

[For Immediate Release]



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2331)

**Stable revenue and margin growth with enhanced operations
Strengthen the LI-NING brand value through experience**

FINANCIAL HIGHLIGHTS

- Reported net profit attributable to equity holders increased by 56% year-on-year to RMB515 million and net profit margin raised from 4.1% to 5.8% (comparative figures excluding net gain on disposal of 10% equity interest in Double Happiness):
 - Revenue increased by 11% to RMB8,874 million
 - Gross profit margin expanded 0.9 percentage point
 - Enhanced operating leverage through disciplined cost management
- Operating cash flow increased approximately by 40% to RMB1,159 million (relating to continuing operations only).
- Significant improvement in working capital continued:
 - Gross average working capital improved (reduced) by over 10% while revenue increased by 11%
 - Cash conversion cycle further improved (shortened) by 10 days (2016: 59 days/2017: 49 days)
 - Gross trade receivables improved (reduced) by 14%

OPERATIONAL HIGHLIGHTS

- High-single digit growth for total platform retail sell-through, including online and offline channels.
- Channel inventory turnover further improved to 6 months.
- Overall Same-Store-Sales recorded mid-single digit growth.
- Retail capabilities improvement continued:
 - Sell-out rate was up by approximately 4 percentage points
 - Discount rate improved by over 1 percentage point

(Hong Kong, 22 March 2018) **Li Ning Company Limited** (“Li Ning” or the “Company”; together with the subsidiaries, the “Group”; HKEx stock code: 2331) is pleased to announce today the annual results of the Group for the year ended 31 December 2017 (the “year”).

In 2017, the Company maintained solid growth momentum and recorded significant improvement in key operational indicators. During the year, the Group’s revenue amounted to RMB8,874 million, representing an increase of 11% compared to that of 2016. Gross profit rose 13% to RMB4,176 million,

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against RMB3,705 million in 2016. The Group's overall gross profit margin improved to 47.1% (2016: 46.2%). The increase in gross profit margin was resulted from the improved performance of new product from direct retail and wholesale channels, as well as the growth of aggregate proportion of sales from higher-margin direct operation and e-commerce channel. Operating profit for the year reached RMB446 million, representing an increase of 16% as compared to RMB386 million in 2016. Profit attributable to equity holders amounted to RMB515 million. Margin of profit attributable to equity holders was 5.8% (2016: 4.1%, comparative figures excluding net gain on disposal of 10% equity interest in Double Happiness). Return on equity attributable to equity holders was 11.4% (2016: 9.2%, comparative figures excluding net gain on disposal of 10% equity interest in Double Happiness).

Basic earnings per share were RMB21.47 cents (2016: RMB14.89 cents, comparative figures excluding net gain on disposal of 10% equity interest in Double Happiness). The Board of Directors of the Company resolved not to recommend payment of a final dividend for the year ended 31 December 2017.

The Group's core brand, LI-NING brand, recorded revenue of RMB8,819 million, which accounted for 99% of the Group's total revenue, representing a year-on-year increase of 11%. In terms of sales by channel, the e-commerce business of LI-NING continued to expand and increase its weighting of the total revenue, accounting for 19% of the total revenue of LI-NING brand. Trade fair orders, in terms of tag price, for LI-NING brand products from franchised distributors registered a year-on-year growth for seventeen consecutive quarters. The orders from the latest trade fair for the third quarter of 2018, registered a low-teens growth on a year-on-year basis.

During the year, the Group continued to create LI-NING's experience value in full swing through three major pillars of enhanced products, channels and retail capability. Li Ning's innate sports DNA has impelled the group to place more emphasis on sports research and investment in product research and development to constantly design and provide professional products to athletes and sports enthusiasts. Incessant imagination, on the other hand, is driving LI-NING brand to be more trend-setting by integrating fashion, entertainment and leisure elements with professional sports, therefore creating more professional and stylish products and sports experience for sports enthusiasts and life enjoyers. To enhance retail capability, we are dedicated to enhancing the precision of our product planning and optimizing the supply model, so as to satisfy end-user demands in a "swift + precise" way. As for retail stores, we upheld the consumer-oriented approach by enhancing and re-shaping retail experience at stores constantly.

As at 31 December 2017, excluding LI-NING YOUNG, the total number of LI-NING POS in China amounted to 6,262, a net decrease of 178 POS since the beginning of 2017. The Group has taken continuous initiatives to refine channel structure and raise channel efficiency by implementing various measures including closing down and renovating inefficient and loss-making stores and opening highly efficient stores and key experience-concept stores. During the year, the overall retail sell-through registered a high-single digit growth, with product discount rate and sell-out rate further improved.

