

[For Immediate Release]



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2331)

**Steadily Promote Strategy Of “Single Brand, Multi-Categories, Diversified Channels”
Further Manifest Brand Resilience**

FINANCIAL HIGHLIGHTS

- On a comparative basis (excluding the one-off profit and loss not related to operation for the corresponding period last year), the net profit attributable to equity holders increased by approximately 22% to RMB683 million, and the net profit margin raised from 9.0% to 11.1%;

Including the one-off profit and loss not related to operation for the corresponding period last year, reported net profit attributable to equity holders decreased by approximately 14% and the net profit margin dropped from 12.7% to 11.1%.

- Notwithstanding the impact of 2019 novel coronavirus disease ("COVID-19") leading to a very challenging retail environment during most time of the period:
 - Revenue decreased slightly by approximately 1% to RMB6,181 million
 - Gross profit margin decreased by 0.2 percentage point
 - The operating leverage has been enhanced continuously, while the operating profit margin has been driven to 14.5% and increased by over 300 basis points
 - Achieve positive operating cash flow of RMB479 million
 - Continued improvement in working capital:
 - Gross average working capital improved (reduced) by 7% while revenue decreased by approximately 1%
 - Cash conversion cycle further improved (shortened) by 2 days (2019: 32 days/2020: 30 days)

OPERATIONAL HIGHLIGHTS

- Operation performance was negatively affected due to COVID-19 pandemic.
- The retail sell-through for the overall platform recorded low-teens decrease, including online and offline channels.
- Channel inventory recorded low-teens increase.
- Offline channel new product sell-through recorded mid-teens decrease due to the decline in the sales volume:
 - Average selling price (ASP) registered a low-single-digit increase notwithstanding a very promotional retail environment.
 - Sell-out rate: 6-month declined over 6 percentage points, 3-month declined approximately 5 percentage points

(Hong Kong, 14 August 2020) **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 2020 (the "period").

Financial Results

In the first half of 2020, the Company actively implemented effective internal and external control, and endeavored to alleviate the pressure from the COVID-19 pandemic. During the period, the Group's revenue amounted to RMB6,181 million, representing a slight decrease of 1.2% compared to the same period of 2019. Gross profit decreased 1.6% to RMB 3,057 million, against RMB 3,108 million in 2019. The Group's overall gross profit margin was 49.5% (1H2019: 49.7%).

Despite the decrease in both sales revenue and gross profit margin as affected by the COVID-19 pandemic during the period, after excluding the one-off profit and loss not related to operation for the corresponding period last year, the overall profitability indicators of the Group for the six months ended 30 June 2020 have still improved through its control over the expense ratio. During the period, the Group's profit attributable to equity holders amounted to RMB683 million (1H2019: RMB795 million; and RMB561 million after excluding the one-off profit and loss not related to operation), representing a year-on-year decrease of 14.1% (a year-on-year increase of 21.7% after excluding the one-off profit and loss not related to operation). The margin of profit attributable to equity holders was 11.1% (1H2019: 12.7%; and 9.0% after excluding the one-off profit and loss not related to operation). Return on equity attributable to equity holders was 9.3% (1H2019: 13.0%; and 9.3% after excluding the one-off profit and loss not related to operation).

Basic earnings per share were RMB27.98 cents (1H 2019: RMB32.88 cents). The Board resolved not to distribute any interim dividend for the six months ended 30 June 2020 (1H2019: nil).

In terms of cash flow management, the Group's net cash generated from operating activities for the period amounted to RMB479 million (1H2019: RMB1,366 million), decreased 64.9% year-on-year. As at 30 June 2020, cash and cash equivalents amounted to RMB5,561 million, adding back fixed term deposits which were recorded in financial assets at fair value through other comprehensive income, cash balance amounted to RMB5,761 million. During the period, due to the impact of the COVID-19 pandemic, the operation of certain offline stores was suspended in the first quarter of 2020, which has resulted in stagnant retail sell-through, hence, the Group's cash flow from operating activities decreased significantly year-on-year. The Group will pay close attention to the security of capital and make reasonable capital utilisation plans in order to effectively respond to the negative impact brought by the COVID-19 pandemic.

Operational Summary

During the period, the Group enhanced and optimized LI-NING's experience value comprehensively by focusing our efforts on products, channels and retail capability, and supply chain optimization and upgrade, and steadily promoting the core strategy of "Single Brand, Multi-categories, Diversified Channels".

In terms of products, the Group stayed focus on the five core categories, namely basketball,

running, training, badminton and sports casual, emphasized on the improvement of the product’s professional and functional features, scaled up the efforts on research and development to upgrade product functions so as to effectively convey brand value and offer high-quality consumer experience. Meanwhile, the Group shaped the sports products with new appearances through insightful interpretation of the fashion culture, developed a diversified sports culture system to consolidate and enhance our brand influence among young consumer groups. In terms of running category, Li Ning focuses on core professional product lines and strengthens the professional image of the brand; In terms of basketball category, the Group’s core IP products applied the superior shock-relieving material of the “LI-NING 䨎” (李宁䨎) technology to help athletes improve their performance; In terms of training category, the Group continued to refine sports segment, placed emphasis on the female consumer market and strived to create a more vibrant functional product; In terms of badminton category, the new series of products immediately garnered wide recognition from consumers since their release.

