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## **LI NING COMPANY LIMITED**

**李寧有限公司**

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

**(Stock Code: 2331)**

**(1) PROPOSED OPEN OFFER OF  
CONVERTIBLE SECURITIES IN THE PRINCIPAL AMOUNT OF  
NOT LESS THAN APPROXIMATELY HK\$1,847.8 MILLION AND  
NOT MORE THAN APPROXIMATELY HK\$1,868.6 MILLION**

**(2) PROPOSED VARIATIONS TO GENERAL MANDATE  
TO ISSUE NEW SECURITIES**

**(3) AMENDMENTS TO THE CONVERTIBLE BONDS**

**AND**

**(4) RESUMPTION OF TRADING**

**Underwriters to the Open Offer**



**Financial adviser to the Company in respect of the Open Offer**



## **1. PROPOSED OPEN OFFER**

The Company proposes to raise not less than approximately HK\$1,847.8 million and not more than approximately HK\$1,868.6 million (before expenses) by way of open offer of the Convertible Securities on the basis of each Convertible Securities with the principal amount of HK\$3.50 for every two existing Shares held on the Record Date. The Convertible Securities will not be offered to the Excluded Shareholders and the principal amount of the Convertible Securities of any fractional assured entitlements will be aggregated and made available for excess application when the Company allocates to each Qualifying Shareholder its assured entitlement of Convertible Securities.

The net proceeds from the Open Offer after deducting the underwriting commission to be charged by the Underwriters and expenses are estimated to range from approximately HK\$1,806.2 million to approximately HK\$1,826.9 million. The net proceeds will be applied towards the general working capital of the Group as detailed under the section headed “Reasons for the Open Offer and use of proceeds” below.

Each of Viva China, TPG and the GIC Investor has given their respective Irrevocable Undertakings to the Company and the Underwriters that (i) the Shares comprising their respective current shareholding in the Company will remain to be beneficially and directly owned by them on the Record Date; and (ii) each of them shall take up, or procure to be taken up, all Convertible Securities which will be issued to them and/or their respective nominee(s) as their respective assured entitlement under the Open Offer upon and subject to the terms and conditions therein stated. In addition, neither TPG nor the GIC Investor will transfer any of their respective Convertible Bonds or exercise any conversion rights attaching to their respective Convertible Bonds on or prior to the Record Date without the consent from the Company.

On 23 January 2013, the Company entered into an Underwriting Agreement, on principally the same terms, with each of Viva China and TPG. Viva China and TPG will underwrite 60% and 40%, respectively, of all the Underwritten Securities assuming that (i) no Qualifying Shareholder (other than Viva China, TPG and the GIC Investor in respect of their applications under the Irrevocable Undertakings) will apply for any Convertible Securities under their assured entitlement and (ii) no Qualifying Shareholder will apply for any Convertible Securities under excess application.

When considering the Open Offer, a Qualifying Shareholder must be registered as a member of the Company and not be an Excluded Shareholder as at the close of business on the Record Date. In order to be registered as a member of the Company as at the close of business on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong by not later than 4:30 p.m. (Hong Kong time) on Monday, 18 March 2013.

## **WARNING OF THE RISKS OF DEALINGS IN THE SHARES**

**The Shares will be dealt in on an ex-entitlement basis commencing from Friday, 15 March 2013 based on the expected timetable.**

**The Open Offer is conditional upon, inter alia, the fulfilment or waiver of the conditions set out under the paragraph headed "Conditions of the Open Offer and the Underwriting Agreements" under the section headed "Underwriting Arrangements" in this announcement. The Open Offer may or may not proceed.**

**Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled or waived will accordingly bear the risk that the Underwriting Agreements may not become unconditional or the Open Offer may not proceed. Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers.**

## **2. PROPOSED VARIATIONS TO THE GENERAL MANDATE TO ISSUE NEW SECURITIES**

Reference is made to the Company's annual general meeting held on 11 May 2012 pursuant to which the General Mandate has been granted to the Directors. The Board wishes to make certain variations to the definition of "Right Issue" under the General Mandate, the details of which will be set out in the notice convening the EGM to be despatched to the Shareholders on or about Monday, 28 January 2013. The proposed variations will facilitate the execution of the Open Offer.

