

【For immediate release】



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2331)

**Consolidate the Strategy of “Single Brand, Multi-categories, Diversified Channels”
Continuously Enhance Brand Influence and Profitability**

FINANCIAL HIGHLIGHTS

- Net profit attributable to equity holders increased by 136% to RMB 4,011 million, and the net profit margin raised from 11.7% to 17.8%:
 - Revenue increased by 56% to RMB 22,572 million
 - Gross profit margin expanded by 3.9 percentage points to 53.0%
 - Enhanced operating leverage helped drive operating profit margin up by 7.6 percentage points to 22.8%
- Operating cash flow increased by over 136% to RMB6,525 million;
- Stable improvement in working capital:
 - The percentage of gross average working capital to revenue improved (reduced) by over 2 percentage points
 - Cash conversion cycle remained flat at a healthy level of 20 days
- The Board has recommended payment of a final dividend of RMB45.97 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2021 (2020: RMB20.46 cents).

OPERATIONAL HIGHLIGHTS

- The retail sell-through for the overall platform increased by high-fifties, including online and offline channels.
- Channel inventory turnover improvement continued with aging structure optimized materially.
- Offline channel new product sell-through accelerated to high-sixties:
 - Sell-through mix of new products increased by approximately 7 percentage points
 - Retail discount rate improved by over 3.5 percentage points
 - Sell-out rate: 6-month improved by approximately 14 percentage points, 3-month improved by approximately 13 percentage points

(Hong Kong, 18 March 2022) **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 2021 (the “year”).

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Financial Results

In 2021, with the effective pandemic prevention and control measures implemented by the Chinese government, the country’s social and economic aggregates and productivity sustained an upward trend in general. Besides, the growing health awareness of the public has also led to increased recognition and support for domestic sports brands among the Chinese consumers. Capturing such opportunities, the Group recorded a substantial growth in revenue with further enhanced profitability, while its key financial and operational indicators have shown robust growth momentum. During the year, the Group’s revenue amounted to RMB22,572 million, representing an increase of 56.1% as compared to 2021. Gross profit rose 68.7% to RMB11,969 million, against RMB7,094 million in 2021. The gross profit margin of the Group increased by 3.9 percentage points year on year to 53.0% (2020: 49.1%).

During the year, the Group’s sales revenue and gross profit margin increased significantly as compared to the last year, while expense ratio decreased as a result of effective control of costs and expenses. Therefore, the overall profitability indicators improved significantly. During the year, the Group’s profit attributable to equity holders amounted to RMB4,011 million (2020: RMB1,698 million), representing a year-on-year increase of 136.1%. The margin of profit attributable to equity holders was 17.8% (2020: 11.7%). The return on equity attributable to equity holders was 26.9% (2020: 21.5%).

Basic earnings per share were RMB160.10 cents (2020: RMB69.21 cents). The Board has recommended the payment of a final dividend of RMB45.97 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2021 (2020: RMB20.46 cents).

In terms of cash flow management, the Group’s net cash generated from operating activities during the year increased by 136% to RMB6,525 million (2020: RMB2,763 million). As at 31 December 2021, 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 RMB14,745 million, representing a net increase of RMB7,558 million as compared with the position as at 31 December 2020. Adding back the capital recorded as fixed-term deposits held at banks, cash balance amounted to RMB18,481million, representing a net increase of RMB11,039 million as compared to 31 December 2020. The Group’s cash flow from operating activities increased significantly year on year, which was attributable to the remarkable growth in revenue from all channels and the substantial improvement in settlements from franchised distributors. During the year, the Group completed the acquisition of the Target Shares and Transferred Creditor’s Rights, and settled the prepayment for the acquisition of a new building for its Shanghai headquarters, which led to the drastic year-on-year increase in cash used in investing activities.

Furthermore, on 27 October 2021, the Company, a wholly owned subsidiary of Viva China Holdings Limited and the placing agents entered into a placing and subscription agreement, pursuant to which the parties jointly proceeded with the top-up placing of the existing shares of the Company and the subscription of new shares of the Company under the general mandate, and agreed to the top-up placing and subscription of 120 million shares of the Company at HK\$87.50 per share. On 3 November 2021, both parties completed this placing and subscription scheme. The net proceeds from the top-up placing of shares amounted to HK\$10,433 million (equivalent to approximately RMB8,572 million).

