

【For immediate release】



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2331)

**Continue to Deepen Strategy of “Single Brand, Multi-categories, Diversified Channels”
Further Reinforce Brand Resilience**

FINANCIAL HIGHLIGHTS

- Net profit attributable to equity holders increased by approximately 13.3% and the net profit margin raised from 10.8% to 11.7%.
- On a comparative basis (excluding the one-off profit and loss not related to operation for the corresponding period last year), the net profit attributable to equity holders increased by approximately 34.2% to RMB1,698 million, and the net profit margin raised from 9.1% to 11.7%.
- Notwithstanding the impact of novel coronavirus disease (“COVID-19”) leading to a very challenging retail environment during most time of the year:
 - Revenue increased by approximately 4.2% to RMB14,457 million
 - Gross profit margin maintained flat to last year
 - The operating leverage has been enhanced continuously, while the operating profit margin has been driven to 15.2% and increased by 410 basis points
 - Operating cash flow decreased by 21.1%, yet still achieved positive amount of RMB2,763 million
 - Continued improvement in working capital:
 - Gross average working capital improved (reduced) by 11% while revenue increased by approximately 4.2%
 - Cash conversion cycle further improved (shortened) by 6 days (2019: 26 days/2020: 20 days)
- The Board has recommended payment of a final dividend of RMB20.46 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2020 (2019: RMB15.47 cents).

OPERATIONAL HIGHLIGHTS

- Continued operation improvement mitigated certain extent of the negative impact from the COVID-19.
- The retail sell-through for the overall platform recorded low-single-digit increase, including online and offline channels.
- Channel inventory recorded mid-single-digit increase, while Company inventory decreased mid-single-digit.
- Offline channel new product sell-through down low-single-digit driven by sales volume decline:
 - Average selling price (ASP) registered a mid-single-digit increase notwithstanding a very promotional retail environment
 - Sell-out rate: 6-month declined over 4 percentage points, 3-month declined approximately 1 percentage points

(Hong Kong, 19 March 2021) **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 2020 (the “year”).

Financial Results

In 2020, in conjunction with the prevention and control measures for the COVID-19 pandemic, the Group strictly implemented effective internal and external control and stepped up its efforts in increasing revenue and reducing cost. By seizing every potential business opportunity, the Group has realized positive revenue growth and continuous improvement of profitability and maintained positive growth momentum in this extraordinary year. During the year, the Group’s revenue amounted to RMB14,457 million, representing an increase of 4.2% as compared to that of 2019. Gross profit rose 4.2% to RMB7,094 million, against RMB6,805 million in 2019. The Group’s overall gross profit margin was 49.1%, in line as compared to last year (2019: 49.1%).

During the year, the Group’s sales revenue slightly improved and gross profit margin remained flat as compared to last year, while expense ratio decreased through its effective control over costs and expenses, thus the overall profitability indicators for the year ended 31 December 2020 improved significantly. During the year, the Group’s profit attributable to equity holders amounted to RMB1,698 million (2019: RMB1,499 million; and RMB1,266 million after excluding the one-off profit and loss not related to operation) representing a year-on-year increase of 13.3% (a year-on-year increase of 34.2% after excluding the one-off profit and loss not related to operation). The margin of profit attributable to equity holders was 11.7% (2019: 10.8%; and 9.1% after excluding the one-off profit and loss not related to operation). The return on equity attributable to equity holders was 21.5% (2019: 23.2%; and 19.9% after excluding the one-off profit and loss not related to operation).

Basic earnings per share were RMB69.21 cents (2019: RMB61.94 cents). The Board has recommended payment of a final dividend of RMB20.46 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2020 (2019: RMB15.47 cents).

