

【For immediate release】



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2331)

**Deepen the Strategy of “Single Brand, Multi-categories, Diversified Channels”
Further Enhance Brand Value and Profitability**

FINANCIAL HIGHLIGHTS

- Net profit attributable to equity holders increased by 187% to RMB1,962 million, and the net profit margin raised from 11.1% to 19.2%:
 - Revenue increased by 65% to RMB10,197 million
 - Gross profit margin expanded 6.4 percentage points to 55.9%
 - Enhanced operating leverage help drove operating profit margin expanded 10.4 percentage points to 24.9%
- Operating cash flow increased by over 590% to RMB3,325 million;
- Significant improvement in working capital continued:
 - Gross average working capital improved (reduced) by over 10% while revenue increased by 65%
 - Cash conversion cycle further improved (shortened) by 17 days (2020 H1: 30 days/2021 H1: 13 days)

(Hong Kong, 13 August 2021) **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 2021 (the “period”).

Financial Results

During the first half of 2021, China has brought the COVID-19 pandemic effectively under control, enabling the recovery trend of its national economy to continue and further increasing the public awareness of fitness and health across China. With enhancement in technological development, design capability and product quality, domestic brands have been gaining awareness and recognition from domestic consumers. Benefiting from the above-mentioned factors, the principal operational indicators of the Group has significantly improved with a substantial revenue growth and further enhanced profitability. During the period, the Group’s revenue amounted to RMB10,197 million, representing a significant increase of 65.0% as compared to the corresponding period of 2020. Gross profit rose 86.4% to RMB5,699 million, against RMB3,057 million in the corresponding period of 2020. The gross profit margin of the Group increased by 6.4 percentage points year-on-year to 55.9% (2020 H1: 49.5%).

The Group recorded significant growth in sales revenue and improvement of gross profit margin for the period. Meanwhile, effective cost control measures drove down expenses ratio and boosted overall profitability indicators drastically. During the period, the Group’s profit attributable to equity holders amounted to RMB1,962 million (2020 H1: RMB683 million), representing a year-on-year increase of

(Next Page)

187.2%. The margin of profit attributable to equity holders was 19.2% (2020 H1: 11.1%). Return on equity attributable to equity holders was 20.6% (2020 H1: 9.3%).

Basic earnings per share were RMB79.04 cents (2020 H1: RMB27.98 cents). The Board did not propose interim dividend for the six months ended 30 June 2021 (2020 H1: nil).

In terms of cash flow management, the Group’s net cash generated from operating activities during the period amounted to RMB3,325 million (2020 H1: RMB479 million), up 594% year-on-year. As at 30 June 2021, cash and cash equivalents (including cash at banks and in hand, and fixed term deposits with original maturity of no more than three months) amounted to RMB6,108 million, representing a net decrease of RMB1,079 million as compared with the position as at 31 December 2020. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB8,312 million, which represented a net increase of RMB870 million as compared to 31 December 2020. During the period, the Group’s cash flow from operating activities increased significantly year-on-year, which was attributable to the remarkable growth in revenue from all channels and the settlements from franchised distributors. In addition, the Group completed the acquisition of equity and creditor’s rights of Matsunichi Communications (Hong Kong) Limited during the period, which led to the drastic year-on-year increase in cash used in investing activities.

Operational Summary

During the period, pursuing the strategy of “Single Brand, Multi-categories, Diversified Channels”, the Group put consistent efforts in upgrading our products, channels and retail capability as well as supply chain to consolidate LI-NING’s experience value.

In terms of products, the Group stayed focus on its five core categories, namely basketball, running, training, badminton and sports casual. Placing emphasis on the scientific research of sports, the Group continued to conduct the R&D and upgrade of product technology platform to further strengthen the brand’s sports DNA. Meanwhile, the Group conveyed the brand value with unique design concepts which integrated the elements of both Chinese culture and popular culture. With a focus on the characteristics of professional and sports casual categories, the Group continued to enrich its diversified and comprehensive marketing resources during the period. Continuous exposure of the professional LI-NING products through sports stars and professional events as well as promotional efforts in tandem with hot topics have further scaled up its consumer groups. Besides, the Group drew attention of young consumer groups by deploying for flexible and diversified crossover and digital marketing resources. Under the guidance of fashion opinion leaders, the Group have gained more recognition from mainstream consumers and enhanced its brand image and value.

During the first half of 2021, the Group remained focused on optimizing the structure and efficiency of channels while accelerating the closure of loss-making, low efficiency and small stores. At the same time, the Group enhanced the cooperation with high-quality retailers, which optimized the efficiency of retail channel and improved the quality of market coverage. During the period, the Group promoted the strategy of expanding big stores with high efficiency across China, establishing an assortment and operation management model that embodies the sporty and trendy image of LI-NING brand. In addition, the Group has improved consumers’ experience by upgrading the image of stores to keep abreast of the times in a bid to enhance brand’s recognition and loyalty.

As at 30 June 2021, the total number of LI-NING point of sale (“POS”) (excluding LI-NING YOUNG) in China amounted to 5,704, representing a net decrease of 80 POS since the end of previous quarter and a net decrease of 208 POS since the beginning of this year.

