



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2331)

**Implement Strategy of “Single Brand, Multi-categories, Diversified Channels”
Continuously Enhance Brand Value
Steadily Improve Profitability**

FINANCIAL HIGHLIGHTS

- Reported net profit attributable to equity holders increased by 196% to RMB795 million, net profit margin raised from 5.7% to 12.7%.
- Excluding the one-off profit and loss not related to operation, the net profit attributable to equity holders increased by 109% to RMB561 million, net profit margin was 9.0%:
 - Revenue increased by approximately 33% to RMB6,255 million
 - Gross profit margin expanded 1 percentage point
 - Enhanced operating leverage notwithstanding investment in new initiatives and increase of organization costs
- Operating cash flow increased by 107% to RMB1,366 million.
- Significant improvement in working capital continued:
 - Gross average working capital improved (reduced) by 16% while revenue increased by approximately 33%
 - Cash conversion cycle further improved (shortened) by 13 days (2018: 45 days/2019: 32 days)

OPERATIONAL HIGHLIGHTS

- The retail sell-through for the overall platform increased by low-twenties, including online and offline channels.
- Channel inventory turnover improvement continued.
- Overall same-store-sales in 2019H1 grew mid-teens.
- Offline channel new product sell-through increased by mid-teens with gross margin improved:
 - New product discount rate improved over 1 percentage point
 - Sell-out rate was up over 2 percentage points

(Hong Kong, 14 August 2019) **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 2019 (the "period").

Financial Results

In the first half of 2019, the Company steadily improved its profitability and optimized the key operational indicators. During the period, the Group's revenue amounted to RMB6,255 million, representing an increase of 32.7% compared to the same period of 2018. Gross profit rose 35.5% to RMB3,108 million, against RMB2,294 million in 2018. The Group's overall gross profit margin improved to 49.7% (1H2018: 48.7%). The increase in gross profit margin was mainly attributable to higher percentage of tag price on delivery provided to franchised distributors due to the increasing brand recognition, and better sales discount on both new and old products in self-operated channel.

During the period, the Group's operating profit was RMB678 million, up 130.8% as compared to RMB294 million of the same period of 2018. Profit attributable to equity holders amounted to RMB795 million (1H2018: RMB269 million) with a year-on-year increase of 196.0%; while excluding the one-off profit and loss not related to operation, the profit attributable to equity holders amounted to RMB561 million with a year-on-year increase of 109.1%. The margin of profit attributable to equity holders was 12.7% (1H2018: 5.7%), while excluding the one-off profit and loss not related to operation, the margin of profit attributable to equity holders was 9.0%. Return on equity attributable to equity holders was 13.0% (1H2018: 5.1%), while excluding the one-off profit and loss not related to operation, the return on equity attributable to equity holders was 9.3%.

Basic earnings per share were RMB32.88 cents (1H2018: RMB11.10 cents). The Board resolved not to distribute any interim dividend for the six months ended 30 June 2019 (1H2018: nil).

In terms of cash flow management, the Group's net cash generated from operating activities for the period amounted to RMB1,366 million (1H2018: RMB660 million), up 107% year-on-year. As at 30 June 2019, cash and cash equivalents amounted to RMB4,725 million, representing a net increase of RMB1,053 million as compared with the position as at 31 December 2018. As the Group's cash flow from operating activities improved significantly 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.

Operational Summary

During the period, the Group implemented the strategy of "Single Brand, Multi-categories, Diversified Channels" to further strengthen the brand and product competitiveness. We comprehensively optimized marketing resource allocation, as well as strengthened diversified sales channels development to improve operating efficiency, thereby supporting and deepening LI-NING's experience value in full swing.

For products, the Group continued to focus on five core categories, namely basketball, running, training, badminton and sports casual. We continued to strengthen the knowledge and research of sports science and applied such knowledge to our product design. With more customized and professional product offerings, we satisfied the differentiated demand of customers for product functions under different categories. Meanwhile, the Group continued to explore the popular trend regarding culture and lifestyle. By accurately capturing the fashionable elements and conducting intensive research on trendsetters, we enhanced our brand influence among young consumers. During the period, the Group repeatedly attracted consumers through our outstanding performance in the international fashion weeks and high-quality crossover collaborations, hence expanding our consumer groups.

For channels, the Group accelerated the promotion of diversified sales channels development and optimized the structure of channels. During the period, the Company strengthened the strategies of big stores with high productivity and optimized the shopping mall channel, while actively explore new channel types. In addition, we continued to close loss-making stores, upgrade and improve low-efficiency stores and optimize store structures. Furthermore, catering to young customers who are more sensitive to high-end fashion trends, the Company made vigorous efforts in the establishment of China LI-NING store channel, hence significantly increasing channel competitiveness of the brand.

As at 30 June 2019, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 6,422, representing a net increase of 112 POS since the end of previous quarter and a net increase of 78 POS since the beginning of this year. The total number of LI-NING YOUNG POS in China amounted to 872, representing a net increase of 57 POS since the end of previous quarter and a net increase of 79 POS since the beginning of this year. Given stronger confidence on the LI-NING brand among distributors, trade fair orders for LI-NING brand products (excluding LI-NING YOUNG and China LI-NING) from franchised distributors, which are for the first quarter of 2020, held in June 2019 registered a high-teens growth on a year-on-year basis.