In terms of cash flow management, the Group's net cash generated from operating activities for the year amounted to RMB1,159 million (2016: RMB995 million, including RMB836 million from continuing operations and RMB159 million from discontinued operations). As at 31 December 2017, cash and cash equivalents amounted to RMB2,529 million, representing a net increase of RMB576 million as compared with the position as at 31 December 2016. As the overall performance of our channel partners demonstrated a steady upward trend, the recovery of trade receivables increased significantly, leading to further improvement in the Group's cash flow.

In 2017, the e-commerce business of Li Ning attained steady growth. Meanwhile, the e-commerce of

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the Company achieved further breakthroughs in digital operation and the efforts of “We Media” in stores. Through developing a more complete system for digital operation model and mass content, e-commerce stores has, apart from a sales platform of simply selling products, evolved into an omni-experience platform enabling users to interact with the brand’s products, marketing activities, stars and tournaments through online platforms.

Apart from LI-NING brand, the Group also diversified its brand portfolio by making investments in some new segments with great potential for development of sports goods industry in the future. In 2017, Danskin brand focused on brand building, testing and promotion of market channels as its core businesses. The brand refined its production lines, including the STUIDO series featuring the sports fitness concept, the U-RHYTHM series signifying fashion and stylishness and the O-LEISURE series catering for the daily needs of white-collars and offering diverse and simple choices for various wearing occasions. The brand further introduced the American DANCE series – its origin DNA and the Japanese mid-and-high-end yoga series, thereby contributing to the “3+2” production line coverage.

The brand’s channel expansion is basically on trial run at the current stage. Two stores were opened in Shanghai MIXc and K11 in 2017 and a store was newly opened in Yaohan Shanghai in January 2018. The brand also launched pop-up events in Shanghai Raffles City and Baoshan Wanda Plaza. Coupling with digital promotion and in-store marketing by offering members with interactive experience, the brand sought to provide consumers with more diverse and precise consumer experience, receiving favourable consumer responses.

In the future, the brand will focus on digital channel in its marketing activities, with an aim to promote its brand value and strengthen communication with consumers through day-to-day engagement. The brand will maintain the trail-based channel expansion that focuses on prestigious landmark shopping malls located in Beijing, Guangdong and other developed first-tier cities.

The “” Label brand has made consistent efforts in core categories and has closely followed the seasonal differences while focusing on the development of evergreen products during the year. In respect of channels, the Group pursued more diverse development strategies by adopting the integrated retail model of shopping malls, department stores and outlets, and endeavoured to refreshing and upgrading store images to align with products, enhance brand features and improve in-store experience of consumers.

As of 31 December 2017, 11 “” Label brand concept POS were opened in cities including Beijing, Shanghai, Hangzhou, Hefei, Qingdao and Dalian.

The competition for sports casual market is still intense. Therefore, we kept on the prudent expansion plan for the development of “” Label brand business. In the future, we will continue to steadily expand the market for “” Label brand based on the brand’s development progress as well as varied external market environment; we will constantly deepen the research and exploration in aspects including operation model and channel development.

As of the end of 2017, LI-NING YOUNG opened 173 stores across 26 provinces in China. The brand covers an array of channels including, among others, on-street stores, department stores, sports complexes, shopping malls and outlets. Digital marketing was the primary promotion channel of LI-NING YOUNG in 2017. On 1 June 2017, the official WeChat account of LI-NING YOUNG was officially launched which mainly publishes information relating to product and brand introductions and interaction events. Meanwhile, LI-NING YOUNG actively participated in certain major events including LI-NING Wade’s China Tour • Hangzhou and Xi’an as well as LI-NING 10K Running League • Beijing, facilitating brand and production promotion in a more effective way.

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In 2018, LI-NING YOUNG will keep on the steady development with focus on store profitability as the key. The Group will continue to develop a retail model with products satisfying consumer needs as the core aspect, driven by retail profitability and maintaining healthy development whilst creating values in terms of product experience, shopping experience and sports experience.

Mr. Li Ning, Founder and Executive Chairman of the Group, concluded: "In 2017, we had maintained stable growth in operations and profitability with our persistent efforts on products, channels and retail capability enhancement. Looking forward, we will focus on building up and consolidating LI-NING's experience value, as well as better combine professional sports with fashion, entertainment and leisure in respect of products. We will adhere to the principle of "business-oriented as the key", and place focused efforts on enhancing efficiency in respect of channels and retail operation-supported platform. We will continue to make additional investments in the upgrading of digital operation and exercise reasonable and prudent use of resources to explore business opportunities and market potentials.

The robust development of sports industry brings new opportunities as well as challenges to the future. We foresee the consumption structure of consumers to be transformed toward a more refined and mature dimension while the influence of brand power and brand value deepened. Looking forward, we will continue to devote major resources into sports knowledge learning, technological research and development and LI-NING brand experience development, proactively exploring and broadening room for business development."

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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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