

[For Immediate Release]



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2331)

**Continuously enhance profitability with improved operation efficiency
Further consolidate LI-NING's experience value**

FINANCIAL HIGHLIGHTS

- Reported net profit attributable to equity holders increased by 42% to RMB269 million, net profit margin raised from 4.7% to 5.7%:
 - Revenue increased by approximately 17.9% to RMB4,713 million
 - Gross profit margin expanded 1 percentage point
 - Maintained operating leverage notwithstanding investment in new initiatives
- Operating cash flow increased by 12% to RMB660 million.
- Significant improvement in working capital continued:
 - Gross average working capital improved (reduced) by 8% while revenue increased by approximately 17.9%
 - Cash conversion cycle further improved (shortened) by 11 days (2017: 56 days/2018: 45 days)

OPERATIONAL HIGHLIGHTS

- The retail sell-through for the overall platform increased by mid-teens, including online and offline channels.
- Channel inventory turnover further improved.
- Overall Same-Store-Sales in 2018H1 grew high-single digit.
- Offline new product sell-through increased by mid-teens with gross margin improved:
 - New product mix increased by 3 percentage points.

(Hong Kong, 13 August 2018) **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 2018 (the “period”).

In the first half of 2018, the Company’s key operational indicators have been continuously optimized and profitability has been further improved. During the period, the Group’s revenue amounted to RMB4,713 million, representing an increase of 17.9% compared to that of 2017. Gross profit rose 20.5% to RMB2,294 million, against RMB1,904 million in 2017. The Group’s overall gross profit margin improved to 48.7% (1H2017: 47.7%). The increase in gross profit margin was resulted from the increase in proportion of higher-margin retail and e-commerce channel business, improvement in sales of new

(to be cont'd)

(Cont'd)

products of retail channel and the improved tag-cost-ratio of new products (partially due to the increase of tag price). Operating profit for the period reached RMB294 million, representing an increase of 45.6% as compared to RMB202 million in 2017. Profit attributable to equity holders amounted to RMB269 million. Margin of profit attributable to equity holders was 5.7% (1H2017: 4.7%). Return on equity attributable to equity holders was 5.1% (1H2017: 4.3%).

Basic earnings per share were RMB11.10 cents (1H2017: RMB7.93 cents). The Board did not propose interim dividend for the six months ended 30 June 2018 and 2017.

The e-commerce business of LI-NING continued to expand and increased its weighting of the total revenue, accounting for 20.8% of the Group's total revenue. In terms of product category, apparel recorded significant growth of 30.7% to RMB2,300 million, accounting for 48.8% of the Group's total revenue. Besides, regarding the breakdown by geographical location, revenue generated from the northern region recorded an increase of 21.8%, accounting for 54.5% of the Group's total revenue. In terms of tag price, trade fair orders for LI-NING brand products (excluding LI-NING YOUNG) from franchised distributors registered a year-on-year growth for nineteen consecutive quarters. The orders from the latest trade fair for the first quarter of 2019, held in June 2018 registered a high-single-digit growth on a year-on-year basis.

During the period, the Group continued to create LI-NING's experience value in full swing through three major pillars, namely the enhanced products, channels and retail capability. Professional sports remained the main-theme and positioning of the branded products. Our innate sports DNA has impelled the Group to place more emphasis on sports research and investment in product research and development to constantly launch new professional products for athletes and sports enthusiasts. Meanwhile, imagination is driving LI-NING brand to be more fashionable and trendy, therefore creating more professional and stylish products and sports experience for those who enjoy life. During the period, the brand demonstrated its product competitiveness on the international stage through the two Fashion Week shows, thus gaining positive feedbacks and good reputation from the market and further consolidating the brand's influence among consumers as well as the influence of domestic brands on the international stage.

As at 30 June 2018, the total number of LI-NING POS (including LI-NING YOUNG) in China amounted to 6,898, a net increase of 168 POS since the end of previous quarter and a net increase of 463 POS since the beginning of this year. During the period, the Group continued to close down the loss-making stores and renovate the inefficient stores, expand the coverage of our sales network, and actively optimize the structure of sales channels. We have segmented high- and low-end market based on the regional difference of consumer demands, providing versatile and diverse sports experience and shopping experience with regards to attributes of different sports categories, and efficiency of sales channels continued to be enhanced.

In terms of cash flow management, the Group's net cash generated from operating activities for the year amounted to RMB660 million (1H2017: RMB589 million). As at 30 June 2018, cash and cash equivalents amounted to RMB2,693 million, representing a net increase of RMB163 million as compared with the position as at 31 December 2017. As the Group's cash flow from operating activities improved steadily year-on-year and reasonable investment arrangement has been made simultaneously, the use and operation of funds of the Group become more reasonable and efficient.