## **3. AMENDMENTS TO THE CONVERTIBLE BONDS**

On 23 January 2013, the Company entered into the TPG Amendment Deed with TPG and the GIC Amendment Deed with the GIC Investor to amend certain terms of the Subscription Agreements and the terms and conditions attached to the Convertible Bonds on principally the same terms. The CB Amendments have become effective upon execution of the Amendment Deeds.

Under Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issuance must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. An application for the said approval has been submitted to the Stock Exchange by the Company and the Stock Exchange has approved the CB Amendments.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the additional CB Conversion Shares to be issued under the Convertible Bonds (as amended by the CB Amendments) that exceed the number of CB Conversion Shares convertible under the original Convertible Bonds.

#### **4. RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been halted from 9:00 a.m. on 24 January 2013 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 25 January 2013.

### **I. PROPOSED OPEN OFFER OF CONVERTIBLE SECURITIES**

Depending on the number of outstanding Share Options exercised prior to or on the Record Date, the Company proposes to raise not less than approximately HK\$1,847.8 million and not more than approximately HK\$1,868.6 million (before expenses) by way of open offer of the Convertible Securities on the basis of each Convertible Securities with the principal amount of HK\$3.50 for every two existing Shares held on the Record Date. Save for the Excluded Securities undertaken to be subscribed for by Viva China, TPG and the GIC Investor, the Open Offer is fully underwritten by the Underwriters, the ordinary courses of business of which do not include the underwriting of securities. The details of the Open Offer are set out below:

#### **Issue statistics**

Basis of the Open Offer	Convertible Securities in the principal amount of HK\$3.50 for every two existing Shares held by the Qualifying Shareholders on the Record Date
Subscription Price of the Convertible Securities	At the face value of the Convertible Securities
Number of Shares in issue as at the date of this announcement	1,055,907,629 Shares

Maximum number of Shares in issue as at the Record Date (assuming that, on or before the Record Date, (i) all outstanding Share Options (that are exercisable on or before the Record Date) are exercised in full; (ii) none of the Convertible Bonds are converted; (iii) no further Shares will be issued; and (iv) no Shares will be repurchased)	1,067,764,018 Shares
Minimum number of Shares in issue as at the Record Date (assuming that, on or before the Record Date, (i) none of the outstanding Share Options are exercised; (ii) none of the Convertible Bonds are converted; (iii) no further Shares will be issued; and (iv) no Shares will be repurchased)	1,055,907,629 Shares
Principal amount of the Convertible Securities to be issued	Not less than approximately HK\$1,847.8 million but not more than approximately HK\$1,868.6 million
Number of the Conversion Shares issuable based on the initial Conversion Price	Not less than 527,953,814 Conversion Shares and not more than 533,882,009 Conversion Shares
Principal amount of the Convertible Securities undertaken to be taken up in respect of its respective assured entitlement:	
– Viva China	approximately HK\$466.2 million
– TPG	approximately HK\$92.8 million
– GIC Investor	approximately HK\$68.5 million

The Convertible Securities  
underwritten by:

- Viva China 60% of all the Underwritten Securities assuming that (i) no Qualifying Shareholder (other than Viva China, TPG and the GIC Investor in respect of their applications under the Irrevocable Undertakings) will apply for any Convertible Securities under their assumed entitlement and (ii) no Qualifying Shareholder will apply for any Convertible Securities under excess application
  
- TPG 40% of all the Underwritten Securities assuming that (i) no Qualifying Shareholder (other than Viva China, TPG and the GIC Investor in respect of their applications under the Irrevocable Undertakings) will apply for any Convertible Securities under their assumed entitlement and (ii) no Qualifying Shareholder will apply for any Convertible Securities under excess application

### **Outstanding convertible securities of the Company**

As at the date of this announcement, the Company has (i) 35,440,326 outstanding Share Options entitling the holders thereof to subscribe for a total of 35,440,326 Shares at various exercise prices ranging from HK\$4.69 per Share to HK\$21.87 per Share (subject to adjustments) (among the 35,440,326 outstanding Share Options, 11,856,389 Share Options are exercisable on or before the Record Date); and (ii) the Convertible Bonds with the aggregate principal amount of approximately RMB750,000,000 entitling TPG and the GIC Investor to convert respectively for 153,340,000 CB Conversion Shares and 51,660,000 CB Conversion Shares at the Revised CB Conversion Price of HK\$4.50 per Share (subject to adjustment), representing respectively approximately 12.16% and 4.10% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Bonds only.

