



**LI NING COMPANY LIMITED**

**李寧有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock code: 2331)**

**Implement Strategy of “Single Brand, Multi-categories, Diversified Channels”  
Continuously Improve Profitability  
Further Enhance the Brand Competitiveness**

**FINANCIAL HIGHLIGHTS**

- Reported net profit attributable to equity holders increased by approximately 110% to RMB1,499 million, and the net profit margin raised from 6.8% to 10.8%; after excluding the one-off profit and loss not related to operation, the net profit attributable to equity holders increased by approximately 77% to RMB1,266 million, and the net profit margin was 9.1%:
  - Revenue increased by 32% to RMB13,870 million
  - Gross profit margin expanded 1 percentage point
  - Enhanced operating leverage notwithstanding the Group’s investment in new initiatives and increase of organization costs
- Operating cash flow increased by 110% to RMB3,503 million.
- Significant improvement in working capital continued:
  - Gross average working capital improved (reduced) by 16% while revenue increased by 32%
  - Cash conversion cycle further improved (shortened) by 14 days (2018: 40 days/2019: 26 days)
- The Board has recommended payment of a final dividend of RMB15.47 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2019 (2018: RMB8.78 cents).

**OPERATIONAL HIGHLIGHTS**

- The retail sell-through for the overall platform increased by high-twenties, including online and offline channels.
- Channel inventory turnover improvement continued.
- Overall same-store-sales-growth in 2019 accelerated to high-teens.
- Offline channel new product sell-through increase accelerated to low-twenties:
  - Average selling price (ASP) increased by high-single-digit
  - New product gross margin improved over 1 percentage point
  - Sell-out rate: 6-month improved over 4 percentage points, 3-month improved over 2 percentage points

(Hong Kong, 27 March 2020) **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 2019 (the “year”).

## **Financial Results**

In 2019, the Company steadily improved its profitability and further enhanced operating leverage. During the year, the Group’s revenue amounted to RMB13.87 billion, representing an increase of 32.0% as compared to that of 2018. Gross profit rose 34.7% to RMB6.81 billion, against RMB5.05 billion in 2018. The Group’s overall gross profit margin improved to 49.1% (2018: 48.1%). The increase in gross profit margin was mainly attributable to the Group provided higher percentage of tag price on delivery to franchised distributors due to the increasing brand recognition, and there was better sales discount on both new and old products in self-operated channel, while the tag-cost-ratio further improved.

During the year, the Group's operating profit was RMB1.54 billion, up 98.6% as compared to RMB777 million of 2018. Profit attributable to equity holders amounted to RMB1,499 million (2018: RMB715 million) with a year-on-year increase of 109.6%; while after excluding the one-off profit and loss not related to operation, the profit attributable to equity holders amounted to RMB1,266 million with a year-on-year increase of 76.9%. The margin of profit attributable to equity holders was 10.8% (2018: 6.8%), while after excluding the one-off profit and loss not related to operation, the margin of profit attributable to equity holders was 9.1%. The return on equity attributable to equity holders was 23.2% (2018: 13.1%), while after excluding the one-off profit and loss not related to operation, the return on equity attributable to equity holders was 19.9%.

Basic earnings per share were RMB61.94 cents (2018: RMB29.63 cents). The Board has recommended payment of a final dividend of RMB15.47 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2019 (2018: RMB8.78 cents).

In terms of cash flow management, the Group’s net cash generated from operating activities for the year amounted to RMB3,503 million (2018: RMB1,672 million), up 109.6% year-on-year. As at 31 December 2019, cash and cash equivalents amounted to RMB5,961 million, representing a net increase of RMB2,290 million as compared with the position as at 31 December 2018. As the Group’s cash flow from operating activities improved significantly year-on-year and reasonable investment arrangement has been made simultaneously, the utilization and operation of funds of the Group has become more reasonable and efficient.

## **Operational Summary**

During the year, the Group implemented the strategy of “Single Brand, Multi-categories, Diversified Channels” to further strengthen the brand and product competitiveness. We comprehensively optimized marketing resource allocation, accelerated the enhancement of sales channel efficiency and operating efficiency, thereby consolidating and optimizing LI-NING’s experience value.

