar" strategy, including product, channel and retail capability, to improve the overall efficiency. The arrival of Internet era created tremendous impact on the consumers' spending behavior and lifestyle, which needs the Company to look for new business opportunities in more flexible and varied communication manner. With our sports resources in hand, and through innovations of product, channel and operation, we relied on the Internet platform to enhance the interaction between online and offline channels, in order to create the value generated from the unique user experience of LI-NING Brand.

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An update on Double Happiness

The Company decided to dispose of its 10% equity interest in Double Happiness, and Double Happiness will no longer be a subsidiary of the Company upon completion of this transaction which expected in the first half of 2016. Therefore, Double Happiness was re-classified as held for sale and discontinuing operation in this annual results announcement.

Looking ahead, the Group will continue to optimize user experience via digital strategies and platforms and incorporate it into the entire business operation process in a more comprehensive manner. It will thoroughly implement strategies of product segmentation and labelling. It seeks to further differentiate the product mix by geographical locations and consumer categories and continues to develop the “~~LI-NING~~” blue label to expand the leisure sportswear market in the low-price range. The Group has established a strategic cooperation agreement with JingDong (JD.com), pursuant to which individual pilot regions will be chosen at the preliminary stage and JingDong will provide a one-stop logistic solution from product level to POS level, in order to optimize inventory and operational efficiency. The Group will strive to enhance efficiency and profitability of its existing POS while continue to optimize the sales channel network, targeting at adding a net of 300 to 500 POS in 2016. It will maintain its cost control efforts and seeks to improve the overall profitability.

Mr. Li Ning, Founder and Executive Chairman of the Group, said: “The mobile internet has had subtle yet substantial impact on people’s thoughts and consumption habits. Their expectations for provision of goods and services by commercial enterprises are also evolving. The pursuit of new lifestyles among consumers in leisure, sports and health presents huge room for development of the sports goods industry in future. The Group sees its strategic development in the foreseeable future hinges on integrating our brands with sports events, creating user experience in sports and building the value of LI-NING.”

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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.

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), AIGLE (outdoor sports) and Lotto (sports fashion) which are either self-owned by, licensed to or operated through joint ventures with third parties of, the Group.

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