



LI NING COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Codes: 2331 (HKD counter) and 82331 (RMB counter)

Continued to Pursue the Core Strategy of “Single Brand, Multi-Categories, Diversified Channels”

Focused on Core Categories to Achieve Stable Development

FINANCIAL HIGHLIGHTS

- During the year, we pursued stable progress and took proactive measures in planning, and recorded the following operating results:
 - Revenue increased by 7.0% to RMB27,598 million, gross profit margin remained at 48.4%
 - Net operating cash inflow increased by 19.8% to RMB4,688 million
 - Net profit attributable to equity holders was RMB3,187 million with net profit margin of 11.5%; while excluding the one-off gains and loss not related to operation, net profit attributable to equity holders was RMB3,046 million with net profit margin of 11.0%
- Working capital remained at a healthy level:
 - The percentage of gross average working capital to revenue was 7.6%
 - The cash conversion cycle was 35 days
- The Board has recommended the payment of a final dividend of RMB18.54 cents per ordinary share for the year ended 31 December 2023, together with the interim dividend of RMB36.20 cents per ordinary share paid in September 2023, the total dividend for the year ended 31 December 2023 will amount to RMB54.74 cents per ordinary share or a total dividend payout ratio of 45%.

OPERATIONAL HIGHLIGHTS

- The retail sell-through for the overall platform increased by low-teens, including online and offline channels.
- Channel inventory decreased by mid-single-digit comparing to end of last year. The inventory turnover and ageing structure remained at a healthy level.
- Offline channel new product sell-through increased by low-teens.

March 20, 2024 (Cont'd)

(Hong Kong, 20 March 2024) Li Ning Company Limited (the "Company" or "Li Ning Company"; together with the subsidiaries, collectively, the "Group"; stock codes: 2331 (HKD counter) and 82331 (RMB counter)) announces today its 2023 annual results for the year ended 31 December 2023 (the "year").

Financial Results

In 2023, the Group continued to focus the core strategy of "Single Brand, Multi-categories, Diversified Channels" with a focus on professional sports in the five core categories, namely basketball, running, fitness, badminton, and sports casual. Through its efforts dedicated to brand reputation and product innovation, the Group has developed a comprehensive layout of functional products. In 2023, the Group's revenue grew steadily, demonstrating strong resilience. During the year, the Group's revenue for the year ended 31 December 2023 amounted to RMB27,598 million, representing an increase of 7.0% as compared to that of 2022 (2022: RMB25,803 million). Gross profit increased by 6.9% to RMB13,352 million compared to RMB12,485 million in 2022. The overall gross profit margin was 48.4%, which is on par with last year (2022: 48.4%).

In 2023, in the context of the overall recovery accompanied by challenges in the domestic market, the Group prioritized the optimization of business quality and efficiency, with a focus on the direction of steady development. During the year, the net profit attributable to equity holders was RMB3,187 million (2022: 4,064 million). The margin of profit attributable to equity holders was 11.5% (2022: 15.7%), while excluding the one-off gains not related to operation, net profit attributable to equity holders was RMB3,046 million with net profit margin of 11.0%. Return on equity attributable to equity holders was 13.1% (2022: 17.9%). Basic earnings per share was RMB123.21 cents (2022: RMB155.38 cents). The Board has recommended the payment of final dividend of RMB18.54 cents per ordinary share for the year ended 31 December 2023, together with the interim dividend of RMB36.20 cents per ordinary share paid in September 2023, the total dividend for the year ended 31 December 2023 will amount to RMB54.74 cents per ordinary share or a total dividend payout ratio of 45%.

In terms of cash flow management, the Group's net cash generated from operating activities during the year amounted to RMB4,688 million (2022: RMB3,914 million). As at 31 December 2023, 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 RMB5,444 million, representing a net decrease of RMB1,938 million, as compared with the position as at 31 December 2022. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB17,975 million, which represented a net decrease of RMB1,074 million as compared to 31 December 2022. During the year, the Group maintained a healthy level of operating capital, and the net cash generated from operating activities increased compared to the previous year. The Group will continue to place extra emphasis on its cash flow management to ensure stable development of the Group in the long run.

Operational Summary

March 20, 2024 (Cont'd)

In 2023, the Group continued to focus on the core strategy of “Single Brand, Multi-categories, Diversified Channels” and optimized LI-NING’s experience value continuously.

In terms of professional products, with a focus on the core categories of running, basketball, badminton, fitness and sports casual, the Group pressed ahead with innovation in sports technology and integrates Chinese culture and trendy sports designs to enhance its products trendiness. The Group also constantly improved product performance and enhanced the image of the LI-NING brand by means of technological innovation, so as to satisfy the growing consumer demand for sports products. The Group focused on building the competitive advantages of products from its core categories. Capitalizing on its continuous investment in research and development to promote product innovation, the Group strived to garner recognition among young consumers with its highly professional and fashionable quality sports products.

