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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO A RENEWED FRAMEWORK AGREEMENT

RENEWED FRAMEWORK AGREEMENT

On 13 December 2024 (after trading hours), the Company and Viva Goods entered into the Renewed Framework Agreement to set out the Relevant Transactions (as defined below) which may be entered into between member(s) of the Group and member(s) of Viva Goods Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Viva Goods is a substantial shareholder of the Company indirectly holding approximately 10.53% shares in the Company and is therefore a connected person of the Company. As such, the transactions contemplated under the Renewed Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios set out under Rule 14.07 of the Listing Rules in respect of the Relevant Transactions contemplated under the Renewed Framework Agreement are all less than 5%, the Relevant Transactions are subject to the reporting, announcement and annual review requirements, and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RENEWED FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 30 December 2021 in relation to the continuing connected transactions between the Company and Viva Goods under the 2021 Framework Agreement. The 2021 Framework Agreement will expire on 31 December 2024. As the Group intends to (i) continue to carry out the continuing connected transactions under the 2021 Framework Agreement after 31 December 2024 and (ii) expand the scope under the Renewed Framework Agreement to include other relevant transactions; and (iii) to renew the annual caps contemplated thereunder, on 13 December 2024 (after trading hours), the Company and Viva Goods entered into the Renewed Framework Agreement to set out the Relevant Transactions (as defined below) which may be entered into between member(s) of the Group and member(s) of Viva Goods Group.

Pursuant to the Renewed Framework Agreement, member(s) of the Group and member(s) of Viva Goods Group may enter into the following transactions (collectively, the “**Relevant Transactions**”), which will constitute continuing connected transactions of the Company:

- (1) sale of branded products (including but not limited to sportswear and sports-related products) by the Group to Viva Goods Group;
- (2) manufacturing, processing and sale of products by Viva Goods Group to the Group;
- (3) provision of services (including but not limited to (i) brand or product endorsement, (ii) sponsorship and marketing, (iii) event production and management, (iv) consignment-sales, (v) training, (vi) engineering consulting, (vii) sports resources operation, (viii) sport-related knowledge sharing and (ix) custodial services of sport park, including but not limited to the ASEAN Sports Centre) by Viva Goods Group to the Group;
- (4) provision of services (including but not limited to (i) product planning and design guidance, (ii) consignment-sales, (iii) smart office park and office system sharing and (iv) training) by the Group to Viva Goods Group;
- (5) lease of premises (including but not limited to offices and warehouses) by the Group to Viva Goods Group;
- (6) lease of premises (including but not limited to offices and warehouses) by Viva Goods Group to the Group;
- (7) collaboration in designing, producing, manufacturing, selling, marketing and promoting co-branded products between the Group and Viva Goods Group;
- (8) co-sponsorship of sports competitions, events and teams by the Group and Viva Goods Group; and
- (9) license of the Group’s trademark to Viva Goods Group, including but not limited to words, indications, designs, letters, characters, numbers, figurative elements, colours, sounds, the shape of the goods or their packaging or any combination of these that identifies the Group.

Pursuant to the Renewed Framework Agreement, the Company and Viva Goods Group shall procure that the terms of the Relevant 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 Framework Agreement will take effect on 1 January 2025 and shall continue in force until 31 December 2027 or the day on which Viva Goods ceases to be a connected person of the Company (whichever is earlier).

Undertaking

To ensure operational independence when conducting the Relevant Transactions under the Renewed Framework Agreement, each of the Company and Viva Goods undertook to the other party that:

- (1) it shall ensure that its business operations are independent of the other party, and shall maintain assets, personnel, qualifications and capabilities for conducting its business activities independently;
- (2) in the course of its business it shall use its own resources, personnel, funds and equipment without consideration, and shall not mix its own resources with those of the other party, or use in such a way that its assets or resources are mixed or will occupy the resources of the other party; and
- (3) if it needs to use the resources of the other party in the course of its business, it shall in advance agree on the price and terms of the relevant transaction with the relevant member of the other party in accordance with the Renewed Framework Agreement.

Pricing Policy

Pursuant to the terms of the Renewed Framework Agreement, the prices to be charged under 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 determined on normal commercial terms. 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 Goods Group, then opine on the fairness and reasonableness of the relevant price;

- (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); and
- (4) where the Group permits Viva Goods Group to make use of its intellectual property (including where the Group collaborates with Viva Goods Group in developing co-branded products), the price charged for the Relevant Transaction shall sufficiently reflect the market value of and contribution to the Relevant Transaction by the Group's intellectual property.

For (2) to (4) above, the Group will ensure that (i) the prices charged under the Relevant Transactions and the prices paid by the Group to Viva Goods Group will be fair and reasonable; (ii) if the Group is to make payment, the consideration paid is not higher than prices paid to Independent Third Parties for similar transactions; and (iii) if the Group is to receive payment, the consideration paid by Viva Goods Group to the Group is no less favourable than the consideration paid by Independent Third Parties to the Group.

