

【 For immediate release 】



LI NING COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock codes: 2331 (HKD counter) and 82331 (RMB counter))

**Continuously Pursue the Core Strategy of
“Single Brand, Multi-categories, Diversified Channels”,
Focus on Professional Sports, Brand Reputation and Product Innovation
Realize Sustainable Growth of LI-NING by Leveraging the Organizational Capacity as a
“Muscular” Corporation**

FINANCIAL HIGHLIGHTS

- In the first half of the year, in the context of the overall recovery accompanied by challenges in the domestic market, the Group pursued the direction of stable progress and high-quality development, and recorded the following operating results:
 - Revenue grew steadily, rising by 13.0% to RMB14,019 million
 - Net operating cash inflow increased by 22.7% to RMB1,942 million
 - Gross margin was 48.8%, and net profit margin remained at a healthy level of 15.1% and net profit attributable to equity holders was RMB2,121 million
- Working capital remained at a healthy level:
 - The percentage of gross average working capital to revenue was 7.5%
 - The cash cycle was flat from last year at 30 days
- The Board resolved to declare an interim dividend of RMB36.20 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the six months ended 30 June 2023.

OPERATIONAL HIGHLIGHTS

- The retail sell-through for the overall platform increased by low-teens, including online and offline channels.
- Channel inventory decreased by low-single-digit comparing to end of last year. The inventory turnover and ageing structure remained at a healthy level.
- Offline channel new product sell-through increased by high-single-digit
 - Sell-through mix of new products at 87%
 - Sell-out rate: 6-month at a flat level, 3-month declined by 2 percentage points

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11 August 2023 (Cont’d)*

(Hong Kong, 11 August 2023) **Li Ning Company Limited** (“Li Ning” or the “Company”; together with the subsidiaries, the “Group”; stock codes: 2331 (HKD counter) and 82331 (RMB counter)) announces today the interim results of the Group for the six months ended 30 June 2023 (the “period”).

Financial Results

At the beginning of 2023, the PRC declared that it had secured a major decisive victory in the prevention and control of the COVID-19 pandemic with gradual recovery of economic and social activities in Mainland China. The general public has returned to their normal living and consumption patterns gradually. The consumer industry began to gradually pick up in the first half of 2023. The government listed sports development as an essential component of the national development strategies, hosting a series of major international and national sports events, such as the Beijing Winter Olympics in 2022 and the forthcoming Hangzhou Asian Games in the second half of 2023, not only drove the development and commercialization of the sports industry in China, but also further underpinned China’s important presence in the global sports scene. The Group remained optimistic about the market outlook for sports products consumption.

While focusing on professional sports, brand reputation and product innovation, the Group continued to pursue the core strategy of “Single Brand, Multi-categories, Diversified Channels”. It enhanced the operating efficiency of retail channels and improved the stability and flexibility of the supply chain to maximize LI-NING’s experience value. In the first half of 2023, with a robust growth in revenue, the fundamentals of the Group remained solid and resilient. During the period, The Group’s revenue for the six months ended 30 June 2023 amounted to RMB14,019 million, representing an increase of 13.0% as compared to the corresponding period of 2022(2022 H1: RMB12,409 million). Gross profit increased by 10.3% to RMB6,839 million compared to RMB6,201 million in the corresponding period in 2022. The overall gross profit margin was 48.8% (2022 H1: 50.0%), decreased by 1.2 percentage points as compared to the corresponding period last year. Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to RMB3,425 million (2022 H1: RMB3,421 million), slightly increased by 0.1 percentage points as compared to the corresponding period last year.

In the first half of the year, in the context of the overall recovery accompanied by challenges in the domestic market, the Group pursued the direction of stable progress and high-quality development. The revenue grew period over period, but the expense ratio increased slightly and other gains, such as government grants, declined, resulting the net profit attributable to equity holders decreased 3.1% to RMB2,121 million (2022 H1: 2,189 million). The margin of profit attributable to equity holders was 15.1% (2022 H1: 17.6%). Return on equity attributable to equity holders was 8.5% (2022 H1: 10.1%). Basic earnings per share was RMB80.63 cents (2022 H1: RMB83.77 cents). The Board resolved to declare an interim dividend of RMB36.20 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the six months ended 30 June 2023(30 June 2022: nil).