Pursuant to the TPG Irrevocable Undertaking, TPG, the holder of the TPG Convertible Bonds entitling it to convert for a total of 153,340,000 CB Conversion Shares at the Revised CB Conversion Price of HK\$4.50 per CB Conversion Share (subject to adjustment), representing approximately 12.16% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Bonds only, has irrevocably undertaken in favour of the Company and the Underwriters (other than to itself) that it will not transfer any of the TPG Convertible Bonds or exercise any conversion rights attaching to the TPG Convertible Bonds on or prior to the Record Date without the consent from the Company.

Similarly, pursuant to the GIC Irrevocable Undertaking, the GIC Investor, who is the holder of the GIC Convertible Bonds entitling it to convert for a total of 51,660,000 CB Conversion Shares at the Revised CB Conversion Price of HK\$4.50 per CB Conversion Share (subject to adjustment), representing approximately 4.10% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Bonds only, has irrevocably undertaken in favour of the Company and the Underwriters that it will not transfer any of the GIC Convertible Bonds or exercise any conversion rights attaching to the GIC Convertible Bonds on or prior to the Record Date without the consent from the Company.

Save for the Share Options and Convertible Bonds as disclosed above, the Company has no other share options, warrants, derivatives or other securities convertible into or exchangeable for the Shares outstanding as at the date of this announcement.

### **Conversion Shares**

A minimum of 527,953,814 Conversion Shares will be issued upon the full exercise of the Conversion Rights at the initial Conversion Price, based on (i) 1,055,907,629 Shares in issue as at the date of this announcement; (ii) the assumption that none of the outstanding Share Options is exercised on or prior to the Record Date; (iii) the TPG Irrevocable Undertaking and the GIC Irrevocable Undertaking that none of their respective Convertible Bonds will be converted on or prior to the Record Date; and (iv) the assumption that no other new Shares will be issued and no Shares will be repurchased after the date of this announcement and up to the Record Date.

The minimum number of 527,953,814 Conversion Shares upon full conversion of the Convertible Securities at the initial Conversion Price would represent approximately 50.00% of the issued share capital of the Company as at the date of this announcement and approximately 33.33% of the issued share capital as enlarged by the issue of the minimum number of the Conversion Shares, respectively. Such minimum number of Conversion Shares represents an aggregate nominal value of approximately HK\$52.8 million.

A maximum of 533,882,009 Conversion Shares will be issued upon the full exercise of the conversion rights attached to the Convertible Securities at the initial Conversion Price, based on (i) 1,055,907,629 Shares in issue as at the date of this announcement; (ii) the assumption that all of the outstanding Share Options exercisable are exercised on or prior to the Record Date; (iii) the TPG Irrevocable undertaking and the GIC Irrevocable Undertaking that none of the Convertible Bonds will be converted on or prior to the Record Date; and (iv) the assumption that no other new Shares will be issued and no Shares will be repurchased after the date of this announcement and up to the Record Date.

The maximum number of 533,882,009 Conversion Shares upon full conversion of the Convertible Securities at the initial Conversion Price would represent 50.00% of the issued share capital of the Company as enlarged by the issue of the new Shares upon full exercise of the Share Options exercisable on or before the Record Date and approximately 33.33% of the issued share capital of the Company as enlarged by the issue of the maximum number of the



Conversion Shares and the issue of the new Shares upon full exercise of the Share Options exercisable on or before the Record Date. Such maximum number of Conversion Shares represents an aggregate nominal value of approximately HK\$53.4 million.

### **Conditions of the Open Offer**

The Open Offer is conditional upon the Underwriting Agreements having become unconditional. The conditions to the Underwriting Agreements are set out in the section headed “Conditions of the Open Offer and the Underwriting Agreements” below.