In respect of products, the Group continued to focus on five core categories, namely basketball, running, training, badminton and sports casual. We deeply explored the product’s core competitiveness and continued to enhance the brand’s professional sports attributes. At the same time,

we also scaled up the efforts on research and development in sports technology to enhance product reputation. Meanwhile, the Group actively revealed the brand image with creativity, focusing on popular trend. The Group successively attracted consumers through multiple approaches, including "China LI-NING", collaborations with designers and cross-sector crossover, which effectively expanded our consumer groups and further enhanced both our product and brand competitiveness.

During the year, Li Ning kept enhancing the professional attributes with technology and earned high recognition from the consumers. The Group launched its self-developed "LI-NING 䨻" (李宁䨻) technology with lightweight and high resilience features, aiming to establish the matrix for world-class professional running shoes. 2019 is the 70th National Day of the PRC, as the leading national brand, Li Ning provided sports equipment for the civilians processions during the military parade, which significantly improved the image and public's perception of the brand. In addition, Li Ning is also the exclusive sports equipment partner of the Chinese delegation of the 7th CISM Military World Games, during which the Group showed its brand image on a world-wide stage.

For channels, the Group upgraded its cooperation policy with retailers in accordance with the direction of retail transformation, aiming to enhance the quality of market coverage, optimize the structure of channels and improve channel efficiency. During the year, the Group focused on the promotion of diversified sales channels development. On the basis of developing conventional shopping streets, department stores and sports cities, the Company focused on making breakthroughs in channels with shopping malls and outlets. The Group also opened full-category model stores and China LI-NING stores in shopping mall channel, while actively exploring new channel types. To enhance channel efficiency and optimize store structures, the Company continued to accelerate the closure of loss-making stores, as well as upgrade and improvement of low-efficiency stores.

As at 31 December 2019, the total number of LI-NING POS (excluding LI-NING YOUNG) in PRC amounted to 6,449, representing a net increase of 105 POS since the beginning of year 2019. The total number of LI-NING YOUNG POS in China amounted to 1,101, representing a net increase of 308 POS since the beginning of the year.

In terms of retail operation, the Group continued to consolidate and improve the retail operation platform, aiming to enhance the retail operation standards of stores and hence improving its retail efficiency. Meanwhile, the Group improved the operation efficiency by all means, namely focusing on the enhancement of product operation management efficiency of single store, strengthening the management over product sales plan of single store, formulating the retail operation standard for big stores with high efficiency, establishing a new visual image for the stores and continuing the cultivation of retail talents.

In terms of supply chain, we further established the supply chain management system centering on business needs and continued to strengthen the responsiveness and elasticity of our own supply chain. In pursuit of a "Precise, Flexible and Efficient" supply chain, the Group further promoted the "Demand-driven" business model and continued to optimize the supply chain resources, thereby fostering a positive and dynamic supply chain platform.

In 2019, the e-commerce of Li Ning Company continued to grow under fierce competition with further increase in terms of both revenue and profitability. During the year, we continued to develop the "Counterflow-溯" series on the e-commerce platform, an independent product line with a focus on

middle-to-high-priced sports footwear and apparel featuring both sporty lifestyle and Chinese culture elements. Popular products including “ALIEN 星際”, “Glass” (璃), “Space Jump” (光輪) and “Cornice Brackets” (飛簷斗拱) have been launched and achieved satisfactory sales performance and positive market reputation accordingly, hence boosted sales growth continuously and further solidified and expanded our consumer base, which has in turn enhanced our brand influence and the brand value of Li-Ning.

In addition, the Group actively promoted the development of new business. 2019 is a year of steady development for LI-NING YOUNG, during which it continued to establish a professional brand image for kids’ sportswear and gradually enhanced the brand influence. In respect of products, the Group focused on the consumers’ mainstream demands and promoted the sales contribution of products as a whole from both marketing and retail levels; in terms of supply chain, the Group laid out quality supply chain resources and continued to improve the supply chain system exclusively for kidswear business; in terms of channel development, the Group promoted diversified channel establishment; in terms of brand marketing, the Group continued to optimize the digital marketing matrix, interacted with its consumers with a view to enhancing customer loyalty.

