

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **LI NING COMPANY LIMITED**

**李寧有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2331)**

### **CONTINUING CONNECTED TRANSACTIONS:**

#### **(1) NEW MASTER SALES AGREEMENT**

**AND**

#### **(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

On 28 December 2018, the Company and Viva China entered into (1) the New Master Sales Agreement, pursuant to which member(s) of the Group and member(s) of Viva China Group may enter into the Relevant Transactions and (2) the Renewed Master Agreement in relation to the renewal of the 2015 Master Agreement, pursuant to which Viva China Group may provide to the Group services in relation to (i) brand or product endorsement, (ii) sponsorship and marketing; and (iii) event organization and management, respectively.

As at the date of this announcement, Viva China, who indirectly holds approximately 13.66% shares in the Company, is a substantial Shareholder and thus a connected person of the Company. Therefore, the Relevant Transactions and the Renewed Transactions contemplated under the New Master Sales Agreement and the Renewed Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios set out in the Listing Rules in respect of the Relevant Transactions and the Renewed Transactions (on a stand-alone basis and after aggregation) are all less than 5%, the Relevant Transactions and the Renewed Transactions are subject to the reporting, announcement and annual review requirements and are exempt from approval by the independent Shareholders under the Listing Rules.

On 28 December 2018, the Company and Viva China entered into (1) the New Master Sales Agreement, pursuant to which member(s) of the Group and member(s) of Viva China Group may enter into the Relevant Transactions (as defined below) and (2) the Renewed Master Agreement in

relation to the renewal of the 2015 Master Agreement, pursuant to which Viva China Group may provide to the Group services in relation to (i) brand or product endorsement, (ii) sponsorship and marketing; and (iii) event organization and management, respectively.

## **NEW MASTER SALES AGREEMENT**

### **Date**

28 December 2018

### **Parties**

- (1) The Company; and
- (2) Viva China

### **Continuing connected transactions**

Member(s) of the Group and member(s) of Viva China Group may enter into the following transactions (the “**Relevant Transactions**”), which will constitute continuing connected transactions of the Company:

- (1) sales of branded products (including but not limited to sportswear and sports-related products) (the “**Branded Products**”) by any member of the Group to Viva China Group; and
- (2) provision of consignment-sales services by any member of Viva China Group to the Group in respect of the Branded Products.

Pursuant to the New Master Sales Agreement, the Company and Viva China shall procure that the Relevant Transactions will be entered into on normal commercial terms (or on terms no less favourable to the member(s) of the Group than terms available from Independent Third Parties).

### **Term**

The New Master Sales Agreement will take effect on 1 January 2019 and shall continue in force until 31 December 2021 or the day on which Viva China ceases to be a connected person of the Company (whichever is earlier).

## **Pricing Policy**

Pursuant to the terms of the New Master Sales Agreement, the consideration payable by Viva China Group to the Group and/or the Group to Viva China Group for the Relevant Transactions shall be determined on an arm's length basis according to the following principles and other factors specific to each individual transaction:

- (1) if there is a prevailing market price, by reference to such market price;
- (2) if there is no prevailing market price, on normal commercial terms by reference to the price of comparable or similar transactions with an Independent Third Party, or paid by other industry players to Independent Third Parties. The experienced staff in the Group will make enquiries on the fees of comparable or similar transactions with industry players and conduct researches, and then compare with the fees paid to/received from Viva China Group, then opine on the fairness and reasonableness of the relevant price; and
- (3) if both (1) and (2) above are not applicable, to be determined in accordance with the pricing policy determined by the Group (if any).

For (2) and (3) above, the Group will ensure that (i) the consideration paid by Viva China Group to the Group is no less favourable than the consideration paid by Independent Third Parties; and (ii) the prices paid by the Group for the services provided by Viva China Group will be fair and reasonable, and no higher than prices paid for services provided by Independent Third Parties.

