

【For immediate release】



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2331)

**Optimizing the Strategy of “Single Brand, Multi-categories, Diversified Channels”,
Reinforcing Professionalism,
Achieving Steady Development, Manifesting Brand Resilience**

FINANCIAL HIGHLIGHTS

- The impact of repeated outbreak of the COVID-19 pandemic and significant increase in raw material prices led to certain challenges to operating environment during the period:
 - Revenue still increased by 21.7% to RMB12,409 million
 - The net profit attributable to equity holders increased by 11.6% to RMB2,189 million, and the net profit margin decreased from 19.2% to 17.6%
 - Achieved net operating cash inflow of RMB1,583 million
 - Gross profit margin lowered by 5.9 percentage points to 50.0%
- Working capital remained at a healthy level:
 - The percentage of gross average working capital to revenue remained flat at 6%
 - Cash conversion cycle was 21 days, increased by 8 days year-on-year (among which 5 days were affected by the trade payables turnover days)

OPERATIONAL HIGHLIGHTS

- Operation improvement mitigated certain extent of the negative impact from COVID-19.
- The retail sell-through for the overall platform increased by high-single-digit, including online and offline channels.
- Channel inventory increased by mid-forties, mainly due to business expansion, and the early layout planning made by the Company as planned to seize opportunities for continuous growth of business scale. The inventory turnover remained at a healthy level with continuous improvement in ageing structure.
- Offline channel new product sell-through increased by mid-teens:
 - Sell-through mix of new products increased by 6 percentage points
 - Sell-out rate: 6-month declined by approximately 7 percentage points, 3-month declined by approximately 9 percentage points

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(Hong Kong, 12 August 2022) **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 2022 (the “period”).

Financial Results

During the first half of 2022, the spread of the COVID-19 variants triggered a new wave of pandemic outbreak while the market environment was confronted with increased uncertainties and the pressure brought by the pandemic on the consumption sector was beyond expectation. Nevertheless, the long-term positive fundamentals of China’s economy remained unchanged. With the improved pandemic prevention and control situation and the emerging results of the consumption stimulus policies, the consumption market has rebounded gradually. In addition, with the support of government policies relating to the national mass fitness program, public health awareness has increased significantly, which is conducive to promoting sports consumption, and hence the market outlook for the consumption of sports products has remained optimistic.

The Group has continued to optimize LI-NING’s experience value and push forward the strategy of “Single Brand, Multi-categories, Diversified Channels”. Through expanding high-quality profitable stores, improving product layout enhancing retail operation capabilities and channel efficiency, and strengthening the synergy between its online and offline operations, the Groups has fostered healthy revenue growth at all channels. During the period, the Group’s revenue amounted to RMB12,409 million, representing an increase of 21.7% as compared to the corresponding period of 2021. Gross profit rose 8.8% to RMB6,201 million, against RMB5,699 million in the corresponding period of 2021. The Group’s gross margin decreased by 5.9 percentage points year on year to 50.0% (2021 H1: 55.9%).

The recurrence of the pandemic during the period has posed huge challenges on the Group’s business, hence the overall profitability indicators have been affected. During the period, the Group’s profit attributable to equity holders amounted to RMB2,189 million (2021 H1: RMB1,962 million), representing a year-on-year increase of 11.6%. The margin of profit attributable to equity holders was 17.6% (2021 H1: 19.2%). Return on equity attributable to equity holders was 10.1% (2021 H1: 20.6%). The decrease in return on equity attributable to equity holders was mainly due to the effect of the top-up placing implemented in November 2021.

Basic earnings per share were RMB83.77 cents (2021 H1: RMB79.04 cents). The Board did not propose any interim dividend for the six months ended 30 June 2022 (2021 H1: nil).

