



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Codes: 2331 (HKD counter) and 82331 (RMB counter)

**Adhered to the Core Strategy of “Single Brand, Multi-categories,
Diversified Channels”**

**Empowering Product Strength through R&D Innovation, Laying a Solid
Foundation and Prioritizing Stability**

FINANCIAL HIGHLIGHTS

- In the first half of the year, the Group recorded the following operating results:
 - Revenue rose by 2.3% to RMB14,345 million; gross profit margin rose by 1.6 percentage points to 50.4%
 - Net operating cash inflow increased by 40.6% to RMB2,730 million
 - Net profit attributable to equity holders of the Company was RMB1,952 million with net profit margin of 13.6%, and EBITDA margin was 24.0%
- Working capital remained at a healthy level:
 - The percentage of gross average working capital to revenue was 7.1%
 - The cash conversion cycle was 31 days, representing an increase of 1 day as compared to the same period last year
- The Board resolved to declare an interim dividend of RMB37.75 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the six months ended 30 June 2024.

OPERATIONAL HIGHLIGHTS

- The retail sell-through for the overall platform decreased by low-single-digit, including online and offline channels
- Channel inventory increased by mid-single-digit comparing to the same period last year. The inventory turnover and ageing structure remained at a healthy level
- Offline channel new product sell-through decreased by mid-single-digit

August 16, 2024 (Cont'd)

(Hong Kong, 16 August 2024) Li Ning Company Limited ("Li Ning" or the "Company"; together with the subsidiaries, collectively, the "Group"; stock codes: 2331 (HKD counter) and 82331 (RMB counter)) announces today its 2024 interim results for the six months ended 30 June 2024 (the "Reporting Period").

Financial Results

In the first half of 2024, China's economy demonstrated an orderly recovery, with favorable national policies continuously injecting vitality into the market. Against the backdrop of the rising public health awareness, numerous international and national events have spurred public's enthusiasm for sports. Currently, overall consumer confidence still has room for recovery, and the market is in a gradual and positive adjustment phase.

Leveraging the brand's professional sports background, the Group maximizes its insights into the sports industry, understanding of sports categories, and technological innovation capabilities, concentrating on five core categories of running, basketball, fitness, badminton, and sports casual during the Reporting Period. Through continuous research and development ("R&D") investment and technological innovation, the Group consistently enhances product capabilities, optimizes consumer experience, and ensures sustainable development in the long run while expanding the Group's business.

In the first half of 2024, the Group's overall performance remained stable with pragmatic growth. During the Reporting Period, revenue amounted to RMB14,345 million, representing an increase of 2.3% as compared to the corresponding period of 2023 (2023 H1: RMB14,019 million). Gross profit increased by 5.8% from RMB 6,839 million in the same period of 2023 to RMB 7,236 million, and the overall gross profit margin was 50.4% (2023 H1:48.8%), the gross profit margin increased by 1.6 percentage points as compared to the corresponding period of last year. Basic earnings per share was RMB75.80 cents (2023 H1: RMB80.63 cents). The Board resolved to declare an interim dividend of RMB37.75 cents (2023 H1: 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 2024. The interim dividend payout ratio is 50%.

In terms of cash flow management, the Group's net cash generated from operating activities during the Reporting Period amounted to RMB2,730 million (2023 H1: RMB1,942 million). As at 30 June 2024, 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 RMB6,147 million, representing a net increase of RMB703 million, as compared with the position as at 31 December 2023. Adding back the amount recorded as fixed-term deposits held at banks, cash balance amounted to RMB17,558 million, which represented a net decrease of RMB417 million as compared to 31 December 2023. During the period, revenue increased year-on-year while the efficiency of settlement remained stable, which, in conjunction with the reasonable purchase and payment plan, contributed to the year-on-year increase in net cash generated from operating activities. The Group will continue to place extra emphasis on its cash flow management to ensure stable development of the Group in the long run.

