

[For Immediate Release]



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2331)

Steady revenue growth with continued margin expansion

FINANCIAL HIGHLIGHTS

- Net profit attributable to equity holders increased by 67% year-on-year to RMB189 million and margin raised from 3.2% to 4.7%:
 - Revenue up 11% to RMB 3,996 million
 - Gross profit margin expanded 1 percentage point
 - Enhanced operating leverage through disciplined cost management
- Operating cash flow (excluded Double Happiness) increased over 90% to RMB 589 million.
- Significant improvement in working capital continued:
 - Gross average working capital improved (down) by 14% while revenue increased by 11%
 - Cash conversion cycle further improved (shortened) by 19 days (2016: 75 days/2017: 56 days)

OPERATIONAL HIGHLIGHTS

- High-single digit growth for total platform retail sales, including online and offline channels;
- Channel inventory turnover improvement continued;
- Overall Same-Store-Sales in the first half of 2017 grew mid-single digit;
- New product performance improved:
 - Sell-out rate up over 4 percentage points
 - Discount rate improved 1 percentage point.

(Hong Kong, 11 August 2017) **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 interim results of the Group for the six months ended 30 June 2017 (the “period”).

In the first half of 2017, the Company maintained its growth momentum and achieved encouraging results in both financial and operational aspects. For the six months ended 30 June 2017, the Group’s revenue amounted to RMB3,996 million, up 11% from the corresponding period in 2016. Gross profit rose 14% to RMB1,904 million, against RMB1,678 million for the same period in 2016. The Group’s overall gross profit margin improved to 47.7% as compared to 46.7% for the same period in 2016. The 1 percentage point increase in gross profit margin was mainly driven by the increased sales mix from higher-margin direct operating business (include self-operated stores and e-commerce), risen

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new product mix of wholesale channel, as well as improved discount on new product sales in self-operated stores. Operating profit for the period reached RMB202 million, representing an increase of 32% as compared to RMB153 million for the same period in 2016. Profit attributable to equity holders amounted to RMB189 million, against RMB113 million for the same period in 2016, representing a year-on-year increase of 67%. Margin of profit attributable to equity holders was 4.7% (2016: 3.2%). Return on equity attributable to equity holders was 4.3% (2016: 3.5%).

Basic earnings per share were RMB7.93 cents, as compared to RMB5.16 cents for the same period of 2016. The Board of Directors of the Company has resolved not to recommend payment of interim dividend for the six months ended 30 June 2017.

The Group's core brand, LI-NING brand, recorded revenue of RMB3,966 million, which accounted for 99% of the Group's total revenue, representing a year-on-year increase of 12%. In terms of sales by channel, the e-commerce business of LI-NING continued to expand and increase its weighting of the total revenue, accounting for 18% of the total revenue of LI-NING brand. Trade fair orders, in terms of tag price, for LI-NING brand products from franchised distributors registered a year-on-year growth for fifteen consecutive quarters. The orders from the latest trade fair, which are for the first quarter of 2018, registered a high-single-digit growth on a year-on-year basis, meeting our target based on more precise trade fair order strategy.

During the period, the Group continued to create LI-NING brand's value through experiences in full swing through three major pillars of enhanced product, channel and retail capability. In respect of products, the Group embraced the heritage of professional sports' DNA of LI-NING brand, and launched "LI-NING Arc" and "Super Light 14th" running shoes to improve the sports performance. Besides, more entry-level running shoe products were added to offering consumers with sustainable and diverse product experience. Meanwhile, as for the basketball category, the "WADE" series and the trendy "BAD FIVE" apparel series featuring street basketball style have developed a trendy and avant-garde sense of sports fashion and brought the wearing experience exhibiting greater sense of sports vitality.