In terms of cash flow management, the Group’s net cash generated from operating activities for the year amounted to RMB2,763 million (2019: RMB3,503 million), down 21.1% year-on-year. As at 31 December 2020, cash and cash equivalents (including cash at banks and in hand, and fixed term deposits with original maturity of no more than three months) amounted to RMB7,187 million, representing a net increase of RMB1,226 million as compared with the position as at 31 December 2019. Adding back the capital which was recorded in the long-term fixed term deposits, cash balance amounted to RMB7,442 million. During the year, the overall settlements from franchised distributors were satisfactory. However, as the retail sell-through has slowed down due to the sales events in the physical stores were severely affected by the pandemic, the overall cash flow from operating activities recorded a year-on-year decrease. In the meantime, the Group acquired a parcel of land in Nanning, Guangxi, in 2020 in preparation for establishing production base and paid partially for the investments, resulting in an increase in cash outflow from investing activities.

Operational Summary

During the year, the Group adhered to the core strategy of “Single Brand, Multi-categories, Diversified Channels”, supported and deepened LI-NING’s experience value comprehensively through consistent efforts in optimizing and upgrading our products, channels and retail capability, as well as supply chain.

In respect of products, the Group stayed focus on five core categories, namely basketball, running, training, badminton and sports casual. Placing emphasis on the scientific research of sports, the Group developed

the professional attributes of products to further evolve the brand’s DNA of sports. The Group also conveyed the unique brand value by delving into elements of both the Chinese culture and popular culture. During the year, the Group consistently invested and dedicated efforts in the exploration and application of new technologies and new materials. Emphasizing on the complementary effect of our products and technology, the Group leveraged on our professional products to build up customer recognition, thereby enhancing LI-NING brand’s core competitiveness in the field of professional sports. Meanwhile, promotional efforts in tandem with hot topics have further scaled up our consumer groups. Besides, the Group drew the attention of young consumer groups by continuously enriching our marketing resources with entertainment elements allocated to the sports casual category and deploying for flexible and diversified crossover and digital marketing resources. Under the guidance of fashion opinion leaders, we have gained more recognition from mainstream consumers and enhanced our brand image and value.

In 2020, the Group remained focused on the multi-channel strategy and enhanced the cooperation with high-quality retailers, which optimized the efficiency of retail channel and improved the quality of market coverage. During the year, in order to mitigate the effect of the pandemic promptly, the Group negotiated with major domestic commercial real estate partners closely for the rent reduction, and accelerated the closing down of underperforming and loss-making stores. In the post-pandemic era, the Group accelerated the deployment of new retail businesses and consolidated the advantages of our online and offline platforms, which has effectively strengthened differentiated consumption interaction and services.

As at 31 December 2020, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 5,912, representing a net decrease of 537 POS since the beginning of this year. The total number of LI-NING YOUNG POS in China amounted to 1,021, representing a net decrease of 80 POS since the beginning of this year.

In terms of retail operation, the Group kept its focus on the transformation and optimization of its product operation model, with a view of further improving product operational efficiency. The Group maintained its efforts on advancing the efficient and replicable profit model for single store to achieve higher store operational efficiency, gradually improved the functions of the retail operation platform, while continuously enhancing the visual image of its stores and improving brand recognition among consumers.

In respect of supply chain, the Group perfected the supply chain management system which is driven by business needs with a view of driving business growth with supply chain resources, and continued to consolidate the resources of the footwear and apparel supply chain. The Group advanced the transition of the supply chain from “passive production” to “active production” by building a precise, flexible and efficient supply chain management system for more agile supply and rapid response.

During this year, the Group devoted more efforts in member and omni-channel development so as to boost business growth through online and offline synergy. The Group strived to establish a logistics service system that supports various business models and promoted the service support capability of the logistics system for all business units.