In respect of retail operation, the Group continued to push forward the transformation and optimization of product operation models to facilitate continuous improvement of product operation efficiency. The Group has established and optimized the product management system to ensure product inventory and efficiency with an aim to further unleash its product operation efficiency, which has underpinned the continuous rapid growth of sell-through of stores. The Group has also strengthened inventory management and optimized the inventory structure. With a focus on the development of functional product categories, the Group has established and improved the footwear product matrix and hence increased the percentage of its footwear business.

As for the supply chain, the “value supply chain” management model remained the centre of the supply chain system of the Group. To reduce wastage and improve efficiency, the Group used consumer satisfaction as the final indicator of supply chain value, so as to enhance product quality and price-performance ratio. It also carried on consolidating the resources of the footwear and apparel supply chain. In addition, it advanced the transition of the supply chain from “passive production” to “proactive production” by building a precise, flexible and efficient supply chain management system for more agile supply and rapid response.

During the period, the Group continued to develop and improve the logistics service system to provide differentiated, refined and efficient logistics service support in line with the requirement of relevant business sectors for its principal business and each business division, which promoted the service support capability of the logistics system for all business units.

In the first half of 2020, the e-commerce of Li Ning Company maintained its high operating efficiency while exploring new business opportunities. By optimizing the business structure and rationalizing the sustainable operation, it added great momentum to e-commerce growth in the future. During the period, complementing the key marketing resources of the Group, the e-commerce of Li Ning Company rolled out a series of marketing campaigns. Centering on celebrity endorsement, product launch and fashion week, it reached out to various fan bases, capitalized on the influence of the artists and appealed to female consumers. Meantime, the e-commerce platform has been developing the COUNTERFLOW BY LI-NING series, which is an independent sports casual product line with cultural elements at its core. In the future, the e-commerce of Li Ning Company will continue to focus on the consumer big data and product data analysis system, thereby building brand reputation and product competitiveness. Through online marketing campaigns and consumer education, it will maintain the operating efficiency of the e-commerce platform and support the sustainable growth of the e-commerce business.

In addition, the Group continued to promote new business development. In the first half of 2021, LI-NING YOUNG positioned itself to be “the fashionable professional sports kidswear brand originated from China” and optimized the business model to drive brand growth. The Group launched professional sports products for kids as its key offerings while continued to develop and enhance supply chain resources. At the same time, the Group focused on the mid-to-high tier market, strengthened the shopping mall and clearance channels, and improved store image to promote channel efficiency and health. The Group has also continuously developed new sales channels and expanded brand and product influence. Going forward, the Group will continue to intensify its kidswear business, developing LI-NING YOUNG into a leading professional sportswear brand for kids in China.

Outlook

Looking ahead, we will consistently adhere to the strategy of “Single Brand, Multi-categories, Diversified Channels”, enhance LI-NING’s experience value and provide impetus to the growth of the Group’s results

performance:

- In respect of products, we will continue to explore towards technological innovation and enhance the professional sports attributes of our products, while further closely keep up with fashion trends and sports culture, provide consumers with diversified consumption experience, expand consumer bases, improve customer loyalty and expand our brand influence;
- In respect of channel development, with the aim of improving efficiency, we will seek expansion of big stores with high efficiency and promote the synergistic effect of the omni-channel by establishing diversified sales channel network and optimizing the structure of channels so as to maximize the efficiency of our sales channels;
- In respect of retail operation and supply chain, we will continue to enhance the standards of store operation on the focused basis of both product and consumption experience, promote store management ability and further strengthen the online and offline integrated operation mode. In addition, we will consolidate and optimize the supply chain system to enhance the capability in terms of our own supply chain management and the application of technology and expertise resulted from the research and development;
- In respect of marketing, we will make full use of diversified platforms and digitalized approaches, give full play to our comprehensive marketing networks to increase consumers’ brand awareness and accessibility. Considering primarily the actual consumer demand, we will keep abreast of hot market trends and expand the brand influence to convey our brand value;
- 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 profit growth of the Company in the long run.

Mr. Li Ning, Executive Chairman and Joint CEO of the Group, concluded, “In the first half of 2021, China has solidified its achievement in containing the COVID-19 pandemic and thereby maintained the stable recovery of the economy. The consumption market remained its good momentum of recovery with expanded demand and enhanced market vitality during the first half of the year. As such, we continued to optimize the sales and marketing strategy based on the individual needs of consumers, striving to enhance customers’ consumption experience and further focus on LI-NING’s experience value. Meanwhile, in order to strengthen the core values of our brand and products, we have endeavored to build the reputation as a professional sports brand, keep ourselves abreast of fashion trends and stay in tune with the times.

We believe Chinese consumers will pay more attention to health and fitness in the post-pandemic era. This will help boost the demand for sports and health consumption. As one of the leading brands in the professional sports sector in China, we will keep closely abreast of the development trend of the industry, seize the new opportunities arising from the surging sports industry after the pandemic, and deliver more diversified and refined products and services to the public. We will continue our down-to-earth manner to actively explore more room for business development, and develop LI-NING from a Chinese brand to an internationally recognized top-class global, fashionable and professional sports brand.”

—The End—

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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