## **Sales Annual Caps**

The Relevant Transactions are subject to the Sales Annual Caps for the three financial years ending 31 December 2021 set out below:

	<b>Year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Sales Annual Cap (RMB)	10,000,000	22,000,000	40,000,000

The Sales Annual Caps are determined with reference to (i) the estimated sales to Viva China Group in the future; (ii) services that may be provided by Viva China Group in the future and the expected level of service fees; and (iii) fees for similar Relevant Transactions in the PRC.

## **RENEWED MASTER AGREEMENT**

Reference is made to the announcements of the Company dated 24 December 2015 and 10 January 2018 in relation to, among others, the continuing connected transactions between the Company and Viva China Group under the 2015 Master Agreement. The 2015 Master Agreement will expire on 31 December 2018.

On 28 December 2018, the Company entered into the Renewed Master Agreement relating to the renewal of the 2015 Master Agreement with Viva China, pursuant to which Viva China Group may provide to the Group services in relation to (i) brand or product endorsement, (ii) sponsorship and marketing; and (iii) event production and management.

Pursuant to the Renewed Master Agreement, the Company and Viva China shall procure that the terms of the Renewed Transactions will be on normal commercial terms (or on terms no less favourable to the members of the Group than terms available from Independent Third Parties).

### **Term**

The Renewed Master Agreement will take effect on 1 January 2019 and shall continue in force until 31 December 2021 or the day on which Viva China ceases to be a connected person of the Company (whichever is earlier).

### **Pricing Policy**

Pursuant to the terms of the Renewed Master Agreement, the service fees payable by the Group to Viva China Group for the Renewed Transactions shall be determined on an arm's length basis according to the following principles and other factors specific to each individual transaction:

- (1) if there is a prevailing market price, by reference to such market price; and
- (2) if there is no prevailing market price, on normal commercial terms by reference to the price of comparable or similar transactions with an Independent Third Party, or paid by other industry players to Independent Third Parties. The experienced staff in the Group will make enquiries on the fees of comparable or similar transactions with industry players and conduct researches, and then compare with the fees paid to Viva China Group, then opine on the fairness and reasonableness of the relevant price.

For (2) above, the Group will ensure that the prices for the Renewed Transactions will be fair and reasonable and no more favourable than price paid to Independent Third Parties.

## Historical Figures

For the two financial years ended 31 December 2017 and the financial year ending 31 December 2018, the annual caps and the service fees paid by the Group in respect of the 2015 Master Agreement were as follows:–

	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2017</b>	<b>Year ending 31 December 2018</b>
Approved Caps (RMB)	140,000,000	154,000,000	340,000,000 <sup>Note</sup>
Actual or Estimated Expense (RMB)	62,057,000	124,834,000	280,000,000

*Note:* The annual cap for the year ending 31 December 2018 was revised and increased from RMB170,000,000 to RMB340,000,000, details of which are set out in the announcement of the Company dated 10 January 2018.

## Services Annual Caps

It is expected that the Group will engage Viva China Group to provide a larger scale of services under the Renewed Master Agreement as compared with the historical figures for the two financial years ended 31 December 2017 and the financial year ending 31 December 2018. This is because the Company plans to further leverage on Viva China Group's experience and expertise in the provision of sports-related management and marketing services in order for the Group to benefit further from the synergies and crossover created from other sports resources of Viva China Group. The Services Annual Caps (as set out below) are determined with reference to: (i) the historical figures of the transactions contemplated under the 2015 Master Agreement; (ii) certain marketing plan of the Group that may require a larger scale of services provided by Viva China Group; (iii) a larger scale of services that may be provided by Viva China Group in the future and the expected level of service fees; (iv) service fee for similar services in the PRC; and (v) the marketing plans proposed to the Group by Viva China Group.

	<b>Year ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Services Annual Caps (RMB)	320,500,000	326,500,000	333,000,000

## REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW MASTER SALES AGREEMENT AND THE RENEWED MASTER AGREEMENT

Viva China Group is experienced in providing sports-related management and marketing services. Through its cooperation with the Group in the past years, Viva China Group has secured a better understanding of the Group's operations. By utilising the services of Viva China Group, the Group will have better access to certain sports sponsorship resources and events promotion, which is

conducive to the long term stability of the Group's sports sponsorship resources. The Group will also be able to benefit from the synergies and crossover created from other sports resources of Viva China Group. Furthermore, Viva China Group is continuously expanding its operation of sports park or sports centre in different regions of the PRC. By collaborating with Viva China Group, the Group will be able to leverage on the sports parks operated by Viva China Group in expanding the sales channel of the Group.