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Operational Summary

During the Reporting Period, the Group adhered to the core strategy of “Single Brand, Multi-categories, Diversified Channels” focusing on seven major business transformation tracks and continuously strengthening its sports genes to establish a clear professional sports brand positioning. Meanwhile, the Group was efficiently empowered in supply chain management, logistics platform, channel expansion and store upgrading, jointly building a solid foundation for the overall sales of the Group.

In terms of technological innovation, in May 2024, the Group successfully held a technology conference with the theme of “In My Name, Tech LI-NING” (以我為名，科技李寧), which demonstrated that the Group has built two key pillars of product development and innovation consisting of technology R&D and sports science research through long-term accumulation of technological innovation. At the conference, the Group presented its six innovative technologies of “Carbon Core” (碳核芯), “Dual-Stage Assist Curves” (最速曲線系統), “Super Jiang” (超級弓), “GCU”, “Super BOOM” (超級靚) and “Extreme Boom Fiber” (極限靚絲), and also unveiled three new innovations for the first time: the running shoes of “Shadow 3” (絕影 3), the premium racing shoes of “Dragonflight” (龍雀) and dual-vent nanotechnology for rainstorm protection.

In terms of professional products and marketing, the Group continued to focus on the five core categories of running, basketball, badminton, fitness and sports casual, and continued to make efforts in the innovation in sports technology. At the same time, the Group also actively integrated with sports fashion culture, launched sports products with both technology and fashion attributes and continuously enhanced the core competitiveness of products. In addition, the Group actively deployed universal marketing to enhance consumers’ awareness of the Group’s products, continuously enhance brand influence and expand its consumer base.

In the midst of a great year for sports, the Group launched a campaign theme “In My Name” (以我為名), to encourage everyone to engage in sports activities and create their own highlight moments. Through delivering the brand proposition and spirit and telling stories of the athletes from the national gold medal team, top athletes in various categories and sports KOLs, as well as overall demonstrating Li Ning’s technological strength, launching theme series products and creating atmosphere for themes at stores, the Group reinforces the professional brand image of LI-NING, realizes the whole chain from brand proposition to product experience, and deeply connects the brand with each consumer.

In terms of supply chain management, the Group constructed an all-round and high-efficiency supply chain ecosystem. It not only deeply explored and expanded high-quality supplier resources for high-end sports and outdoor products to form a strong supplier matrix, but also flexibly responded to market changes with a flexible supply strategy as the core.

In terms of logistics management, the Group adopted refined logistics plan management, customized strategies based on the characteristics of the business divisions, and optimized the process of goods warehousing and delivery. Meanwhile, the logistics informationization

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platform empowered distributors to share information in real time, improved the efficiency of store distribution, and further improved the quality of logistics services.

In terms of channel expansion and image upgrading, the Group actively optimized its channel layout, consolidated and expanded its competitive advantage in the high-end market by closing low-efficiency stores and strengthening the renovation and expansion of premium stores. Meanwhile, the active development of emerging markets, the new upgrading of the 9th generation stores, and the successful establishment of premium outlets further enhanced the brand image and market influence. In order to create an immersive experience of key events, 4,238 stores introduced key visual display designs featuring “In My Name” (以我為名) themes and core sports resources in the first half of the year, further enhancing consumers’ visual experience and brand awareness.

As of 30 June 2024, the number of conventional stores, flagship stores, China LI-NING stores, LI-NING 1990 stores, factory outlets and brand stores under LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 7,677, representing a net increase of 9 Point-of-sale (“POS”) as compared to 31 December 2023. The number of distributors was 44 (including sales channels of China LI-NING stores), representing a net decrease of 2 as compared to 31 December 2023, demonstrating the Group’s precision and efficiency in channel layout.

In terms of retail operation, in the first half of the year, the Group deepened the innovation and practice of the single-store operating model to effectively promote the comprehensive implementation of retail operation standards. The store management efficiency has been significantly improved through the comprehensive promotion of its retail end sales planning system and the implementation of the system in core stores.

In terms of new retail business, the Group strengthened community operations and content creation through digital transformation to achieve efficient conversion of private traffic, effectively improving sales and conversion efficiency. In addition, the Group actively explored diversified business models, including attracting traffic through social platforms such as Douyin (抖音) and online business cooperation with core channels, constantly injecting new momentum into store sales, increasing the proportion of out-of-store sales in stores, and further enhancing the operating efficiency of stores.