## **Outlook**

Stepping into 2020, which marks the 30th anniversary of establishment of LI-NING brand, the Group will stay committed to the guiding strategy of “Single Brand, Multi-categories, Diversified Channels”, strengthen and improve the following core business focuses, remain devoted to create LI-NING’s experience value, and focus on improving products and enhancing efficiency in order to achieve healthy and sustainable profit growth for the Company in the future:

- **In respect of products**, the Group will provide more inspiration for the integration of cultural element and creativity with professional sports attributes. the Group will also keep abreast of the fashion trend to increase the fashionable elements in its professional sports products so as to attract more consumer groups and expand our brand influence. Moreover, the Group will increase its investment in research and development in relation to sports science to enhance the technological features of its professional sports products, which will in turn improve the wearing and usage experience of consumers and constantly enhance its product competitiveness;
- **In respect of channel development**, the Group will continue to focus on enhancing the efficiency of its sales channels, further promoting the diversified development of its sales channels and progressively implementing the strategy of stores with high efficiency and model stores. Meanwhile, with a view to refining the structure of sales channels, the Group will continue to reform or close down inefficient and loss-making stores;
- Continuous optimization of **retail operation platform** and **supply chain management system** will remain as one of our major tasks. The Group will optimize the retail experience in stores, improve the standards of store operation and improve store management ability. The Group will also continue to explore new retail businesses, as well as strengthen and improve the online and offline integrated operation mode. Meanwhile, the Group will step up its efforts in establishing the supply chain management system to continue enhancing the capability in terms of its own supply chain management and research and development regarding

application of technology and knowledge;

- The Group will make **full use of digitalization** to further strengthen its comprehensive marketing layout both online and offline. Based on actual consumption demand, the Group will strive to create and lead the market trend, at the same time strengthening the interaction with consumers to enhance their recognition and loyalty to our brand and increase our brand value;
- **In respect of new business**, enhancing single store profitability will remain as our major development goal. The Group will make reasonable and prudent use of resources to explore business opportunities and potential markets, in order to foster new opportunities for the Company's profit growth in the long run.

**Mr. Li Ning, Executive Chairman and Joint CEO of the Group, concluded,** "In 2019, in view of the increasingly segmented sports consumption demand, the Group remained devoted to creating and enhancing LI-NING's experience value. We have adopted diversified strategies and approaches to consolidate the advantages of our online and offline and also made use of digital marketing to further promoting our engagement with different consumer groups and hence enhancing the image and value of LI-NING brand. During the year, key operational indicators of the Group have been further optimized, the Group's revenue has maintained steady growth and the profitability has improved continuously.

Looking forward, we will remain pragmatic in making every move and devote our main resources into gaining sports knowledge, technological research and development, as well as proactively explore and broaden room for business development. Additionally, I would like to welcome Mr. Kosaka Takeshi to officially join the big family of Li Ning as Joint CEO in 2019. I believe that Mr. Kosaka will add momentum to the Group's development and his extensive experiences will lead the Company to the next level.

The raging outbreak of COVID-19 at the beginning of 2020 has posed severe challenges for the overall outlook for 2020. Since the outbreak of the epidemic, the Group has been closely monitoring the trend of the epidemic and market conditions and promptly responded to the emergencies by leading all employees to join hands to "fight against the epidemic" and minimize the impact of the epidemic. We believe that people will become more concern about their health and physical exercise after this epidemic, hence more potentials of the industry will be released, and we are still fully confident about the Group's development in the long run."

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## **About Li Ning Company Limited**

Li Ning Company Limited is one of the leading sports brand companies in China, mainly operating professional and leisure footwear, apparel, equipment and accessories 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 retail distribution network and supply chain management system in China.

In addition to its core LI-NING brand, the Group also manufactures, develops, markets, distributes, sells various sports products which are self-owned by or licensed to the Group, including Double Happiness (table tennis), AIGLE (outdoor sports), Danskin (fashionable fitness products for dance and yoga) and Kason (badminton), which are operated through joint venture/associate with third parties of the Group.

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