

For immediate release



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

Li Ning Company Reports Interim Results for 2015

EBITDA turned positive in 2015 1H; Key Performance Indicators improved



Financial and operational highlights

- *The Group's revenue continued to grow and amounted to RMB3,641 million, representing an increase of 16% year-on-year. Both EBITDA and operating cash flow turned positive. EBITDA reached RMB 260 million and operating cash flow was RMB 165 million.*
- *Retail sell-through reached double-digit growth for all five core product categories in the first half.*
- *The Group also prudently resumed expansion in Point of Sale. The number of Point of Sale in the first half recorded net growth for the first time since 2011. Over 42% of the new Point of Sale were opened in the under-penetrated Southern China region.*

Latest Trade Fair Orders and Operational Update

- *Same-store sales in the retail and wholesale business achieved high-teens and high single-digit growth respectively, while same store sales of LI-NING brand products for the overall platform recorded low-teens growth in the second quarter compared to the same period last year.*
- *The latest trade fair orders for the first quarter of 2016 registered mid-teens growth compared to the same period last year.*

Outlook


- *In the second half of 2015, the Group will further differentiate its product positioning strategy and implement a brand strategy based on LI-NING label  and “” label. It will focus on expanding its sales network mainly in the Southern region, while maintaining a reasonable inventory level.*
- *The Group continues to improve operational efficiency, increase control on operational costs, strengthen cash flow management, and strive to return to profitability by the end of 2015.*

13 August, 2015 – Hong Kong – **Li Ning Company Limited** (“Li Ning” or the “Group”; HKEx stock code: 2331), one of the leading sports brand companies in China, today announced its results for the six months ended 30 June 2015. During the period, the Group's revenue continued to grow, reaching RMB3,641 million — which represents a year-on-year increase of 16% — and driving gross profit of RMB1,634 million, with a slight 0.3% increase in gross profit margin to 44.9%. The Group's improved operational efficiency and effective cost control resulted in positive EBITDA, totaling RMB 260 million, while loss attributable to equity holders was also reduced significantly to RMB29 million.


Focused on driving business growth, the Group continued to implement its three-pillar strategy around product, channel and retail capability. Strong performance in the five core sports categories drove low double-digit growth in retail sell-through compared to the same period last year. In particular, overall retail sell-through for basketball products increased 43%, while its current and previous season products retail sell-through increased 61%.

In terms of its channel strategy, the Group has been enhancing product positioning and strengthening collaboration with channel partners since the beginning of 2015. It has also prudently expanded its retail network, in particular, in second and third tier cities as well as the under-penetrated Southern China region. In the first half, over 42% of new Points of Sale were opened in the Southern region. Overall, total Points of Sale grew to 5,745 from 5,626 at the end of 2014, marking net growth for the first time since 2011. The Group is confident that it will be able to reach its target of a net increase of 500 Points of Sale by the end of 2015.

On its “Closed Loop” cycle, the Group has also made good progress and continued to improve operations. In terms of product sales mix, the new product sell-out rate saw continued improvement in the first half, with the three-month sell-out rate in the second quarter up 7 percentage points year-on-year. Compared to the same period last year, second quarter retail same-store sales achieved high-teens growth; wholesale same-store sales recorded high single-digit growth; and overall same store sales recorded low-teens growth. Meanwhile, inventory levels continued to improve due to the Group’s effective leverage of multiple channels such as discount stores and temporary outlets. Significantly, operating cash flow reached RMB165 million and turned positive in the first half of 2015, while working capital efficiency improved, with working capital as a percentage of revenue decreasing 6 percentage points compared to the same period last year.

Mr. Li Ning, Executive Chairman and Interim Chief Executive of the Group, said, “Steady revenue growth and operational efficiency improved in the first half of 2015 helping to reduce losses significantly, and lay the foundations for achieving full year profitability. Looking forward, the company will introduce the ‘’ label to capture the growing opportunity in the mass market sports life segment. We will also continue to focus on our channel expansion.” Mr. Li Ning continued, “At the same time, we aim to strengthen the Li Ning digital ecosystem enabling us to become more aligned with the habits of the Chinese consumer’s ‘smart’ lifestyle. We will launch products that best meet their needs and drive deeper integration with mobile internet platforms resulting in an interactive consumer experience.”

E-commerce is another major growth focus for Li Ning. While e-commerce revenue derived from LI-NING brand products in the first half of 2015 increased to approximately 6% of the Group’s total revenue, Li Ning plans to raise that proportion to more than 20% in the next three to five years. Li Ning also intends to begin utilizing data analytics on a larger scale to better understand and identify opportunities in consumer behaviour. To date, Li Ning has already launched relevant initiatives such as a line of “smart” running shoes jointly created with Huami this July. Targeting the functional and mass market sports life segments, these shoes represent a milestone in the Group’s O2O efforts. Customers can enjoy in-store trials and purchase online from e-commerce sites such as Tmall.com and JD.com. This new sales model also underscores the Group’s push into mobile commerce and its drive to improve inventory efficiency as well as reduce marketing and channel costs.

In the second half of 2015, Li Ning will continue to balance its traditional offering with new initiatives to further differentiate its functional and mass market product segments. The Group will introduce new sports life products under a blue and white coloured ‘’ label targeting the mass

market. It will expand its network of independent mass market sports life stores and launch price competitive products to attract young and trend conscious consumers. Meanwhile, the traditional LI-NING brand will continue to cater to sports enthusiasts with a strong understanding of the LI-NING brand tradition, offering them products with innovative technology and high performing functionality.

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About Li Ning Company Limited

Li Ning Company Limited is one of the leading sports brand companies in China, mainly providing sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes primarily 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 supply chain management system and a retail distribution network in China, predominantly through outsourced manufacturing operations and franchised distribution.

In addition to its core LI-NING brand, the Group also manufactures, develops, markets, distributes and/or sells sports products under several other brands, including Double Happiness (table tennis), Kason (badminton), AIGLE (outdoor sports), and Lotto (sports fashion) which are either self-owned, licensed or operated through joint ventures.

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