Despite the pandemic-induced pressure on consumption and inventory clearance in the industry, the e-commerce of Li Ning Company maintained stable discount and good profit margins in 2020. In the face of intense market competition, its operating efficiency remained at a high level. During the year, the e-commerce of Li Ning Company utilized the key marketing resources of the Group to launch a series of promotional campaigns centering on its spokesperson for sports casual products. These campaigns reached out to various fan bases, capitalize on the influence of the artists and appealed to female consumers. Meanwhile, the e-commerce platform intensely developed the “COUNTERFLOW BY LI-NING” series and organized the “Blossoming Silk Road” (絲路花開) campaign with Dunhuang Museum, which

further promoted the brand’s prominence and sound reputation as the representative of Chinese culture. Looking ahead, the e-commerce of Li Ning Company will leverage consumer big data and the product data analysis system to enhance brand reputation and product competitiveness. Through online buzz marketing, it will educate consumers and maintain the high operating efficiency of the e-commerce platform.

In addition, the Group continued to promote new business development. Adhering to the corporate vision and group strategy, LI-NING YOUNG continued to explore and enhance brand image in 2020. The Group launched professional sports products for kids enjoying sports, continued to develop and enhance supply chain resources, focused on the mid-to-high tier market, strengthened the shopping mall and clearance channels, fully leveraged and consolidated promotion resources and continuously explored new sales channels. Looking forward, the Group will continue to intensely develop its kidswear business and develop LI-NING YOUNG into a leading professional sportswear brand for kids in China.

Outlook

In 2021, we will consistently adhere to the strategy of “Single Brand, Multi-categories, Diversified Channels”, remain devoted to creating LI-NING’s experience value and strengthening the core business in all aspects in order to promote sustainable business growth of the Group:

- In respect of products, we will continue to focus on product functions and technological innovation. At the same time, we will enhance our capability of precisely analyzing fashion trends and sports cultures, striving to provide consumers with diversified consumption experience, enhance consumers’ loyalty and deepen our brand influence;
- In respect of channel development, we will focus on enhancing the efficiency and promoting the development of big stores with high efficiency. We will also accelerate the synergistic operation of the omni-channel by establishing diversified sales channel network and optimizing the structure of channels, so as to maximize the efficiency of our sales channels;
- In respect of retail operation and supply chain, we will optimize the standards of store operation and improve store management ability, as well as improve the online and offline integrated operation mode on the basis of both product and consumption experience. Meanwhile, we will continue to consolidate and optimize the supply chain system to continue enhancing the capability in terms of our own supply chain management and research and development regarding application of technology and knowledge;
- In respect of marketing, we will make full use of digitalization to further strengthen our comprehensive marketing layout with an aim to expand the consumer coverage. Based on actual consumption demand, we will keep abreast of hot topics and trends to increase popularity of our brand and convey our brand value;
- In respect of new business, enhancing single store profitability will remain as our major development goal. We will make reasonable and prudent use of resources to explore business opportunities and market potential, in order to foster new opportunities for the Group’s profit growth in the long run.

Mr. Li Ning, Executive Chairman and Joint CEO of the Group, concluded, “2020 was an extraordinary and unforgettable year, the Chinese economy was the first economy to recover from the worldwide COVID-19 pandemic. Although the sports industry was under short term pressure during the pandemic, the sports consumption market in the PRC remained active under the support and promotion of national policies and

governments at all levels. Against such backdrop, we continued to focus on LI-NING’s experience value and optimized our marketing strategies based on the individual needs of consumers, thereby enhancing consumer experience continuously. Meanwhile, we strengthened the core values of our brand and products with a focus on creating professional reputation of our products and strived to keep ourselves abreast of fashion trends.

Although the COVID-19 pandemic has yet come to an end, the socioeconomic and consumption sentiment in the PRC improved gradually. In view of consumers’ demand for diversified products in respect of physical and mental health and living standards, the sports industry has achieved breakthroughs and advancement continuously. As one of the leading enterprises in the professional sports industry in the PRC, the Group kept pace with industry development to constantly capture new opportunities and embrace new challenges and developments. Under the strong support of the national policies, we will continue to proactively explore and broaden room for business development, establish a more professional and unique image for LI-NING brand, and bring the spirit of ‘Anything is Possible’ into real practice.”

—The End—

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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