In terms of cash flow management, the Group’s net cash generated from operating activities during the period amounted to RMB1,583 million (2021 H1: 3,325 million), down 52.4% year on year. As at 30 June 2022, 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 RMB10,575 million, representing a net decrease of RMB4,170 million, as compared with the position as at 31 December 2021. Cash balance amounted to RMB18,097 million, representing a net decrease of RMB384 million as compared to 31 December 2021. During the period, the rise of raw material prices and labor costs led to the increase of purchase costs. Also, the Group shortened the payment cycle to help suppliers accelerate turnover of capital and improve production and operational efficiency. All the aforesaid factors resulted in a significant decrease of net cash generated from operating activities. Nevertheless, the Group maintained sufficient funds reserves, and the operation of funds was in line with expectations and at a healthy level. The Group will continue to place extra emphasis on its cash flow management to ensure stable development of the Company in the long run.

Operational Summary

During the period, we continued to optimize LI-NING’s experience value, adhering to our strategy of “Single Brand, Multi-categories, Diversified Channels”. The Group has also continued to improve product layout and enhance retail operation capability and channel efficiency, thereby perfecting the supply chain management system and providing great impetus for the sustainable development of the brand.

In terms of products, the Group continued to put greater efforts in the development of its five core categories, namely basketball, running, fitness, badminton and sports casual. Focusing on innovative sports technology, the Group continued to expedite the development of functional product layout to demonstrate the sports DNA of the brand. In addition, through delving into elements of Chinese culture and sports culture, the Group has created a new image of sports products that is professional and fashionable at the same time. With a focus on the characteristics of professional functions and the sports casual category, the Group continued to push forward its comprehensive marketing resources planning. The Group has further expanded its consumer base by creating continuous exposure of its professional products through sports stars and professional competitions, as well as building marketing momentum riding on hot topics. In addition, the Group further diversified the entertainment marketing model for its sports casual category with a focus on young consumers’ favorite fashion aspects to achieve multi-dimensional exposure of its products.

During the first half of 2022, the Group remained focused on optimizing channel structure and enhancing channel efficiency, while increasing the quality of store in the markets covered by the Group and scaling down stores with low efficiency. During the period, the Group launched big stores with high efficiency including flagship stores and benchmark stores on a continuous basis, while optimizing store structure by accelerating the closure of low-efficiency and small stores. The Group has also been putting more effort in expanding channels such as shopping malls and outlets. In response to the uncertainties brought by the pandemic, the Group developed a mechanism for communication and negotiation with commercial entities and groups with an aim to optimize channel costs.

As at 30 June 2022, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 5,937, representing a net increase of 65 POS since the end of previous quarter and a net increase of 2 POS since the beginning of this year. The total number of LI-NING YOUNG POS in China amounted to 1,175, representing a net increase of 40 POS since the end of previous quarter and a net decrease of 27 POS since the beginning of this year. Therefore, the total number of conventional stores, flagship stores, China LI-NING stores and factory outlets under the LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 7,112.

In respect of retail operation, the Group continuously pushed forward product planning, and established a management mechanism for monthly target inventory surrounding the targets of annual business volume and inventory control. The implementation of the mechanism is monitored on a weekly basis. Also, the Group continued to focus on the research and development of functional products. Centered around professional running and basketball products, it expanded the product matrix of its core technology platform “LI-NING BOOM”, and fostered product attraction at stores. During the period, the Group focused on the exploration of a profitable single-store operation model and further developed headquarters’ functions and store business. Leveraging the channel planning which aligned with the needs of future business development, the Group has also expedited the implementation of the store execution standards.

As for supply chain, the Group continued to strengthen product quality control over its supply chain with a focus on providing consumers with high-quality products, as well as establishing a more secure, reliable and synergistic regional supply system with flexible deployment and abundant production capacity, to enhance its resilience against supply risks. Meanwhile, the Group standardized and optimized the supply

chain management processes and models with an emphasis on high-quality supplier resources, and pushed forward the development of a “value supply chain” with higher efficiency with an aim to produce high-quality products for end-consumers.

During the period, the Group continued to push ahead with the reform of logistics network, to accelerate the establishment and scalable development of regional central warehouses and enhance the development of a digitalized logistics system, with a view to improving the operating efficiency of the logistics system and providing strong logistics support for retail management.

