

[For Immediate Release]



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2331)

Achieved persistent improvements in gross margin and profit and ongoing strengthening of retail capability

Financial highlights

- Net Profit attributable to equity holders of the Company for the first half of 2016 reached RMB 113 million, improved from the RMB 29 million losses in the corresponding period last year:
 - Revenue increased by 13% to RMB3,596 million
 - Gross profit margin increased by 1.5 percentage points
 - Rationalized cost structure, particularly without provision impact
- Operating cash flow doubled to RMB346 million
- Significant improvement in working capital:
 - Gross working capital still improved (decreased) by 8% while revenue increased on a year-on-year basis
 - Cash conversion cycle improved (shortened) by 15 days (2015:90 days/2016:75 days)

Operational highlights

- Low-teens growth for total platform retail sales, including online and offline channels.
- Overall Same-Store-Sales in the first half of 2016 grew mid-single digit.
- New product sell-out rate improvement continued, up 2 percentage points.
- Discount rate improved over 2 percentage points driven by higher new product mix, particularly in direct retail platform.

(Hong Kong, 11August 2016) **Li Ning Company Limited** (“Li Ning” or the “Company”; together with the subsidiaries, the “Group”; HKEx stock code: 2331) is pleased to announce today interim results of the Group for 2016.

Li Ning Company Limited saw its revenue for the six months ended 30 June 2016 (the “Period”) reached RMB3,596 million, up 13% from the corresponding period in 2015. Operating profit for the Period was RMB153 million, increased substantially of 167% year-on-year from RMB57 million.

During the Period, the Group accomplished growth in its revenue and widened gross profit margin that when coupled with reductions in expenses, significantly improved its profitability. Profit attributable to equity holders of the Company was RMB113 million, against the RMB29 million loss for the first half of 1H 2015. Margin of profit attributable to equity holders stood at 3.2% (2015 H1: -0.9%), up 4.1 percentage points year-on-year. Return on equity attributable to equity holders was 3.5% (2015 H1: -1.2%), up 4.7 percentage points year-on-year.

Basic earnings per share were RMB5.16cents, against the basic losses per share of RMB1.55 cents in the first half of 2015. The Board of Directors of the Company has resolved not to distribute any interim dividend for the six months ended 30 June 2016.

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The Group's overall gross profit margin was 46.7% (2015 H1: 45.2%). Gross profit margin widened mainly due to the increase in the proportion of sales of new products with higher gross profit margin.

In 2016, the sporting goods industry in China continued to gather support from the national policies, consumers' ongoing pursuit of healthy lifestyles and their unrelenting participation and passion for sports. Meanwhile, challenges arising from various factors, such as the sluggishness of macro economy, still could not be readily discounted. Based on the various initiatives successfully materialised in 2015, the Group continued to seize market opportunities and consolidated its results, leveraged its brand influence to improve user experience via various channels and cross-platform to proactively nurture brand loyalty.

Trade fair orders, in terms of tag prices, for LI-NING brand products from franchised distributors registered a year-on-year growth for eleven consecutive quarters. Orders from the latest trade fair, which are for the first quarter of 2017, registered a high-single digit growth on a year-on-year basis.

In respect of LI-NING brand POS which have been in operation since the beginning of the same quarter last year, the same-store-sales growth of LI-NING brand products for the overall platform (including e-commerce business) achieved a high-single-digit growth on a year-on-year basis for the quarter ended 30 June, 2016. In terms of channels, the retail (direct operation) and wholesale (franchisee) channels both achieved mid-single-digit growths on a year-on-year basis while the e-commerce online stores business achieved a low-seventies growth on a year-on-year basis.

During the Period, through the development of the all-in-one and all-channel inventory system, the Group implemented a business model of "purchase online and deliver through Regional Distribution Center (RDC), National Distribution Center (NDC) or physical stores" and "purchase offline through one store and deliver through another store or RDC, NDC", thereby removes inventory barriers and changes the classification of good from bring location-based to sales-based. This business model has contributed significantly to improvement of the Group's inventory structure and stock-to-sales ratio, as well as enhancement of product turnover rate and operating efficiency.

In 2016, the e-commerce business of Li Ning is not merely an online sales and marketing channel. Instead, it is a tool for exploration and practice of digital operation. The sales of Li Ning's e-commerce business sustained rapid growth during the first half of 2016. Its sales for the first half of the year grew more than doubled on year-on-year basis. It is expected that the e-commerce business will sustain growth for the second half of 2016.

For the six months ended 30 June 2016, the Group's net cash from operating activities was RMB346 million (2015 H1: RMB167 million). As at 30 June 2016, net cash amounted to RMB1.335 billion, representing a net increase of RMB 89 million from the position as at 31 December 2015.

During the first half of 2016, products remained to be one of the Group's our core development areas. In respect of sports and leisure products, the Group continued product innovation by integrating popular elements into its products so as to cater to the ever-changing preferences and demands of consumers. In terms of professional sports products, the Group continued to follow the proprietary sports functionality of LI-NING brand, and continued to optimise and upgrade our products. For example, "LI-NING Cloud III Running Shoes", which were launched in the first quarter, adds smart technology. "Superlight 13th Running Shoes" follows the lightweight features all along, integrates the popular "all-in-one weaving" technique, both have gained positive feedbacks from the market. With regard to the channels, the Group continued to implement brand refinement policies and maintain its annual growth targets. Meanwhile, the Group continued to strengthen merchandising, sales operation and store retailing to persistently strengthen its retail capability. The Group determined to dispose 10% equity interest in Shanghai Double Happiness Co., Ltd. ("Double Happiness"). Upon the completion of the disposal transaction, the Group will no longer consolidate Double Happiness and account for it as an associate, and thereby cease to be a reportable segment of the Group in the future. Double Happiness was classified as held-for-sale and discontinued operations as at and for the six months ended 30 June 2016.

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Looking into the future, based on the Group's various previous major tasks, it will continue to approach target consumers via a mobile network platform, research and develop specialty products with higher competitiveness and optimise online and offline shopping experience to improve general user experience via various channels and cross-platform; continue to promote the multi-brand development strategy and optimise sales network and channels to adhere to its planned target for 2016 of net increase of 300 to 500 Point-of-Sales (POS); segmentize sales channels, product assortment and layout based on differentiated consumer preference by geographical region. The Group aims to stay close to local consumer demands through professionalised channels with exclusive specialty products to enhance retail capacity; maintain efforts in cost control levels and continue to enhance profitability.

Mr. Li Ning, Founder and Executive Chairman of the Group, said: "The supportive national policies will continue to facilitate development of the sporting goods industry. Building the value of LI-NING will remain to be the development theme of the Group in the foreseeable future. Looking forward, the Group will enhance its operation capability in various aspects and strive to go beyond the limit of "Value-for-money" proposition and attract consumers who enjoy sports through providing products with "Performance" and "Fuctionalities". Making use its sports DNA, the Group will integrate technological, cultural and others elements into its products to promote the idea of sports is a means toward an educated and happy lifestyle, and facilitate the development of a "Sports +" concept.

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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.

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), AIGLE (outdoor sports) and Lotto (sports fashion) which are either self-owned by, licensed to or operated through joint ventures with third parties of, the Group.

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