In terms of cash flow management, the Group’s net cash generated from operating activities during the period amounted to RMB1,942 million (2022 H1: RMB1,583 million). As at 30 June 2023, 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 RMB6,411 million, representing a net decrease of RMB972 million, as compared with the position as at 31 December 2022. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB19,224 million, which represented a net increase of RMB175 million as compared to 31 December 2022. During the period, revenue increased period-on-period while the efficiency of settlement remained stable, which, in conjunction with the reasonable purchase and payment plan, contributed to the period-on-period increase in net cash generated from operating activities. The Company 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, the Group pushed forward the strategy of “Single Brand, Multi-categories, Diversified Channels” to upgrade LI-NING’s experience value continuously. The Group stayed focused on its five core categories, namely basketball, running, fitness, badminton and sports casual. Focusing on innovative sports technology, it developed a comprehensive layout of functional products and demonstrated the sports DNA of the brand. The Group complemented its core brand proposition with Chinese and sports fashion culture to create a new image of professional and chic sports products.

In terms of professional products, the Group remained focused on product technology upgrades to seek breakthroughs. It further refined the professional product matrix and highlighted the professional attributes of sports products under the LI-NING brand, with a view to observing and tapping into the growing consumer demand for sports products. In respect of the sport casual category, leveraging the sports DNA inherited by the Group’s brand, it integrated Chinese culture and sportswear fashion trends to further enrich the cultural value of the brand and drive business growth. The trendy sports product matrix was developed to cater to the needs of diversified consumers and to maintain its interaction with consumers from the fashionable sports community on a continuous basis.

In respect of branding and marketing, the Group promoted diversified marketing resources layout in full swing and enhanced the communication with young consumers on a continuous basis. During the period, with a focus on the characteristics of the professional functions and sports casual category, the Group strengthened its comprehensive marketing resources layout and constantly created opportunities for experiencing its products and brought up various promotional topics. The Group also established a platform for direct communication with consumers to increase brand competitiveness and appeal to consumers, and realized multi-dimensional exposure of its products.

In respect of channel management, the Group remained focused on optimizing the channel structure and enhancing the channel efficiency and continuously promoted the upgrade of channel image. The Group continuously put greater effort in expanding channels, such as quality shopping malls and group-based outlets, so as to adapt to the new consumption trends and commercial changes. During the period, the development of the 9th generation image store was in full swing as the Group launched and promoted the new store image comprehensively with a view to providing better product experience, shopping experience and sports experience to all consumers.

As of 30 June 2023, the number of conventional stores, flagship stores, China LI-NING stores, factory outlets and multi-brand stores under LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 7,448, representing a decrease of 155 POS as compared to 31 December 2022. The number of distributors was 48 (including sales channels of China LI-NING stores), representing a net decrease of 4 as compared to 31 December 2022.

In respect of merchandise management, the product management department continued to optimize customers’ shopping experience. With key professional sports products as the core, the Company strengthened the management on inventories and products and hence enhanced the operation efficiency.

In respect of retail operation, the Group continued to explore the single-store operation model and entered a new stage with further improved retail operation and standard management, and strengthened retail operation organisation, and the efficiency of store execution was enhanced. The Company also developed a new retail business system and optimised the operation efficiency of retail stores on a

continuous basis.

In terms of kidswear business, LI-NING YOUNG optimized its product mix in the first half of 2023, scaled up its efforts in the development of professional sports product lines and enhanced channel efficiency, with a view to promoting business growth on an ongoing basis. It has established the professional sports matrix with strong emphasis on running, professional basketball and integrated fitness, and continuous efforts have been made in the innovation of product technology, material, categorization and style. At the same time, the Group has been steadily establishing a technology matrix for kids in combination with the existing technology resources of the Company. As of 30 June 2023, LI-NING YOUNG has a total of 1,281 stores. Looking forward, the Group will continue to intensely develop its kidswear business. Leveraging the LI-NING brand, it will enhance the marketing efforts of the kidswear brand, take a product-focused approach to upgrade core product technology and design, and advance the exploration of market demands and product categorization. Consistent efforts will be devoted to channel expansion, retail operations and supply chain resources, so as to develop LI-NING YOUNG into a leading professional sportswear brand for kids in China.

In respect of logistics system, the Group completed the construction of regional central warehouses to improve the operation efficiency of logistics centres, while stepping up its effort in enhancing logistics informatization to ensure transparency throughout the logistic information chain of products, which has in turn helped to improve the efficiency at retail front and provided strong logistics support for retail management. Meanwhile, the Group kick-started the warehouse automation project, whereby the four logistics centres fully adopted automated operation for direct delivery orders and product returns at stores. As a result, the efficiency of logistics operations, sorting operations and storage increased by over 20%, 60% and 120%, respectively.