In the first half of 2022, the pressure from the high base of last year and the repeated yet sporadic outbreak of the pandemic this year posed huge challenges to the e-commerce industry. Amid an environment of weak consumption, in the first half of the year the e-commerce of Li Ning Company managed to achieve an excellent performance which was better than the Group’s plan at the beginning of the year. During the period, the e-commerce of Li Ning Company focused on facilitating further development of functional products, which had in turn driven significant improvement in the efficiency of professional products. Meanwhile, the e-commerce platform has been developing the COUNTERFLOW BY LI-NING series, an independent sports casual product line themed around cultural elements. Looking ahead to the second half of the year, the e-commerce of Li Ning Company will do its best to adjust and resume its retail operations momentum in the post-pandemic era. Consistent efforts will be made to attract core consumers’ attention and further build up the membership and omni-channel business ecosystem in a bid to enhance the operation efficiency of the e-commerce platform and ensure sustainable growth of the e-commerce business.

Furthermore, LI-NING YOUNG continued to position itself as “the fashionable professional sports kidswear brand originated from China” and progress towards a professional sports brand with a focus on upgrading product technology. It has been stepping up its efforts in research and development, as well as building up the professional product matrix for kidswear. The Group further enhanced product and channel efficiency and continuously bolstered business growth, leveraging its digital system. At the same time, the Group continued to increase the proportion of stores in high-tier markets, optimize the types of stores and consolidate the resources of low-efficiency stores, while focusing on professional sports products and Chinese cultural elements in terms of marketing. Looking ahead, the Group will continue to intensely develop our kidswear business, so as to develop LI-NING YOUNG into a leading professional sportswear brand for kids in China.

Outlook

Looking ahead to the second half of 2022, Li Ning Company will continue to pursue the strategy of “Single Brand, Multi-categories, Diversified Channels”, and push forward our business development, while enhancing retail operation capability and further promoting LI-NING’s experience value, to foster the sustainable growth of the Group’s results:

- In respect of products, the Group will continue to put more efforts in the research and development of product functions and technological innovation. We will provide customers with more professional and functional sports products integrated with fashionable elements, to better showcase sports fashion and culture, provide consumers with diversified consumption experience, improve customer loyalty to the LI-NING brand and expand our brand influence;
- In respect of channel development, the Group will improve operational efficiency in full swing, continue to expand shopping mall channels and big stores with high efficiency, and develop diversified

channel network to step up omni-channel synergy and enhance the efficiency of its channels;

– In respect of retail operation and supply chain, focusing on both product and consumption experience, the Group will improve the standards of store operation and store management ability to drive the transformation of retail model. The supply chain system will be further consolidated and optimized to boost its capabilities in terms of managing its own supply chain and utilizing the technology and expertise gained from the research and development;

– In respect of marketing, the Group will leverage big data and information technology to strengthen its marketing strategies through digitalized technology to cover a wider consumer base and reach more customer segments. Based on consumer demand, the Group will introduce fashionable elements into its professional products to increase product appeal and brand awareness;

– In respect of new business, the Group will focus on enhancing single store profitability and store efficiency, utilize resources flexibly, and explore business opportunities and market potential in order to boost the sustainable business growth of the Group.

Mr. Li Ning, Executive Chairman and Joint CEO of the Group, concluded, “Owing to the proactive implementation of pandemic prevention and control measures by the Chinese government in the first half of 2022, China has maintained overall economic stability. Moreover, with the support of government policies relating to the national mass fitness program, public health awareness has increased significantly, which is conducive to promoting sports consumption, and hence the market outlook for the consumption of sports products has remained optimistic. Against this backdrop, the Group has continued to step up its efforts in building LI-NING’s experience value, enhancing product competitiveness, reinforcing professionalism and increasing its brand awareness. Staying in tune with the times, the Group has kept abreast of market trends and consumer preferences to further delve into the fashionable elements of sportswear, offering consumers more diversified sports products and consumption experience.

We strongly believe that the sports market has a promising outlook with enormous potential for development. As one of the leading enterprises in the professional sports sector in China, the Group will keep abreast of the pace of the industry’s development, and seize market opportunities for proactive exploration and innovation. We will adhere to our business philosophy of ‘Anything is Possible’ in a bid to establish a more professional, fashionable and unique image for the LI-NING 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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