

[For Immediate Release]



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2331)

**Achieved solid revenue growth and margin expansion
Ongoing strengthening of retail capability**

FINANCIAL HIGHLIGHTS

- Registered net profit attributable to equity holders amounted to RMB643 million, which included:
 - Net gain on disposal of 10% equity interest in Double Happiness (DHS) of RMB313 million
- Net margin, excluded net gain on disposal of 10% equity interest in DHS, raised from breakeven to 4.1%:
 - Revenue up 13% to RMB8,015 million, LN brand revenue was almost back to 2011 level
 - Gross profit margin increased by 1.2 percentage points
- Operating cash flow further increased to RMB995 million.
- Cash conversion cycle improved (shortened) by 17 days (2015: 76 days/2016: 59 days).

OPERATIONAL HIGHLIGHTS

- Continued business expansion:
 - Overall retail sell-through grew low-teens for two consecutive years
 - Channel inventory turnover further improved
- Retail capabilities improvement continued:
 - Accelerated growth in Same-Store-Sales (SSS) for overall platform, including online and offline channels
 - New product sell-out rate improvement continued, up over 2 percentage points
 - Discount rate improved almost 2 percentage points driven by higher new product mix, particularly in direct retail

(Hong Kong, 23 March 2017) **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 2016.

In 2016, the Company continued its growth trajectory and significant achievements were made in both financial and operational aspects. For the year ended 31 December 2016, the Group’s revenue reached RMB8,015 million, up 13% from 2015. Gross profit rose 16% to RMB3,705 million, against RMB3,193 million in 2015. The Group’s overall gross profit margin

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improved to 46.2% as compared to 45.0% in 2015. The 1.2 percentage point increase in gross profit margin was mainly driven by increased new product sell-through mix and optimized channel revenue mix.

Operating profit for the year reached RMB386 million, representing a great leap of 146% as compared to RMB157 million in 2015. Profit attributable to equity holders of the Company (include the RMB313 million net gain on disposal of 10% equity interest in Double Happiness) increased to RMB643 million, against RMB14 million in 2015. Margin of profit attributable to equity holders was 8.0% (2015: 0.2%). Return on equity attributable to equity holders was 17.9% (2015: 0.6%). Stripping out net gain on disposal of 10% equity interest in Double Happiness, net profit attributable to equity holders reached RMB330 million, margin of profit attributable to equity holders was 4.1% and return on equity attributable to equity holders was 9.2%.

Basic earnings per share were RMB29.03 cents, as compared to RMB0.66 cents in 2015. The Board of Directors of the Company has resolved not to recommend payment of a final dividend for the year ended 31 December 2016.

The Group's core brand, LI-NING brand, recorded revenue of RMB7,925 million, which accounted for 98.9% of the Group's total revenue, representing a year-on-year increase of 14%. Key categories of LI-NING brand, including running, basketball and training products all demonstrated significant sales growth. In terms of sales by channel, the e-commerce business of LI-NING still sustained strong growth momentum and registered a year-on-year increase of approximately 90% in annual revenue, with the proportion to the revenue of LI-NING brand increasing to 14%. Trade fair orders, in terms of tag price, for LI-NING brand products from franchised distributors registered year-on-year growth for thirteen consecutive quarters. The orders from the latest trade fair, which are for the third quarter of 2017, registered a low-single-digit growth on a year-on-year basis, meeting our target based on more precise trade fair order strategy.

During the year, the Group continued to enrich product experience, sports experience and shopping experience of major products categories including running, basketball and sports casual in product lines and retail end. Products were still the core development focus of the Company. In respect of smart products, the Group continued to leverage its competitive advantage in R&D to integrate innovative smart elements into the established technology platform. Leveraging LI-NING brand's DNA in professional sports, the Group launched a number of running shoes, namely "LI-NING Arc", "LI-NING Cloud" and "Super Light 13th", received positive recognition from consumers.