In respect of branding and marketing, the Group strengthened the universal marketing layout by focusing on the characteristics of the professional functions and sports casual category. Through the continuous cooperation with sports stars and professional events, the Group has reinforced the professional image of LI-NING’s professional products among consumers and further scaled up its consumer groups. Moreover, LI-NING further diversified the marketing strategies for the sports casual category. A platform was also established for direct communication with consumers. Such measures have helped increase the influence of LI-NING brand and consolidate consumers’ loyalty to the brand, and thus realized omni-channel and multi-dimensional exposure of its products. Meanwhile, the Group enhanced operational efficiency and competitiveness through organizational optimization and capability development, paving the way for an organizational dynamic and skill set that supported the brand's vitality.

In respect of channel management, the Group was committed to optimizing its channel structure and enhancing the channel efficiency by proactively closing low-efficiency stores, thereby improving the overall store structure. The Group continued to expand its business presence in premium shopping malls and outlets. During the year, the Group achieved a key breakthrough in premium outlets. It carefully planned the opening of stores throughout China to further rationalize the store layout and established communication and negotiation mechanisms with major commercial groups to optimize channel costs.

As of 31 December 2023, the number of conventional stores, flagship stores, China LI-NING stores, LI-NING 1990 stores, factory outlets and specialty stores under LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 7,668, representing an increase of 65 POS as compared to 31 December 2022. The number of distributors was 46 (including sales channels of China LI-NING stores), representing a net decrease of 6 as compared to 31 December 2022.

In terms of store operation, through continuous exploration and optimization of the single-store operation model, the Group has upgraded the single-store operation model to the stage 2.0, developing a system comprehensively optimized from planning to execution and from processes to results. The Group also established an additional retail operation and execution team to realize a management loop of "order giving by headquarters, information confirmation by retail end, business execution by stores and supervision by headquarters" and ensure the normalized

March 20, 2024 (Cont'd)

management of business execution. Meanwhile, the development of the four core competencies in the new retail business enabled the Group to enhance interaction among communities and profitability driven by live streaming, improve the out-of-store shopping experience and upgrade the overall consumer experience through standardized content production processes and digital tools.

In respect of logistics system, the Group advanced the development of regional central warehouses and ensured transparency throughout the logistic information chain of products through logistics informatization. The East China Smart Logistics Centre in Jiading Shanghai commenced operations, and with the continued improvement in the quality of the logistics network, the quality and timeliness of direct delivery of products to directly-operated stores and wholesale stores have been enhanced significantly. The full launch of the logistics management platform realized the all-round coverage of the logistics business scenarios by the middle-end information platform, which streamlined the processes and enhanced the efficiency at retail front. In particular, the launch of the warehouse automation project boosted the efficiency of logistics operations, providing better services to consumers in East China region and across the country.

In respect of supply chain, the Group has further strengthened its flexible supply system, giving play to its technological advantages in products. Focusing on building a sustainable supply chain, the Group has shifted from "passive production" to "proactive production", and created greater value through further development of the "value supply chain" by reducing wastage and enhancing efficiency. At the same time, the Group has established an equal and win-win relationship with the suppliers to jointly fulfil its environmental and social responsibilities, promoted the development of environmentally-friendly products, and continuously upgraded its product strengths through innovations to provide better consumer experience.

In respect of the e-commerce, in 2023, despite the profound changes and severe challenges faced by the entire e-commerce industry, the e-commerce team of Li Ning Company remained focused on high-quality products and strived to organize innovative and diversified marketing campaigns in combination with festival events on e-commerce platforms, ensuring a stable and orderly development of all business operations. Adhering to its focus on functional products, the e-commerce of Li Ning Company continued to consolidate its market position in the professional basketball shoes category and proactively explored new growth drivers. With in-depth consumer insight and effective communication, the e-commerce of Li Ning Company accurately captured the diversified needs of consumers and adopted scenario-based marketing strategies to increase business volume.

In terms of kidswear business, LI-NING YOUNG proactively consolidated its market positioning as a professional brand and enhanced market confidence by strengthening brand image management and improving the brand image of benchmark stores. In terms of product development, LI-NING YOUNG continued to optimize its product lines and refine its product structure, particularly professional products for sports such as basketball, running and football. In terms of channel strategy, LI-NING YOUNG insisted on benchmarking against quality projects to enhance brand recognition. For marketing, LI-NING YOUNG consolidated its marketing resources, pushed forward the implementation of integrated marketing campaigns and actively explored

March 20, 2024 (Cont'd)

omni-channel marketing and community operation. As of 31 December 2023, LI-NING YOUNG had a total of 1,428 stores. The Group will continue to intensely develop its kidswear business. Leveraging the LI-NING brand, the Group will enhance the marketing efforts of the kidswear brand, take a product-focused approach to upgrade core product technology and design, and advance the exploration of market demands and product categorization. Consistent efforts will be devoted to channel expansion, retail operations and supply chain resources, so as to develop LI-NING YOUNG into a leading professional sportswear brand for kids in China.