Historical Figures and Annual Caps

For the two financial years ended 31 December 2023 and the financial year ending 31 December 2024, the Receivable Annual Caps and the Payable Annual Caps (rounded to the nearest thousand) under the 2021 Framework Agreement were respectively as follows:

2021 Framework Agreement

	Year ended 31 December		Year ending
	2022	2023	31 December
			2024
Receivable Annual Caps (RMB)	100,000,000	100,000,000	107,000,000
Actual or Estimated Expense (RMB)	19,245,000	16,419,000	20,748,000
	Year ended 31 December		Year ending
	2022	2023	31 December
			2024
Payable Annual Caps (RMB)	538,000,000	599,000,000	600,000,000
Actual or Estimated Expense (RMB)	409,663,000	464,722,000	535,531,000

In respect of the services or products to be provided by the Group to Viva Goods Group under the Renewed Framework Agreement, the Receivable Annual Caps for the three years ending 31 December 2027 are set out below:

	Year ending 31 December		
	2025	2026	2027
Receivable Annual Caps (RMB)	50,000,000	50,000,000	50,000,000

In respect of the services or products to be provided by Viva Goods Group to the Group under the Renewed Framework Agreement, the Payable Annual Caps for the three financial years ending 31 December 2027 are set out below:

	Year ending 31 December		
	2025	2026	2027
Payable Annual Caps (RMB)	800,000,000	900,000,000	950,000,000

The Receivable Annual Caps and the Payable Annual Caps are determined with reference to (i) the historical figures in respect of the fees incurred under the 2021 Framework Agreement; (ii) the expected volume of transactions; (iii) expected increase in fees to be incurred as a result of the expanded scope of the Relevant Transactions covered under the Renewed Framework Agreement; (iv) current market prices and expected inflation rates for certain Relevant Transactions; and (v) fees for certain similar Relevant Transactions in the PRC.

One reason for increasing the Payable Annual Caps is the Group’s plan to further involve Viva Goods Group in sports shoe manufacturing. A shoe sole manufacturing factory in which the Group invests in plans to enhance its manufacturing capabilities to produce higher quality shoe soles in larger volumes, achieving economies of scale. These soles will be supplied to the neighboring Viva Goods Group factory to manufacture shoes for the Group. This increased collaboration between the two factories is expected to generate synergy, improve cost-efficiency and enhance the Group’s control over the quality of the shoes made for the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE RENEWED FRAMEWORK AGREEMENT

The Group is principally engaged in the manufacturing, development, marketing, distribution and sale of various sports products such as footwear, apparel and equipment. It has been implementing its strategy of “Single Brand, Multi-categories, Diversified Channels” and improving the allocation of diverse marketing resources. It is also upgrading distribution channel structure and efficiency and at the same time optimizing production operation model. Brand competitiveness is being strengthened through marketing campaigns and the e-commerce platform.

Viva Goods Group is a multi-brand operator principally engaged in design and development, branding and sales of sports and lifestyle apparel and footwear, and provision of sports experience under a multi-brand strategy. It also offers sports experience through (i) management and operation of sports parks, sports centres and ice-skating rinks under its sports destination development business, and (ii) management and operation of e-sports clubs, coordination of sports events, and sports-related marketing services under its sports team and event management business.

Given the respective business directions of the Group and of Viva Goods Group, coupled with the Company's development plan which calls for cooperation alliance, there are areas where the two groups may collaborate and build synergy by actualizing their respective strengths. Such collaboration will give rise to continuing connected transactions of the Company, but such transactions allow each group to have better access to the other group's resources on arm's length terms. The Group will be able to benefit from the synergies and crossover created from such transactions.

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 Goods and are considered to have a material interest in the transactions contemplated under the Renewed Framework Agreement and therefore abstained from voting on the Board's resolutions approving, among other things, the Renewed Framework Agreement) confirm that the Renewed Framework Agreement has been entered into (and the transactions contemplated thereunder will be entered into) in the ordinary and usual course of business of the Group, on normal commercial terms, and consider that the terms of the Renewed Framework 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 the Receivable Annual Caps and the Payable Annual Caps of the continuing connected transactions under the Renewed Framework Agreement are fair and reasonable.

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 Goods Group

Viva Goods Group is a multi-brand operator principally engaged in design and development, branding and sales of sports and lifestyle apparel and footwear, and provision of sports experience under a multi-brand strategy. It also offers sports experience through (i) management and operation of sports parks, sports centres and ice-skating rinks under its sports destination development business, and (ii) management and operation of e-sports clubs, coordination of sports events, and sports-related marketing services under its sports team and event management business.

LISTING RULES IMPLICATIONS

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As the highest applicable percentage ratios set out under Rule 14.07 of the Listing Rules in respect of the Relevant Transactions contemplated under the Renewed Framework Agreement are all less than 5%, the Relevant Transactions are subject to the reporting, announcement and annual review requirements, and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2021 Framework Agreement”	the framework agreement entered into between the Company and Viva Goods on 30 December 2021 in relation to the Relevant Transactions which may be entered into between member(s) of the Group and member(s) of Viva Goods Group
“Board”	the board of Directors
“Company”	Li Ning Company Limited, a company incorporated under the laws of the Cayman Islands and the shares of which are listed on The Stock Exchange of Hong Kong Limited under stock codes 2331 and 82331
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and entities jointly held with Viva Goods Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(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 of Hong Kong Limited
“Payable Annual Caps”	the expected maximum fees payable by the Group to Viva Goods Group under the Renewed Framework Agreement for the three financial years ending 31 December 2027
“PRC”	the People’s Republic of China
“Receivable Annual Caps”	the expected maximum fees payable by Viva Goods Group to the Group under the Renewed Framework Agreement for the three financial years ending 31 December 2027
“Renewed Framework Agreement”	the framework agreement entered into between the Company and Viva Goods on 13 December 2024 in relation to the Relevant Transactions which may be entered into between member(s) of the Group and member(s) of Viva Goods Group
“RMB”	Renminbi, the legal currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Viva Goods”	Viva Goods Company Limited (formerly known as Viva China Holdings Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited under the stock code 933, a substantial shareholder of the Company as at the date of this announcement

“Viva Goods Group” Viva Goods, 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
Joint Chief Executive Officer*

Hong Kong, 13 December 2024

As at the date of this announcement, the executive directors of the Company are Mr. Li Ning, Mr. Kosaka Takeshi 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 Ms. Wang Yajuan.