*If the conditions of the Underwriting Agreements are not fulfilled, the Open Offer will not proceed.*

### **Basis and the acceptance of the Open Offer**

Convertible Securities in the principal amount of HK\$3.50 for every two existing Shares held by the Qualifying Shareholders on the Record Date. Acceptance for all or part of a Qualifying Shareholder’s assured entitlement to the Open Offer should be made by completing the PAL and lodging the same with a remittance of the Subscription Price. Further details of the acceptance procedure will be set out in the Prospectus Documents.

### **Rounding down of entitlements**

When the Company allocates to each Qualifying Shareholder its assured entitlement on the basis of a principal amount of Convertible Securities of HK\$3.50 for every two existing Shares, the principal amount of any fractional assured entitlements will be aggregated and made available for application by the Qualifying Shareholders who wish to apply for the Convertible Securities in excess of their own entitlements.

### **Qualifying Shareholders and right of the Overseas Shareholders**

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder as at the close of business on the Record Date. In order to be registered as a member of the Company as at the close of business on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) by 4:30 p.m. (Hong Kong time) on Monday, 18 March 2013 with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East Wanchai, Hong Kong.

If, at the close of business on the Record Date, any Shareholder whose address on the register of member of the Company is in a place outside Hong Kong or at that time any Shareholder is otherwise known by the Company to be resident outside Hong Kong, such Overseas Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than



Hong Kong. The Board will seek legal advice as to whether the issue of the Convertible Securities to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2) of the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer the Convertible Securities to such Overseas Shareholders, no issue of Convertible Securities will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Excluded Shareholders.

The Company will, to the extent permitted by relevant laws, send the Prospectus Documents to the Qualifying Shareholders, and will send the Prospectus, for information only, to the Excluded Shareholders (if any) on the Prospectus Posting Date. The Company will not send any PAL or EAF to the Excluded Shareholders.

Any Convertible Securities which would otherwise have comprised the assured entitlement of the Excluded Shareholders will be available for application by the Qualifying Shareholders who wish to apply for Convertible Securities in excess of their own assured entitlements.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights. None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought. No application will be made for the listing of, and permission to deal in, the Convertible Securities on the Stock Exchange or any other stock exchanges.

### **Notice of closure of register of members**

In accordance with Rule 13.66 of the Listing Rules, the Company announces that the register of members will be closed from Tuesday, 19 March 2013 to Wednesday, 20 March 2013 (both days inclusive) for the purpose of, among other things, establishing entitlement to the Open Offer. No transfer of Shares will be registered during the above book closure period.

*Qualifying Shareholders who do not take up the Convertible Securities to which they are entitled should note that their shareholding in the Company will be diluted if the Convertible Securities are converted into Shares.*

## **Application for excess Convertible Securities**

Qualifying Shareholders have the right to apply for Convertible Securities in excess of their own assured entitlement. Application for excess Convertible Securities may be made by completing the EAF and lodging the same with a separate remittance for the excess Convertible Securities being applied for. Further details of the procedure for application for excess Convertible Securities will be set out in the Prospectus Documents.

Any Convertible Securities (i) not taken up by the Qualifying Shareholders in accordance with their proportional allocation; (ii) to which the Excluded Shareholders would otherwise have been entitled; and (iii) any Convertible Securities created by adding together the principal amount of the Convertible Securities of any fractional assured entitlements, will be made available for excess applications by the Qualifying Shareholders.

Qualifying Shareholders will have the right to apply for Convertible Securities in excess of their own assured entitlement under the PAL but are not assured of being allocated any Convertible Securities in excess of those in their assured entitlement. The Directors will allocate the Convertible Securities in excess of assured entitlement at their discretion, but on a fair and equitable basis, to Qualifying Shareholders who have applied for excess Convertible Securities based on a pro-rata basis with reference to the number of excess Convertible Securities applied for by the relevant Qualifying Shareholders. For the avoidance of doubt, the allocation of the Convertible Securities in excess of assured entitlement will not be based on the number of the Shares held by the relevant Qualifying Shareholders.