OUTLOOK

The Group will continue to follow its core strategy, namely the “Single Brand, Multi-categories, Diversified Channels” strategy, focus on the seven major segments under business transformation, and push forward the implementation of key strategic tasks in an orderly manner, and accelerate the pace of reforms in order to further promote the growth and profitability of the LI-NING brand.

- **Implement a dual-driven strategy of merchandise and products.** The Group will continue to improve its product portfolio and optimize the types of product and price matrix. Meanwhile, the Group will also continue to explore new sports scenarios, develop the market segments of sports product category, and incorporate fashion elements into its professional products to better showcase the sports fashion culture and provide consumers with diversified consumer experiences, thereby expanding the influence of the brand;
- **Enhance investment in research and development and promote innovation-driven development.** The Group will continue its efforts in the research and development for improvement of product functions and technological innovation, so as to provide consumers with more professional and functional sports products integrated with fashionable elements, which will better showcase the sports fashion culture. Meanwhile, the Group will continue to optimize the professional product matrix and increase the proportion of professional products by upgrading the fabrics and enhancing the technological attributes of products;
- **Accelerate the establishment of the general e-commerce business system.** The Group will strengthen cooperation with mainstream e-commerce platforms to expand online sales channels and increase brand exposure and sales. It will also further enhance the user experience and functions of e-commerce platforms, optimize the shopping process and increase the conversion rate. In addition, through precise marketing strategies, the Group is able to enhance user stickiness and loyalty, resulting in a two-way transformation of the online and offline consumption scenarios;

March 20, 2024 (Cont'd)

- **Optimize the efficient retail model.** The Group will continue to optimize its efficient channel layout to provide more excellent product experience, shopping experience and sports experience. In the future, the key objective of the Group is to accelerate the rectification of low-efficiency stores with the focus on enhancing store efficiency as our main goal. On the basis of refined operations, the Group will continue to improve the efficient retail model and develop the replicability and scalability of the model, so as to provide professional safeguard for the new business layout;
- **Upgrade the supply chain system.** The Group will continue to strengthen the building of fundamental supply chain capabilities and improve its structure to enhance the flexibility and rapid response ability of the supply chain in order to flexibly adapt to the market changes. It also matches with high quality supply chain resources to ensure the safety, efficiency and stability of LI-NING's supply chain. New supply chain resources will be introduced according to the changes in demands to further optimize the supply chain matrix. The Group aims to accelerate the upgrade and reform of product development progress system by continuous reform and innovation, creating competitive advantages and deeply cooperating with strategic suppliers. It also facilitates the establishment of supply chain information system to achieve the digital transformation of both upper and lower streams of supply chains;
- **Develop marketing consolidation and closed-loop consumer operation.** The Group will place emphasis on the investments in marketing resources and strive to upgrade our professional brand image as well as enhance consumers' awareness of LI-NING brand with an aim to establish the brand as their first-choice professional sports brand. The Group will actively promote community operations to attract marketing traffic, and accomplish the conversion of high-quality traffic into revenue, thereby fostering a completely closed-loop consumer operation. In 2024, the Group will make full use of its professional resources to conduct universal marketing oriented with competitions and events, organize online and offline community operations to strengthen consumer awareness. Meanwhile, it will actively develop long-term relationship with customers based on brand values;
- **Carry out a comprehensive personnel system reform.** By optimizing the internal management processes and incentive mechanisms, the creativity and motivation of employees will be encouraged. The Group will build an efficient and professional team by nurturing and introducing high-calibre talents. Through these measures, the Group expects to enhance the overall organizational effectiveness and ensure that the Group will

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March 20, 2024 (Cont’d)

maintain its leading position under fierce market competition.

Mr. Li Ning, Executive Chairman and Joint CEO of the Group, concluded, “With the continuous support and encouragement of the national policies, the Group will continue to delve into China market, and contribute to the fulfilment of the noble national blueprint of building a “strong and healthy sports nation”. The Group will focus on its main business, keep abreast of the ever-changing consumer market. Upholding the spirit of “Anything is Possible”, it will continue to launch sports products of higher quality for the society and public, and facilitate the Chinese sports industry to expand its global presence, so as to make contribution to the development of Chinese sports industry.”

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March 20, 2024 (Cont'd)

About the Group

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. The Group is committed to be the most prominent, stylish, world-leading sports brand from 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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