In respect of supply chain, the Group continued to improve the supply chain management capability, and consolidated the enhancement in terms of production quality, lead time and cost, which laid a foundation for the transition from “passive production” to “proactive production”. It continued to push forward the development of the “value supply chain” with a view to creating greater value by reducing wastage and enhancing efficiency. Besides, the Group established an equal and win-win mechanism with suppliers and partners for, as part of performance of its environmental and social responsibilities, promoting environmentally friendly products in an orderly manner. Innovative efforts have further built up its product competitiveness, enabling the Group to provide better product experiences to consumers.

In terms of sustainability and social responsibility, the Company developed such policies and systems as the “Supplier Management System”, “Supplier Social Responsibility Management Manual of LI-NING” and “Implementation Guidelines on Social Responsibility of LI-NING’s Suppliers”, issued the “Management Commitment on Anti-forced Labor”, and formed internal system procedures such as the “Internal Risk Management Procedure for Anti-forced Labor in Supply Chain of Li Ning Company Limited”. In 2023, with reference to the domestic and international social responsibility indicators systems, The Group continued to improve the evaluation system of suppliers’ social responsibility, so as to strengthen the management over social risks of suppliers, and drive partners along its brand value chain to better fulfil their social responsibilities and hence build a sustainable value chain.

In May 2023, the Company became a member of the United Nations Global Compact (UNGC), currently the largest international organisation in the world promoting corporate sustainability with more than 20,000 corporate and other stakeholder members from nearly 170 countries. Committed to the ten principles of UNGC in the four areas of human rights, labour standards, environment and anti-corruption, the Company incorporated sustainability into its corporate strategies and operations, and continued to

perform its corporate social responsibility with high standards as always along its journey towards its vision of sustainability. In addition, the Company encouraged suppliers, where appropriate, to benchmark against the relevant domestic and international sustainability standards and obtain relevant certifications for responsible production. The Group attached importance not only to the social and environmental management of its suppliers, but also to their protection of animal welfare.

Outlook

While focusing on professional sports, brand reputation and product innovation, the Group will continue to pursue the core strategy of “Single Brand, Multi-categories, Diversified Channels” and realize sustainable growth and profitability of LI-NING by leveraging the organizational capacity as a “muscular” corporation.

- In respect of products, the Group will remain committed to the research and development for improvement of product functions and technological innovation, continue to optimize the professional product matrix and increase the proportion of professional products by upgrading the fabrics and enhancing the technology attributes of products. It aims to provide consumers with more professional and functional sports products integrated with fashionable elements, which will better showcase the sports fashion and culture and provide consumers with diversified consumption experience, and hence expand its brand influence;
- For channel layout, with optimization of channel structure and enhancement of channel efficiency as its focus, the Group will continue to develop the channel layout of big stores with high efficiency with a view to providing better product experience, shopping experience and sports experience to the consumers. At the same time, it will accelerate the rectification of low-efficiency stores with enhancing and optimizing store efficiency as its main business goal, so as to pursue high-quality growth trajectory;
- In respect of retail operation and supply chain, the Group will strengthen its product management and upgrade its logistics strategies to maintain the efficiency of inventory turnover. Channel upgrade and transformation in tandem with the integration of online and offline channels will be implemented in a bid to optimize the efficiency of retail operation. In order to improve the supply chain structure and logistics system, the Group will promote supply chain reform and adopt proactive production based on consumers’ demand to strengthen the agile supply and rapid response ability of the supply chain;
- For marketing, the Group will place emphasis on the investments in marketing resources and strive to constantly upgrade its professional brand image as well as deepen consumers’ awareness of LI-NING brand with an aim to establish the brand as consumers’ first-choice professional sports brand;
- In respect of new business, focusing on enhancing profitability as well as store efficiency and performance, the Group will flexibly utilize resources in an innovative manner, explore business opportunities and market potential in order to promote the growth and sustainability of its businesses.

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Mr. Li Ning, Executive Chairman and Joint CEO of the Group, concluded, “In the first half of 2023, the domestic market environment saw overall recovery accompanied by challenges. Looking forward into the second half of 2023, with the weakening downside momentum of the global economy and the falling inflation of major economies, the global service sector will see a steady recovery. However, the revival of the manufacturing and commodity trading sectors still face hardship. The overall Chinese economy will continue to recover with sustained moderate recovery of the consumption market, hence achieving both the goal of boosting consumer confidence and promoting consumption. The Group remains optimistic about the market outlook for sports products consumption.

Under the support of national policies, the Company will steer its efforts towards making greater contribution in building the country into a healthy and strong sports nation. The Company will seek to become widely accepted by the general public with more diversified channels and products, open up rooms for development in the longer-term, as well as create values for the public, the industry and the society, while leading the Chinese sports industry to expand its presence on the global stage, serving the public with sportsmanship and bringing the spirit of “Anything is Possible” into real practice.”

—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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