## **Certificates for the Convertible Securities**

Subject to the fulfilment of the conditions of the Open Offer, certificates for the Convertible Securities are expected to be ready for collection on Wednesday, 17 April 2013 at the office of the Hong Kong Share Registrar. Refund cheques in respect of wholly or partially unsuccessful applications for Convertible Securities in excess of assured entitlement are expected to be posted on or before Wednesday, 17 April 2013 by ordinary post to the applicants at their own risk.

## **SUMMARY OF THE PRINCIPAL TERMS OF THE CONVERTIBLE SECURITIES**

A summary of the principal terms of the Convertible Securities is set out below.

Principal amount	Not less than approximately HK\$1,847.8 million but not more than approximately HK\$1,868.6 million.
Interest	Nil.

## Distribution

Whenever the Company declares and pays a dividend (other than a Scrip Dividend) or a Capital Distribution in respect of the issued Shares, all Convertible Securities which remain outstanding on the record date of such dividend or Capital Distribution declaration (for the avoidance of doubt, this includes any Convertible Securities subject to a conversion notice completed, executed and deposited on or before the record date of such dividend (other than a Scrip Dividend) or Capital Distribution declaration which precedes the date on which such note is registered in the Company's register of members) shall be entitled to a distribution calculated on the basis of the same amount of such dividend or Capital Distribution per Share multiplied by the number of Conversion Shares into which the outstanding Convertible Securities could be fully converted at the Conversion Price prevailing at the record date of such dividend or Capital Distribution declaration. The distribution shall be paid on the third Business Day after the payment of the relevant dividends or Capital Distributions to the Shareholders.

## Conversion Price

The initial Conversion Price (subject to adjustments) shall be HK\$3.50 per Conversion Share, which represents:

- (i) a discount of approximately 43.64% to the closing price of HK\$6.21 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 46.73% to the average closing price of the Shares of approximately HK\$6.57 per Share as quoted on the Stock Exchange over the last five Trading Days up to and including the Last Trading Day;
- (iii) a discount of approximately 45.31% to the average closing price of the Shares of approximately HK\$6.40 per Share as quoted on the Stock Exchange over the last ten Trading Days up to and including the Last Trading Day; and
- (iv) a discount of approximately 18.60% to the unaudited consolidated net assets of the Group attributable to the Shareholders as at 30 June 2012 of approximately HK\$4.30 per Share in issue as at the date of this announcement.

The Conversion Price was determined after arm's length negotiations between the Company and the Underwriters having regard to the prevailing market price of the Shares prior to the date of this announcement and the business performance of the Group under the prevailing market conditions.

## Conversion

Subject to, and upon compliance with, the provisions of the Conditions, the Conversion Rights may be exercised during the Conversion Period. The number of Conversion Shares to be issued equals to the whole or such part of the principal amount of the Convertible Securities to be converted divided by the initial Conversion Price (subject to adjustments).

In the Minimum Scenario, assuming full conversion of the Convertible Securities at the initial Conversion Price, the Convertible Securities will be converted into approximately 527,953,814 Conversion Shares, representing approximately 50.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 33.33% of the issued share capital of the Company as enlarged by the issue of the minimum number of the Conversion Shares only.

In the Maximum Scenario, assuming full conversion of the Convertible Securities at the initial Conversion Price, the Convertible Securities will be converted into approximately 533,882,009 Conversion Shares, representing 50.00% of the existing issued share capital of the Company as enlarged by the issue of the new Shares upon full exercise of the Share Options exercisable on or before the Record Date and approximately 33.33% of the issued share capital of the Company as enlarged by the issue of the maximum number of the Conversion Shares and the issue of the new Shares upon full exercise of the Share Options exercisable on or before the Record Date.

Fractions of Conversion Shares will not be issued on conversion and no cash adjustment will be made in respect thereof.

There are no restrictions on any subsequent sale of the Conversion Shares.