Operational Summary

During the year, the Group continued to focus on implementing the strategy of “Single Brand, Multi-categories, Diversified Channels” to constantly enhance the value of the LI-NING experience, which comprises three dimensions, namely product experience, sports experience and consumer experience. At

the same time, we continued to focus on product optimization and upgrade, with an emphasis on enhancing operational efficiency and retail operation capabilities, improving channel efficiency, and bolstering the supply chain management system.

In respect of products, the Group has stayed focused on our five core categories, namely basketball, running, fitness, badminton and sports casual. We have remained committed to promoting innovation in sports technologies as well as research and development of professional products, to continuously enhance the sports features of our brand. Through our products, we have been presenting our interpretation of the Chinese culture and fashion from the perspective of sports, hoping to bring our customers more diversified options of sports lifestyle. During the year, with a focus on the characteristics of professional sports and sports casual category, the Group continued to enhance the comprehensive allocation of our marketing resources. The Group has continued to increase the exposure of professional products through collaboration with sports stars and professional sports events, as well as promotional efforts riding on trending topics. With these efforts we have further expanded our consumer base. Moreover, the Group has further diversified the entertainment marketing model for the sports casual category with strong emphasis on the sports fashion segments favored by young consumers. The Group collaborated comprehensively with numerous types of variety shows and entertainment programs, and secured various large-scale platforms to provide diversified marketing resources targeting younger consumers for multi-dimensional exposure of our products.

In 2021, the Group remained focused on optimizing the structure and efficiency of our channels and facilitated the communication and collaboration with high-quality retailers, to optimize the efficiency of retail channel and improve market coverage. During the year, the Group continued to optimize the development and expansion of our sales channels and enhance the matrix of our efficient big stores. We continued to establish big stores with high efficiency to improve the overall store performance. Meanwhile, the Group further optimized the store structure by accelerating the closure of stores that were loss-making, inefficient, or had tiny store sizes.

As at 31 December 2021, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 5,935, representing a net increase of 132 POS since the end of the previous quarter and a net increase of 23 POS since the beginning of the year.

In terms of retail operation, the Group continued to optimize product planning and push forward pre-sale plans while establishing an inventory management mechanism by setting a monthly goal based on the type of stores. Meanwhile, with a focus on functional products, the Group further developed and improved the footwear product matrix centered around the "LI-NING BOOM" (李宁䨻) technology, to strengthen the growth driver of professional products of the LI-NING brand. During the year, the Group focused on the exploration of the operation model of single stores that are highly efficient and profitable, and further developed the retail business in a bid to facilitate the standardized, professional and streamlined operation of retail stores.

In respect of supply chain, the "value supply chain" management model remained the center of the Group's supply chain system. The Group had collaborated with business partners to promote the strategy of "reducing wastage and improving efficiency" to achieve higher productivity and product competitiveness. Meanwhile, the Group strived to consolidate supply chain resources and further accelerated the transition from "passive production" to "proactive production" in a bid to enhance agile supply and rapid response ability, while strengthen planning, production capacity management, resource allocation and risk management, and developing a precise, flexible, efficient and safe supply chain management system.

During the year, the Group continued to improve the logistics service system by promoting the transformation of the logistic network towards the regional central warehouse model. At the same time, the Group attempted to enhance the efficiency of its logistic service system through the informatization and digitalization of its logistic management, so as to provide strong logistic support for its retail management.