In the first half of 2017, there was a net decrease of 111 LI-NING POS, which was attributable to the proactive channel adjustment made by the Company. The Company was committed to improving productivity and profitability of individual stores by refining store classification based on product categories, expanding key stores with high productivity, and strategically closing down low-productivity and loss-making stores. Based on the regional disparity of consumer demands, the Group strive to display and provide at the stores products best catering to local demands. Meanwhile, the Group provided versatile and diverse sports experience and consumption experience based on category attributes. Together with the Company's overall marketing plans, the Group strengthened its brand recognition and brand loyalty under the bottom-up approach and increased consumer viscosity. During the period, the overall retail sales registered a high-single digit growth, new product sell-out rate and discount rate were up over 4 percentage points and improved 1 percentage point respectively.

In terms of cash flow management, the Group's net cash generated from operating activities for the period amounted to RMB589 million (exclude Double Happiness for 2016: RMB304 million). As at 30 June 2017, cash and cash equivalents amounted to RMB2,365 million, representing a net increase of RMB411 million as compared with the position as at 31 December 2016. As the overall performance of our channel partners demonstrated a steady upward trend, the recovery of trade receivables increased significantly, leading to significant improvement in the Group's cash flow.



During the first half of 2017, the e-commerce business of LI-NING brand remained relatively high operating efficiency and recorded a revenue growth of 58% on year-on-year basis. The Group

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continued to intensify the investment in lean digital operation in its e-commerce business, while gradually developed and improved the sales trend forecast system. Meanwhile, the business segment applied the trend forecast system in front-end and back-end tasks such as the coordination and integration of product planning and assortment and supply chain acceleration as well as the more refined lean operation, achieving relatively remarkable results.

Apart from LI-NING brand, the Group also diversified its brand portfolio by making investments in some new segments with great potential for development of sports goods industry in the future. In the first half of 2017, Danskin brand refined its product line classification, which included the fashion sports series covering sports products with fashionable and modern designs (Dansfit), the pure fashion series made of multifunctional fabrics (Danslife) as well as the high-end fashion series (Danslux) and the ballet series (Dance). Meanwhile, the brand has built partnership with suppliers possessing professional experience.

Going forward, Danskin brand will focus on digital channel in its marketing activities, with an aim to promote its brand value and strengthen communication with consumers through day-to-day liaison. The channels primarily focus on landmark shopping malls located in metropolitan cities and it is planned to open three to five POS in the fourth quarter of 2017.

The “” label remained as a fast fashion brand featuring sports and leisure attire, and caters to the demand of general public for sports concepts while sticking to vogueish and creative lifestyle. Leveraging upon the channel expansion plan, the brand expanded itself targeting mainly at established shopping malls and continued to improve and optimize its products. As of 30 June 2017, 8 “” Label concept POS were opened in cities including Beijing, Shanghai, Hefei, Dalian and Qingdao.

During the first half of 2017, LI-NING YOUNG opened around 20 stores across 14 provinces, most of them located in the northern part of China. The Company stepped up efforts in customer service and support in three aspects of channel, product and retail capability. Wade parent-child products, running windbreaker and kidswear apparel products as well as Q Cloud kid's footwear products were launched in June 2017 and well received among consumers for their stylish, professional, safe and colorful features. The trade fair of LI-NING YOUNG for the first quarter of 2018 was held in June and the products demonstrated further improvements in the design, style and material, catering to teenagers' preferences and their demand for sports.

Mr. Li Ning, Founder and Executive Chairman of the Group, concluded: “In the first half of 2017, we had accomplished major tasks and improved our operations and profitability. Looking forward, we will continue to strengthen our business focuses in order to attain healthy and sustainable profit growth for the Company in the future. We will continue to create LI-NING's experience value in support of our products, channels and retail capability. We will continue to increase investment in the reformation of digital operation, exercise reasonable and prudent use of resources to explore new business opportunities and market potentials.

In order to accommodate the changing market environment, strengthening brand value and developing LI-NING brand value through experience will remain as the theme of the Company's long-term development. We will provide flexible experiences according to differentiated consumer habits with an aim to explore and broaden room for business development, hence, foster new opportunities for the Company's sustainable growth in the long run.”

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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), Danskin (fashionable fitness products for dance and yoga), Kason (badminton) 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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