Adjustment to Conversion Price	Conversion Price will be subject to adjustment in certain events, including: consolidation, subdivision or reclassification, capitalisation of profits or reserves, rights issues of Shares or options over Shares (at less than 95% of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant), rights issues of other securities; issues of Shares at less than 95% of the Current Market Price; other issues of securities at less than 95% of the Current Market Price, modification of rights of conversion, etc.
Ranking of Conversion Shares	The Conversion Shares shall be duly and validly issued, fully paid and registered, and free from encumbrances and all such Conversion Shares shall rank <i>pari passu</i> in all respects with the fully paid Shares in issue on the relevant date of registration of the Conversion Shares on the Company's register of members (after issue of the Conversion Shares upon conversion of the Convertible Securities) (the " <b>Registration Date</b> ") and shall accordingly entitle the holders thereof to participate in full in all dividends or other distributions the record date for which falls on a date on or after the relevant Registration Date.
Pre-emption right	Where a holder of the Convertible Securities intends to transfer any Convertible Securities, the holder shall first offer such Convertible Securities to the Company. The Company shall have the pre-emption right (but shall not be obliged) to redeem (or procure the purchase of) all or part of the principal amount of the Convertible Securities, at the same price and on the same terms as set out in the transfer intention notice given by the holder of the Convertible Securities or its attorney.

## Register of holders

The Company will or will procure its principal share registrar and transfer office in the Cayman Islands to maintain and keep the principal register and the Hong Kong Share Registrar to maintain and keep the branch register (the “**Registers of Holders**”) on which the names and addresses of the holders of the Convertible Securities, the principal outstanding amounts of the Convertible Securities, the dates of the issue of the certificates of the Convertible Securities, the dates of all transfers and the names and addresses of all transferees, particulars of all conversions and redemptions of the Convertible Securities, and particulars of all cancellations and replacements of certificates of the Convertible Securities are entered.

The registration of transfers may be suspended and the Registers of Holders may be closed at such times and for such periods as the Board may from time to time direct, provided that the same shall not be closed for a period in aggregate more than thirty (30) Business Days in any one year. Any transfer of Convertible Securities or exercise of the Conversion Rights while the Registers of Holders are so closed shall, as between the Company and the person claiming under the relevant transfer of Convertible Securities or, as the case may be, as between the Company and the holders of the Convertible Securities who have so exercised their respective Conversion Rights (but not otherwise), be considered as made immediately after the re-opening of the Registers of Holders.

## Transferability

- (1) Subject to, among others, the Company’s exercise of the pre-emption right and during the closure of the Registers of Holders as stated above and (2) and (3) below, Convertible Securities may be transferred or transmitted by operation of law in whole or in part at any time.

No transfer of title to Convertible Securities will be valid unless and until entered on either of the Registers of Holders.

- (2) Convertible Securities may only be transferred or transmitted by operation of law if:

- (a) such transfer shall be in compliance with the terms and conditions of the Instrument and the Conditions, and such transferee takes the Convertible Securities with the benefit and subject to the restrictions in the Conditions; and
  - (b) such transfer shall be further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under: (i) the Listing Rules; (ii) the Takeovers Code; and (iii) all applicable laws and regulations.
- (3) No holder of the Convertible Securities may require the transfer of any Convertible Securities to be registered (i) after a conversion notice to notify the Company of the exercise of the Conversion Right has been delivered pursuant to the Conditions; (ii) during the period of seven (7) Business Days ending on (and including) any payment day in respect of any payment of distribution on the Convertible Securities; (iii) where the holder of the Convertible Securities has not performed its obligations under the Conditions; or (iv) if the Company has delivered a pre-emption notice to the holder of the Convertible Securities and the holder of the Convertible Securities has performed its obligations but the deadline for payment has not lapsed.

#### Voting

The holders of the Convertible Securities shall not be entitled to receive notices of, attend or vote at any general meetings of the Company or any meetings of any class of the Company's shares, by reason only of it being a holder of Convertible Securities. The holders of the Convertible Securities shall be entitled to receive notices of, attend or vote at meetings of the holders of the Convertible Securities.



