

【For immediate release】



**LI NING COMPANY LIMITED**

**李寧有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**( Stock Code : 2331 )**

**Continuously Focus on the Strategy of “Single Brand, Multi-categories, Diversified Channels” and Enhance Brand Competitiveness  
Maintain Steady and Healthy Development and Demonstrate Strong Resilience**

**FINANCIAL HIGHLIGHTS**

- The impact of recurring waves of the COVID-19 pandemic and significant increase in raw material prices led to certain challenges to operating environment during the year:
  - Revenue increased by 14.3% to RMB25,803 million
  - Though the gross profit margin lowered by 4.6 percentage points to 48.4%, the net profit margin remained at a healthy level of 15.7%. The net profit attributable to equity holders slightly increased to RMB4,064 million
  - Achieved net operating cash inflow of RMB3,914 million
- Working capital remained at a healthy level:
  - The percentage of gross average working capital to revenue was 6.8%
  - Cash conversion cycle was 30 days, increased by 10 days year-on-year (among which 5 days were affected by the trade payables turnover days)
- The Board has recommended payment of a final dividend of RMB46.27 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2022 (2021: RMB45.97 cents).

**OPERATIONAL HIGHLIGHTS**

- Operation improvement mitigated certain extent of the negative impact from the COVID-19.
- The retail sell-through for the overall platform increased by mid-single-digit, including online and offline channels.
- Channel inventory increased by mid-twenties, mainly due to business expansion and the layout planning made in advance to seize opportunities for continuous growth of business scale. The inventory turnover and ageing structure remained at a sound level.
- Offline channel new product sell-through increased by mid-single-digit.

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(Hong Kong, 17 March 2023) **Li Ning Company Limited** (“Li Ning” or the “Company”; together with the subsidiaries, the “Group”; HKEx stock code: 2331) announces today the annual results of the Group for the year ended 31 December 2022 (the “year”).

## **Financial Results**

In 2022, the spread of the COVID-19 variant triggered a new wave of pandemic outbreak, which imposed temporary economic and social impacts on various regions. In the second half of the year, owing to the optimization of pandemic prevention and control measures by the Chinese government, the domestic consumption demand gradually rebounded as a whole and the long-term positive fundamentals of China’s economy remained unchanged. With the promising prospect of reopening and resumption of sports events, combined with the support of government policies relating to national fitness, the public awareness of health has increased significantly, which is conducive to promoting sports consumption, and hence the market outlook for consumption of sports products remained optimistic.

The Group continued to step up its efforts in building the LI-NING’s experience value, implemented the strategy of “Single Brand, Multi-categories, Diversified Channels”, focused on the needs of end-consumers and strengthened world-class professional sports technology to enhance the competitiveness of its products and brand. Despite a lower growth rate as compared with the previous year, revenue growth remained steady. During the year, the Group’s revenue amounted to RMB25,803 million, representing an increase of 14.3% as compared to 2021. Gross profit rose 4.3% to RMB12,485 million, against RMB11,969 million in 2021. The gross profit margin of the Group decreased by 4.6 percentage points year on year to 48.4% (2021: 53.0%).

The recurrence of the pandemic during the year has posed challenges to the Group’s business, hence the overall profitability indicators have been affected. During the year, the Group’s profit attributable to equity holders amounted to RMB4,064 million (2021: RMB4,011 million), representing a year-on-year increase of 1.3%. The margin of profit attributable to equity holders was 15.7% (2021: 17.8%). The return on equity attributable to equity holders was 17.9% (2021: 26.9%).

Basic earnings per share were RMB155.38 cents (2021: RMB160.10 cents). The Board has recommended the payment of a final dividend of RMB46.27 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2022 (2021: RMB45.97 cents).