The Group maintained sales channel expansion in a healthy way and completed the POS expansion plan adopted in early 2016, achieving a net increase of 307. Management also adopted a clearer store classification based on category features to strengthen store image and enhance end-user sports experience and shopping experience. In addition, the Group strived for better product design, assortment and sales process encompassing category features. As a result, the overall retail sell-through grew low-teens for two consecutive years, with a continuous improvement in retail discount rate, as well as accelerated growth in same-store sales for overall platform, including online and offline channels.

In terms of cash flow management, the Group's net cash inflow from operating activities for

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2016 amounted to RMB995 million (2015: RMB687 million). As at 31 December 2016, cash and cash equivalents amounted to RMB1,954 million, representing a net increase of RMB141 million as compared with the position as at 31 December 2015. As the overall performance of our channel partners demonstrated a steady upward trend, the recovery of trade receivables increased significantly, leading to significant improvement in the Group's cash flow.

The pursuit of new lifestyles among consumers in leisure, sports and healthy lifestyle presents great potential for development of the sports goods industry in future. During the year, the Group has taken initiatives to diversify its brand portfolio and product offerings by reasonable and prudently making some new investments in different segments. In October 2016, the Company announced the cooperation with Danskin, the professional dance sports brand in the United States, for the exclusive licensing rights to operate the brand's businesses in the Mainland China and Macao.

Coupled with the Company's insight of Chinese consumer demand in the sports casual segment, LI-NING brand will cooperate with Danskin brand and gradually launch fashionable fitness products for professional dance and yoga. It is estimated that the brand will open 5 to 10 pilot stores in core business districts of metropolitans and first-tier cities in the second half of 2017. It is aimed to provide more choices and unique lifestyle experience for Chinese female consumers.

The "LI-NING" label is positioned as a fast fashion brand featuring sports and leisure attire, and caters to the demand of general public for the functionalities of sports brand. The brand fine tuned and optimized its business through exploratory tests in areas such as product and channel. Its sales channels are predominantly influential arcades and shopping malls located in central business districts in second-tier and third-tier cities. Its products are mainly styled to cater for modern creative lifestyle. As of the end of December 2016, the brand has opened about 40 POS in more than 20 cities including Beijing, Shanghai, Shenzhen, Hefei, Nanning, Wuhan and Chongqing. Going forward, the Group will continue to optimize the sales channel development based on the directions and findings it got through the past experiences when fine tuning the business.

During the second half of 2016, the Group also started strategy development for LI-NING KIDS, the existing LI-NING kidswear brand. The new kidswear will, on the basis of retaining the existing elements of LI-NING KIDS, target teenagers aged between 3 to 12, and great emphasis will be placed on launching the new logo: LI-NING YOUNG, a LI-NING teenage brand. The Company always believes that sports can help children to grow more healthily and energetically and will thus aim to provide them comfortable, safe, fashionable and colorful sports products and sports experience. In the future, the Group will base on the existing wholesale channel to develop retail operations.

Mr. Li Ning, Founder and Executive Chairman of the Group, concluded: "Riding on the success we have achieved in profitability and brand rejuvenation, we will continue to focus on areas that can be sharpened further in order to maintain healthy and sustainable profit growth for the Company in the future. We will push forward the building of supporting platform for retail operations in order to constantly enhance the profitability of retail stores. We will analyze key business segments with correlated products and channels based on categories and optimize the overall retail business model.

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Developing LI-NING brand value through experience remains the core of our business model. Taking into account the actual needs of consumers, we will refine their product experience, shopping experience and sports experience so as to meet consumer needs and habits and enhance the brand value and influence among consumers. We will, relying on the big data, analyze and grasp the spending habits and differentiated needs of consumer groups to support the projection of the Company's long-term development in the future. We will exercise reasonable and prudent use of resources to explore new businesses with market potentials in order to foster new opportunities for the Company's future profit 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.

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), Danskin (fashionable fitness products for dance and yoga), Kason (badminton) 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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