In respect of the e-commerce operation, the e-commerce of Li Ning continued to focus on breakthroughs in professional functional products, especially achieving rapid growth in the field of running shoes, while professional basketball shoe products also consolidated its market leading position. In addition, in terms of online exclusive IP, the Group has successfully created a number of IP that have gained volume and reputation in the industry. During the period, the Group achieved synergistic growth of e-commerce business and retail operation through effective integration and innovative practices across online and offline channels, driving a significant increase in sales performance and further strengthening of market share.

In terms of kidswear business, LI-NING YOUNG comprehensively streamlined the youth product matrix, clarified the core competitiveness of clothing and accessories, and improved the footwear product matrix. For marketing, LI-NING YOUNG consolidated its

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marketing resources and actively explored omni-channel marketing and community operation. By actively cooperating with basketball star Wade to further increase the brand influence. LI-NING YOUNG also actively carried out various member community activities and launched new celebrity athlete in-store opening activities to continuously drive store traffic. As at 30 June 2024, the total number of LI-NING YOUNG POS in China amounted to 1,438, representing a net increase of 33 POS since the end of the previous quarter and a net increase of 10 POS since the beginning of this year. The Group will continue to intensely develop its LI-NING YOUNG business, take a product focused approach to upgrade core product technology and design, advance the exploration of market demands and product categorization and strengthen brand promotion, so as to develop LI-NING YOUNG into a leading professional sportswear brand for kids in China.

Outlook

The Group will continue to practice its core strategy of “Single Brand, Multi-categories, Diversified Channels”, persistently strengthen its product capabilities and integrate its operational resources to propel the Group towards stable and enduring growth by leveraging the organizational capability as an efficient corporation:

- **Develop the fundamental business with stability.** The Group will continue to amplify the market influence of the LI-NING brand, focusing on the development of its five core categories including running, basketball, fitness, badminton and sports casual. Through investment in research, development and innovation, the Group will achieve continuous upgrading of its product matrix to meet the growing consumer demand for high-quality and personalized sports equipment, thereby reinforcing and expanding the Group’s market leading position in core areas.
- **Optimize and upgrade the product structure.** The Group will further upgrade its diversified product matrix under the single-brand strategy, aligning with the evolving market trends and consumer preferences. By fully leveraging the complementary functions of “China LI-NING” and “LI-NING 1990” in the sports casual sector, and expanding multiple dressing scenarios, the Group will enhance the competitiveness of its brands in diverse scenarios.
- **Look to the future and seize opportunities to make a breakthrough.** The Group will actively explore breakthroughs and take the lead in entering new tracks in sports consumption. By tapping into the huge potential of the women’s, outdoor and youth markets, formulating targeted marketing strategies and launching products that meet the needs of the target groups, the Group aims to make breakthroughs in these new areas.
- **Optimize market expansion strategy.** To achieve comprehensive market coverage, the Group will optimize the allocation of resources to existing high-level markets to improve market efficiency. Concurrently, by actively exploring emerging markets and formulating strategies for overseas markets, the Group strives to achieve significant breakthroughs in overseas markets while keeping a steady and sustainable momentum.

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Mr. Li Ning, Executive Chairman and Joint CEO of the Group, concluded, “The country's series of in-depth market reform policies will steadily advance, providing the Group with a fair and more vibrant market environment, and opening up broader growth space. The Group will adhere to its established development strategy, rely on the professional sports genes of its brands and continue to launch high-quality sporting products for the public. At the same time, the Group will continue to cultivate the sports market in China, and ride the wave of the Olympics, upholding the spirit of ‘Anything is Possible’, to propel the Chinese sports industry onto the international stage.”

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About the Group

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. The Group is committed to be the most prominent, stylish, world-leading sports brand from China.

In addition to its core LI-NING brand, the Group also manufactures, develops, markets, distributes, sells various sports products which are selfowned 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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