In terms of cash flow management, the Group’s net cash generated from operating activities during the year was RMB3,914 million (2021: RMB6,525 million). As at 31 December 2022, 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 RMB7,382 million, representing a net decrease of RMB7,363 million as compared with the position as at 31 December 2021. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB19,049 million, representing a net increase of RMB568 million as compared to 31 December 2021. During the year, the Group shortened the payment cycle to help suppliers accelerate turnover of capital and improve production and operational efficiency, resulting in a decrease in net cash generated from operating activities. The Group will continue to place extra emphasis on its cash flow management to ensure stable development of the Company in the long run.

## **Operational Summary**

During the year, the Group focused on the Strategy of “Single Brand, Multi-categories, Diversified Channels” to upgrade LI-NING’s experience value continuously, improve its layout for professional sports and further

enhance both retail operation capability and channel efficiency, while perfecting the supply chain management system at the same time, thereby providing great impetus for the sustainable development of the brand.

In respect of professional products, the Group persisted in developing its five core categories, namely basketball, running, fitness, badminton and sports casual. Focusing on innovative sports technology, we expedited the release of functional products and demonstrated the sports DNA of the brand. The Group complemented its core brand proposition with Chinese and sports fashion elements to create a new image of professional and chic sports products. With a focus on the characteristics of the professional functions and sports casual category, the Group strengthened its comprehensive marketing resources layout. Continuous exposure of its professional products through sports stars and professional events as well as promotional efforts in tandem with trendy topics have further scaled up its consumer groups. Besides, the Group further diversified the marketing with entertainment modes for the sports casual category with strong emphasis placed on the favourite fashionable segments among young consumers to realize the multi-dimensional exposure of its products.

In 2022, the Group remained focused on optimizing the structure and efficiency of channels and strengthened the cooperation with high-quality retailers, which enhanced the efficiency of retail channel and the quality of market coverage. During the year, the Company optimized the development of channels with a focus on big stores in shopping malls and launched big stores with high efficiency including flagship stores on a continuous basis. Meanwhile, the Company further optimized the store structure by accelerating the closure of loss-making, low efficiency and small stores.

As at 31 December 2022, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 6,295, representing a net increase of 194 POS since the end of the previous quarter and a net increase of 360 POS since the beginning of the year.

In terms of retail operation, Li Ning Company continued to push forward product planning and established the management mechanism for the monthly target inventory based on the targets of annual business volume and inventory control. Meanwhile, the Group focused on the research and development of functional products. With professional running and professional basketball as the core, it expanded the product matrix of its core technology platform “LI-NING BOOM” (李寧轟). The Company integrated the marketing and sales efforts by combining the inventories for the e-commerce channel and physical stores offline. It also performed timely and dynamic management over the ordering, sales and inventory of the products. During the year, Li Ning Company carried on the exploration of a profitable single-store operation model as its core business and further developed the headquarters’ functions and the store business. Combined with the Company’s channel planning for the future, the implementation of the standards at stores was pressed ahead and retail efficiency was enhanced.

In respect of supply chain, the Group’s supply chain underwent ongoing enhancement and improvement in areas such as the supplier matrix, procedure optimization, quality standards, supply cycle, strategic cost and operating model. As a result, the Company established an agile and flexible supply mechanism with the capability to safeguard its business. While the Company offered integrated ancillary facilities from earlier to later stages of production, it also implemented the strategic partnership mechanism for dual production sites, thereby further increasing its fundamental strengths in production capacity and quality assurance.

During the year, the Group continued to propel the reform of logistics network with an aim to enhance both the logistics capability and service quality in key regions. It also edged up its effort in reinforcing

logistics informatization so as to ensure transparency throughout the logistic information chain, which has in turn provided strong logistics support for retail management.