During the period, the e-commerce of Li Ning Company stepped up its efforts in product creativity. The e-commerce platform continued to focus on establishing the independent product line, the "Counterflow-溯" series, whose product reputation improved continuously with gradually enhanced consumer recognition. Meanwhile, the e-commerce of Li Ning Company played an active role in the Group's core strategic projects such as fashion weeks and "China LI-NING". With the combination of marketing resources and simultaneous online sales, the contribution of e-commerce to our business has increased and the recognition among consumers has improved.

In terms of retail operation, the Group continued to accelerate the transformation of its product operation model and the improvement of its retail capability with a view to optimizing the store efficiency. We carried out the differentiated product planning according to regional characteristics in order to cater to the regional characteristics and consumers' demand; optimized and upgraded the single store order project to gradually realize intelligentization;

formulated the retail operation standard for the strategy of big stores with high productivity, while upgrading the visual image of stores and strengthening the cultivation of terminal retail talents, thereby pushing forward the optimization and improvement of operating efficiency.

During the period, the Group continuously promoted “Demand-driven” (因需而動) supply chain optimization. We improved the responsiveness and elasticity of the supply chain to optimize supply chain resources. We also established a precise and swift business-oriented supply chain system, thereby fostering healthy and dynamic supply chain management.

In addition, the Group actively promoted the development of new business. During the first half of 2019, LI-NING YOUNG made continued progress and achievements by orderly carrying out product development, supply chain building, channel development and brand image establishment. In terms of products, LI-NING YOUNG carried out product categorization and segmentation to achieve precision in product categorization and product structure. For channel building, we continued to expedite market expansion while optimizing and adjusting the distribution. For marketing, LI-NING YOUNG continued to optimize its own digital marketing matrix. We leverage on the resource advantages from integration of online and offline platforms to strengthen brand awareness and product promotion.

Outlook

Looking forward, on the basis of our major tasks which were accomplished in the first half of 2019, the Group will continue to promote the strategy of “Single Brand, Multi-categories, Diversified Channels”, strengthen and improve the following core business focuses, remain devoted to creating LI-NING’s experience value, and focus 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 innovate by integrating professional sports with pop culture, so as to attract more consumer groups and expand our brand influence. We will enhance the professional sports attributes with innovative technology by strengthening our research and development in relation to sports science. Meanwhile, we will focus on seeking fashionable elements which align with the DNA of our brand by exploring and analyzing the pop culture with an aim to increasing the fashionable elements in our professional sports products and develop more star products. We will also precisely capitalize on current hot topics to create and lead the market trend, at the same time strengthening the interaction with consumers to enhance their recognition of and loyalty to our brand and increase our brand value;
- **In terms of sales channels**, we will continue to increase the efficiency and promote the diversified development of our sales channels, as well as implement the strategy of big stores with high productivity. Meanwhile, with a view to refining the structure of sales channels, we will continue to close down and reform loss-making and inefficient stores;
- Continuous establishment and optimization of **retail operation platform** and **supply chain management system** will remain as one of our major tasks. We will constantly

optimize the retail experience in stores, promote standardization of store operation, improve store management ability and optimize consumption experience in stores. We will also continue to explore new retail businesses and improve the online and offline integrated operation mode. Meanwhile, we will carry on enhancing the capability in terms of self-owned supply chain management and research and development regarding application of technology and knowledge;

- The Group will continue to promote the development of **digitalization strategy** so as to further strengthen the comprehensive marketing layout. Capitalizing on the hot topics and trends in the market, we will further enhance the sales efficiency by flexibly conducting multichannel marketing campaigns both online and offline, with a view to seizing and procuring more business opportunities;
- In respect of **new business**, on the basis of continuing to focus on enhancing single store profitability, the Group will make reasonable and prudent use of resources to explore business opportunities and potential market, in order to foster new opportunities for the Company's profit growth in the long run.

Mr. Li Ning, Founder and Executive Chairman of the Group, concluded, "In the first half of 2019, we implemented the strategy of "Single Brand, Multi-categories, Diversified Channels", strengthened and improved core business focuses, enhanced LI-NING's experience value, and increased product and brand competitiveness continuously. The key operational indicators optimized with a steady increase of the Group's revenue and continuous improvement in profitability. Benefited from the changing consumption concept brought by various favorable policies introduced by the government and consumption upgrade, we are confident in the long-term development of the Company.

Looking forward, we will continue to focus on our products. While committing to professionalism, we will innovate our products by integrating professional sports with trendy culture. We will also continue to build and optimize retail operation platform and supply chain management system, and promote the development of digitalization strategy at the same time. We will devote main resources to sports knowledge learning, technological research and development, and LI-NING brand experience enhancement, in order to explore and broaden room for business development."

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About Li Ning Company Limited

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.

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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