In 2021, the e-commerce business of Li Ning Company recorded excellent results in all aspects. Based on the e-commerce core strategies, the team has been analysing customer behavior and interacting with consumers, in the hope of achieving high operational efficiency, while ensuring stable and sustainable growth and consolidating our core brand competitiveness. During the year, the e-commerce business of Li Ning Company achieved breakthroughs and innovations, creating and seizing opportunities in new products and marketing, and continued to roll out a series of creative marketing campaigns by way of e-commerce festivals, product launch and fashion week, among others. Meanwhile, complementing the key marketing strategies of the Group, the e-commerce business launched its marketing activities on livestreaming platforms such as Douyin (抖音). In addition, the e-commerce platform has been developing the COUNTERFLOW BY LI-NING series, which is an independent sports casual product line with cultural elements at its core. Looking ahead, the e-commerce division will continue to gain behavior insights from the target consumer groups, thereby creating its core competitiveness in consumer education and creativity. Meanwhile, we will continue to monitor the online business landscape, consumer experience standards, distribution of goods, price management and strategic synergy. We will allocate more resources into the focused areas of general e-commerce strategies and business landscape governance, and pursue the optimization of the e-commerce business landscape as the strategic focus of its structural management in a bid to promote healthy and sustainable growth of the e-commerce business.

In addition, the Group continued to promote new business development. In 2021, LI-NING YOUNG set clear business development goals and operation plans for the future. It positioned itself as “the fashionable professional sports kidswear brand originated from China” and continued to optimize its business model to drive the growth of the kidswear brand. The Group continued to increase the investment in the category of professional sports products for kids while accelerating the opening and development of big stores and benchmark stores to further optimize the channel structure, as well as conducting integrated marketing based on key products and the timing of key events. Looking ahead, the Group will continue to intensely develop its kidswear business, establishing LI-NING YOUNG as a leading professional sportswear brand for kids in China.

Outlook

In the future, we will consistently adhere to the strategic direction of “Single Brand, Multi-categories, Diversified Channels” to strengthen our business development and enhance our retail operation capability, with an aim to materialize the value of the LI-NING experience in all aspects, and to propel continuous growth of the Company’s business:

- In respect of products, we will continue to focus on exploring product functions and technological innovation, and further monitor the trends of sports lifestyle and sports fashion, so that we can provide diversified consumer experience, which will thereby reinforce customer loyalty to our LI-NING brand and enhance our brand influence;
- In respect of channel development, with the main focus on improving operational efficiency, we will further accelerate the establishment of big stores with high efficiency and enhance the synergies of omni-channel operation by upgrading the diversified channel network, so as to further optimize the efficiency of our channels;

- In respect of retail operation and supply chain, we will enhance the store operation standards and store management ability, with a focus on optimizing product structure and consumer experience, with a view to accelerate the retail transformation. In addition, we will continue to consolidate and optimize the supply chain system to enhance our capabilities in terms of supply chain management and application of technologies and expertise from research and development;
- In respect of marketing, we will make full use of big data and information technology to continuously strengthen our comprehensive marketing efforts through digitalized approaches to reach consumers at different levels. While focusing on the actual consumer demand, we will convey our brand value riding on fashion trends and continue to boost our brand popularity;
- In respect of new business, enhancing single store profitability and efficiency will remain our major goal. We will make prudent use of resources to expand business opportunities and market potential, and create favorable environment for our long-term growth.

Mr. Li Ning, Executive Chairman and Joint CEO of the Group, concluded, “In 2021, the Chinese government continued to stringently implement its pandemic prevention and control policies to facilitate the gradual recovery of the economy. Furthermore, under the support of relevant national policies, the health consciousness of the public has been rising and the consumption demand for sporting goods has remained robust. Against this backdrop, we continued to focus on the value of the LI-NING experience and optimized our marketing strategies based on the individual needs of consumers. We have been able to demonstrate stronger brand resilience while providing satisfying consumer experience. Meanwhile, we have actively enhanced product competitiveness by further promoting our brand image and consolidating the professional reputation of our brand, at the same time unceasingly exploring new fashion trends to keep ourselves abreast of market developments.

“We strongly believe that the sports industry has a promising outlook with enormous potential for development. As one of the leading enterprises in the professional sports sector in China, the Group will closely adapt to the latest development trends in the industry, and continue to seize new opportunities and embrace challenges. With strong supports from the national policies, we will proactively explore business opportunities and market potential in a bid to build a more professional, unique and fashionable image of the LI-NING brand, and put our motto ‘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.

For inquiries, please contact:

iPR Ogilvy

Gary Li / Lorraine Luk / Sauwai Chim / Connie Tsang
Tel: (852) 3170 6753 / 2169 0467 / 3920 7648 / 3920 7637
Email: lining@iprogilvy.com