During the first half of 2020, by continuing its focus on multi-channel strategy, the Company strengthened collaborations with quality retailers so as to propel the enhancement of the efficiency of retail channels and improve the quality of market coverage. The Company accelerated the promotion of diversified channels development, adjusted its channel expansion plan on a dynamic basis with a view to ensuring true efficiency and profitability of newly- opened stores. During the period, in the midst of the COVID-19 pandemic and based on the channel optimization strategy, the Company continued to actively accelerate the closure of loss-making and low-efficiency stores to optimize structure of channels and improve channel efficiency. During the COVID-19 pandemic, the Company maintained close communication with various large nationwide chain commercial real-estate groups under strategic partnership so as to develop an optimal rent waiver policy and optimize rental cost, at the same time strengthening the negotiation with quality business entities to plan the layout of big stores with high efficiency, with an aim to lay the foundation for channel recovery after the COVID-19 pandemic.

As at 30 June 2020, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 5,973, representing a net decrease of 476 POS since the beginning of this year. The total number of LI-NING YOUNG POS in China amounted to 1,010, representing a net decrease of 91 POS since the beginning of this year.

In terms of retail operations in the first half of this year, the Company continued to focus on the transformation of its product operation model and the improvement of its retail operation capability with a view to further promoting the enhancement of sales channels efficiency. The Group further pushed ahead with the improvement of operation efficiency through focusing on the enhancement of product operation management efficiency of single store, strengthening the management over product sales plan of single store, continually refining the function of LI-NING’s retail operation platform, establishing a new visual image for the stores, and continuing the cultivation of retail talents.

In terms of supply chain, in order to align with the Company’s development needs under its core strategies, the Group strengthened supply chain integration, continually optimized the “Demand-driven” (因需而動) supply chain system, and enhanced the flexibility and fast response capability of the supply chain system.

During the first half of 2020, the Company sustained its focus on consumer research and made further improvements on the way of reaching out to consumers, by continuously enhancing interactions with consumers at stores, pushing forward the establishment of digital stores and exploring new retail model and devoting greater effort in the planning of membership and omni-channel in order to effectively enhance consumers' experience. In addition, the Group also continuously strengthened the construction of logistics supporting capacity and through comprehensive application of logistic network resources and platform to provide differentiated, refined and efficient logistics service support in line with the requirement of relevant business divisions.

During the first half of 2020, given the impact of the COVID-19 pandemic on offline consumption, the e-commerce sector faced increasingly intense competition. Under such heavy pressure, the e-commerce of Li Ning Company still managed to maintain relatively strong resilience and high profitability, which has contributed positively to the Company's results. In terms of e-commerce platforms, independent product line "COUNTERFLOW BY LI-NING" series has received wide attention and recognition, and the Group has continued to deploy diversified marketing resources to drive customer traffic to online platform. In the future, the e-commerce of Li Ning Company will remain committed to facilitating the upgrade of product competitiveness and consumption experience and to provide new momentum for the business growth of the Group on a continuous basis.

In addition, the Group continued to promote new business development. During the first half of 2020, based on the vision and the strategy of the Group, LI-NING YOUNG further refined the position and planning of kidswear products. The Group continued to optimize the product line and further clarify the product structure, continuously deployed and optimized the supply chain resources, establish a diversified channel system, continued to optimize the digital marketing matrix and leveraged the advantages of LI-NING brand to lay a solid foundation for the long-term development of kidswear business. In the future, we believe that, as both product and brand competitiveness of kidswear business continue to grow, this business segment has promising potential in terms of driving the overall growth of the Group.

Outlook

2020 marks the 30th anniversary of the establishment of LI-NING brand. Adhering to the strategic direction of "Single Brand, Multi-categories, Diversified Channels", we will strengthen the performance of the core business and optimize LI-NING's experience value in full swing to further enhance our competitiveness of both products and the brand, hence achieving a stable and sustainable growth of the Company's business:

- In respect of products, we will continue to invest in **product functions and technological innovation**. Meanwhile, we will continue to enhance our capability of analyzing fashion trends and markets, striving to reach target consumers precisely, enhance consumers' product experience and deepen our brand influence;
- In respect of channel development, we will focus on **maximizing the efficiency of our**

sales channels and expansion of big stores with high efficiency, as well as reinforcing the synergistic coordination of the omni-channel by consolidating layout of sales channels and clarifying the characteristics of different channels;

- In respect of retail operation and supply chain, we will continue to enhance the standards of store operation **on the basis of both product and consumption experience** and improve store management ability, as well as strengthen the online and offline integrated operation mode. Meanwhile, we will step up our efforts in establishing the supply chain management system;
- The Group will continue to **improve our diversified marketing approaches** to expand the consumer coverage, increase the popularity of our brand, enhance customer loyalty and enhance consumers' recognition of the brand;
- **In respect of new business**, enhancing single store profitability will remain as our major development goal. We will make reasonable and prudent use of resources to explore business opportunities and market potential, 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 2020, the outbreak of the COVID-19 pandemic brought certain pressure to the market. The innate sports DNA of LI-NING has empowered us with the faith to conquer challenges and the determination to achieve breakthroughs, the Group adjusted its strategy in a timely manner and proactively responded, and its brand resilience continued to increase. The Group is fully confident in the long-term prospect of the sports industry. We will always adhere to the principle of focusing on products with an emphasis on the professional attributes and keep abreast of the fashion trend to continuously improve product performance and brand image, and hence enhance LI-NING's experience value.

Looking forward, we will continue to achieve steady growth of our results by enhancing our business capability. We will also devote main resources into gaining sports knowledge, placing emphasis on technological research and development as well as pop culture analysis with a view to bringing our business to another new height."

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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. We are committed to becoming a world-class international professional sports brand enterprise with fashion attributes that originate from China and can be recognized worldwide.

In addition to its core LINING 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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