During the first half of 2018, the e-commerce of Li Ning Company further attained steady growth and enhancement in terms of revenue and profitability. The e-commerce of Li Ning Company continued to improve the data analysis and forecast system, strengthened classification of different customer base, and newly opened such online stores as Tmall running flagship store and Tmall basketball flagship store

(Cont'd)

for professional sports group. Meanwhile, the e-commerce of Li Ning Company has invested more resources in content marketing and event marketing. The front-end operation covers packaging of live broadcast, interview video, product stories and traditional culture, such as New York Fashion Week event, Paris Fashion Week event marketing, Tmall Day with the theme of "China Fresh Youth" (中國新輕年), and deep exploration of stories and culture at spiritual level of certain core topical products and e-commerce specific offerings of the Group, such as "Essence" (悟道). For user experience, the WeChat applet platform was launched to facilitate the circulation of event marketing and rapid purchase by users.

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. Year 2018 is the year for LI-NING YOUNG business to set up systems in respect of various aspects such as products, channel and marketing.

For products, the Group further improved the product mix structure of shoes and apparel products and continued to improve product design. For expansion of business channels, the Group continued to improve store management of grading system, store image upgrading and establishment of benchmark store projects. We have established such benchmark store projects as brand experience store in The River Mall in Shanghai in the first half of the year, and will launch more benchmark store projects in the second half of the year to stimulate and influence consumers' perception and recognition of LI-NING kidswear brand; For marketing, we invested more marketing resources to create more topics and stories for our products and brands, and continued to enhance our product premium. We collaborated with DISNEY to create popular products by using such internationally renowned IPs as Mickey, Star Wars, Toy Story and Wreck-It Ralph, bringing high quality, more professional and fashionable product experience to Chinese teenagers. We lead the sports kidswear fashion in China through product experience and promotion of "Star Baby" (明星寶貝).

As of 30 June 2018, LI-NING YOUNG business covered 29 provinces with a total of 631 stores. The competition for domestic kidswear market is still intense. Looking forward, the Group will keep on the steady development with single store profitability as the key, continue to develop a retail business model with products satisfying consumer needs as the core, driven by retail profitability and maintaining sound development whilst creating values in terms of product experience, shopping experience and sports experience.

Danskin Brand is positioned as a high-end women fashion sports brand in China. It has opened 10 stores by the end of June 2018, all of which adopted directly-operated retail model. These stores are located in different regions in North, Central and South China, mainly in the first-tier cities, and stationed in local landmark department stores, shopping malls and etc., so as to widely reach different types of consumers. The Danskin Brand has explored product series and main categories applicable to the brand development, and has conducted a round of selection and matching of suppliers to ensure the professionalism and quality of its products.

For the second half of 2018, Danskin the brand will continue to further improve product mix and enhance shopping experience, and it is expected that its sales channel will expand to around 15-20 stores by the end of 2018.

Mr. Li Ning, Founder and Executive Chairman of the Group, concluded: "In the first half of 2018, we continued to strengthen and improve the core business focuses, strengthened LI-NING's experience value, and focused on enhancing efficiency in order to achieve healthy and sustainable profit growth for the Company. In the future, in respect of products, we will continue to integrate professional sports with fashion, entertainment and leisure to enhance product competitiveness. In terms of channels, we

(Cont'd)

will constantly improve the efficiency and image of LI-NING's channels, while treating continuous establishment and optimization of retail operation-supported platform will remain as our major tasks. Besides, we will continue to promote the development of digitalization strategy so as to further enhance the efficiency of both online and offline sales. In respect of different hot topics, we will enhance our brand's influence and product competitiveness among consumers by using flexible online and offline marketing approaches. We will also explore and consolidate sales opportunities through the interaction between influences of different channels. In respect of new business, we will continue to reasonably and prudently use resources to explore business opportunities and market potentials in order to foster new opportunities for the Company's profit growth in the long run.

With the impact of urban development and consumption upgrade, we foresee the consumption structure of consumers to be transformed toward a more refined and mature dimension. In order to accommodate the changing market environment and strengthening brand value, developing LI-NING brand value through experience will remain as the theme of the Company's long-term development so as to inject more vitality and creativity to the brand. In the future, we will continue to devote main resources into gaining sports knowledge, technological research and development and development of LI-NING brand experience, and proactively explore and broaden room for business development."

— End —

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.

For inquiries, please contact

iPR Ogilvy & Mather

Gary Li/ Lorraine Luk/ Joseph Zhou/ Koey Tam/ Jenny Leung

Tel: (852) 3170 6753/ 2169 0467/ 3920 7649/ 3920 7626/ 3920 7625

Fax: (852) 3170 6606

Email: lining@iprogilvy.com