The Directors (including independent non-executive Directors) other than Mr. Li Ning and Mr. Li Qilin (who are both common directors of the Company and Viva China and are considered to have a material interest in the transactions contemplated under the New Master Sales Agreement and the Renewed Master Agreement and therefore abstained from voting on the Board's resolutions approving, among other things, the New Master Sales Agreement and the Renewed Master Agreement) confirm that the New Master Sales Agreement and the Renewed Master Agreement have been entered into (and the transactions contemplated under the New Master Sales Agreement and the Renewed Master Agreement) in the ordinary and usual course of business of the Group, on normal commercial terms, and consider that the terms of the New Master Sales Agreement and the Renewed Master Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including independent non-executive Directors) other than Mr. Li Ning and Mr. Li Qilin are also of the view that each of the Sales Annual Caps and the Services Annual Caps of the continuing connected transactions under the New Master Sales Agreement and the Renewed Master Agreement are fair and reasonable respectively.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Viva China, who indirectly holds approximately 13.66% shares in the Company, is a substantial Shareholder and thus a connected person of the Company. Therefore, the Relevant Transactions and the Renewed Transactions contemplated under the New Master Sales Agreement and the Renewed Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios set out in the Listing Rules in respect of the Relevant Transactions and the Renewed Transactions (on a stand-alone basis and after aggregation) are all less than 5%, the Relevant Transactions and the Renewed Transactions are subject to the reporting, announcement and annual review requirements and are exempt from approval by the independent Shareholders under the Listing Rules.

## **GENERAL**

### **The Company**

The Company is one of the leading sports brand companies in the PRC, mainly providing sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes primarily under the LI-NING brand.

## Viva China Group

Viva China Group is principally engaged in (i) sports competition and event production and management, sports talent management, and provision of sports-related marketing and consultancy service; and (ii) property and community development, research and development, manufacturing, marketing and sales of construction materials and operation of sports park or sports centre.

### DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meaning:

“2015 Master Agreement”	the agreement dated 24 December 2015 entered into between the Company and Viva China, details of which are set out in the Company’s announcement dated 24 December 2015
“Board”	the board of Directors
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“Group”	the Company, its subsidiaries and entities jointly held with Viva China Group
“Independent Third Party(ies)”	persons(s) or company(ies) which is(are) independent of the Directors, substantial Shareholders and chief executive (as defined under the Listing Rules) of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Master Sales Agreement”	the master agreement entered into between the Company and Viva China on 28 December 2018 in relation to the Relevant Transactions which may be entered into between member(s) of the Group and member(s) of Viva China Group
“PRC”	the People’s Republic of China

“Renewed Master Agreement”	the agreement dated 28 December 2018 entered into between the Company and Viva China relating to the Renewed Transactions
“Renewed Transactions”	the continuing connected transactions of the Group with Viva China Group as contemplated under the Renewed Master Agreement
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sales Annual Caps”	the expected maximum fees under the Relevant Transactions for the three financial years ending 31 December 2019, 2020 and 2021
“Services Annual Caps”	the expected maximum service fees under the Renewed Transactions for the three financial years ending 31 December 2019, 2020 and 2021
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Viva China”	Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM and a substantial Shareholder
“Viva China Group”	Viva China, its subsidiaries and entities jointly held with the Group
“%”	per cent

By order of the Board  
**Li Ning Company Limited**  
**Li Ning**  
*Executive Chairman*  
*and Interim Chief Executive Officer*

Hong Kong, 28 December 2018

*As at the date of this announcement, the executive directors of the Company are Mr. Li Ning and Mr. Li Qilin. The independent non-executive directors of the Company are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei, Dr. Chan Chung Bun, Bunny and Mr. Su Jing Shyh, Samuel.*