In 2022, the e-commerce sector was confronted with challenges brought by frequent and sporadic outbreaks of the pandemic. Despite the challenging consumption environment, the e-commerce of Li Ning Company still managed to maintain a stable performance. During the year, the e-commerce of Li Ning Company remained focused on functional products and greatly enhanced the efficiency of professional products. At the same time, 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. In 2023, the Company will strengthen the product synergy in key technology pipelines for online and offline business systems and will continue to put greater efforts in the development of professional and functional products, thereby continuing to achieve breakthroughs in terms of market share and maintain its industry-leading position. Meanwhile, the development of universal distribution system for offline stores will be further strengthened.

In addition, LI-NING YOUNG set clear mid-to-long term business plans and strategic goals with a focus on the sports-centric strategy. The Group scaled up its efforts in the development of professional sports product lines and continued to enhance channel efficiency, with a view to promoting business growth on an ongoing basis. With a strong emphasis on the development of three major categories of sports products, namely basketball, running and football, the Group established a sports technology-based platform and product matrix targeting teenagers. At the same time, the Group continued to increase the proportion of stores in high-tier markets and consolidate the resources of low-efficiency stores; devoted more efforts to the development of direct operation business and channels, consolidation of distributors' resources and optimization of channel structure. For marketing, the Company opened up the entire marketing chain that covers the conversion of professional sports resources into brand marketing and store promotion. The Company also increased the number of official sponsorships and cooperations. The Company steadily established a store membership marketing system, which laid a foundation for effective membership marketing in the future. 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 2023, LI Ning Company will continue to pursue the strategy of “Single Brand, Multi-categories, Diversified Channels”, push forward the business development, enhance retail operation capability, further promote LI-NING's experience value and the sustainable growth of the Company's results:

- In respect of products, the Group will continue to put greater efforts in research and development of product functions and technological innovation. The Group will provide consumers with more professional and functional sports products integrated with fashionable elements, which will better showcase sports fashion and culture and provide consumers with diversified consumption experience, so as to further expand our brand influence;
- In respect of channel development, the Group will remain focused on expansion and optimization of channels. The Group will speed up the development of shopping mall channels, launch big stores with high efficiency, such as flagship stores, and achieve the synergistic operation of the omni-channel by developing diversified channel network, thereby further enhancing the efficiency of our channels;
- In respect of retail operation and supply chain, the Group will continue to enhance both product

and consumption experience, and optimize the standardized retail operation system and internal monitoring system to drive retail transformation. The supply chain system will be further consolidated and optimized to boost its capabilities in terms of its own supply chain management and the application of technology and expertise resulted from the research and development;

- In respect of marketing, the Group will leverage big data and information technology to strengthen its marketing layout through digitalized technology in order to reach a wider range of consumer groups at different levels. The Group will also apply diversified marketing means based on consumer demands to increase the product appeal and brand awareness;
- In respect of new business, focusing on enhancing single store profitability as well as store efficiency and performance, the Group will continue to utilize resources flexibly, explore business opportunities and market potential in order to boost the sustainable business growth of the Company.

**Mr. Li Ning, Executive Chairman and Joint CEO of the Group, concluded,** “In 2022, with the optimization of pandemic prevention and control measures by the Chinese government, the domestic consumption demand gradually rebounded as a whole. Furthermore, under the support of policies relating to national fitness, a huge market vitality has been unleashed, which is conducive to promoting sports consumption, and hence the market outlook for consumption of sports products remained optimistic. Against this backdrop, we continued to step up our efforts in building the LI-NING’s experience value by upgrading product technology and adopting multi-dimensional marketing strategies, with a view to attracting consumers and enhancing the influence of both our brand and products. We also kept abreast of market trend and consumer preference, in order to further delve into the fashionable element of sportswear, thus offering consumers a more comprehensive consumption experience.”

“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. We will proactively expand and innovate in a bid to build a more professional, unique and fashionable image of the LI-NING brand, and put our brand 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.

*Continuously Focus on the Strategy of “Single Brand, Multi-categories, Diversified Channels” and Enhance Brand Competitiveness*

*Maintain Steady and Healthy Development and Demonstrate Good Resilience*

*17 March 2023 (Cont'd)*

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