Application for listing	<p>The Convertible Securities are not listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the Convertible Securities on the Stock Exchange or any other stock exchange. No application will be made for the admissibility, deposit, clearance or settlement of the Convertible Securities in CCASS. No transfer, clearing or settlement services will be provided by Hong Kong Securities Clearing Company Limited in respect of the Convertible Securities.</p> <p>An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares to be issued upon the exercise of the Conversion Rights.</p>
Redemption	<p>The Convertible Securities shall be non-redeemable unless the Company exercises its pre-emption right to redeem.</p>
Maturity date	<p>There is no maturity date in respect of any Convertible Securities.</p>
Status	<p>The Convertible Securities constitute direct, unsecured and subordinated obligations of the Company and shall at all times rank <i>pari passu</i> without any preference among themselves. In the event of the dissolution, liquidation or winding up of the Company, the rights and claims of a holder of the Convertible Securities shall (a) rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares, if any) of the Company and (b) at all times rank <i>pari passu</i> with the Company's other present and future unsecured and subordinated obligations, but (c) shall be subordinated in right of payment to the claims of all present and future senior and unsubordinated creditors of the Company.</p>
No breach of Listing Rules or Takeovers Code	<p>The Company is not obliged to adjust the Conversion Price or issue Conversion Shares in satisfaction of the Conversion Rights in breach of its obligations under the Listing Rules or the Takeovers Code.</p>

In particular, no Conversion Right may be exercised by any holder of the Convertible Securities when the Company has clear evidence that immediately following the issue of the Conversion Shares upon exercise of their Conversion Right, it would be unable to meet the public float requirement under the Listing Rules.

## Undertakings

The Company has undertaken, among others, that, for so long as and only when any Convertible Securities remains outstanding:

- (a) the Company shall from time to time keep available for issue, free from pre-emptive rights, out of its authorised but unissued capital, sufficient Shares to satisfy in full the allotment and issuance of the Conversion Shares and shall ensure that all Shares delivered on conversion of the Convertible Securities will be duly and validly issued as fully-paid and non-assessable;
- (b) to the extent permitted by applicable law, the Company shall not modify the rights attaching to the Shares with respect to voting, dividends or liquidation but this shall not prevent (i) a consolidation or subdivision of the Shares or the conversion of any Shares into stock or vice versa, (ii) a modification to the rights attaching to the Shares which is not materially prejudicial to the interests of the holders of the Convertible Securities, (iii) the amendment of the Articles of Association to enable title to securities of the Company (including Shares) to be evidenced and transferred without a written instrument, (iv) any other alteration to the Articles of Association made in connection with the matters described in (a) to (g) herein or which are supplemental or incidental to any of the foregoing (including amendments made to enable or facilitate procedures relating to such matters and amendments dealing with the rights and obligations of holders of securities (including Shares) dealt with under such procedures) or (v) any issue of equity share capital or corporate action which results in an adjustment of the Conversion Price;
- (c) the Company shall use its best endeavours to (i) maintain a listing for all the issued Shares on the Stock Exchange; and (ii) obtain a listing on the Stock

Exchange for all the Conversion Shares, and if the Company is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an alternative stock exchange as the Company may from time to time determine and will forthwith give notice to the holder of the Convertible Securities of the delisting of the Shares on the Stock Exchange and the listing of the Shares on any such alternative stock exchange;

- (d) it will pay the expenses of the issue and delivery of, and all expenses of obtaining and maintaining the listing for, Shares arising on conversion of the Convertible Securities;
- (e) the Company shall ensure that all Conversion Shares shall be duly and validly issued, fully paid and registered, and free from encumbrances and all such Shares shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant Registration Date and shall accordingly entitle the holders thereof to participate in full in all dividends or other distributions the record date for which falls on a date on or after the relevant Registration Date;
- (f) as soon as possible after the announcement of the full terms of any event which give rise to adjustments of the Conversion Price pursuant to the Conditions (or, if later, as soon as the relevant adjustment thereunder can reasonably be determined), give notice to the holders of the Convertible Securities advising them of the date on which the relevant adjustment of the Conversion Price is to become effective, the size of adjustment on the Conversion Price and the effect (if any) on the rights of the holder of the Convertible Securities to exercise its Conversion Right herein; and
- (g) the Company shall comply with and procure the compliance of all conditions imposed by the Stock Exchange for approval of the issue of the Convertible Securities or for the listing of and permission to deal in the Conversion Shares and ensure the continued compliance thereof.

If an offer is made to all holders of the Shares (or such holders other than the offeror and/or any Company controlled by the offeror and/or persons associated or acting in concert with the offeror) to acquire all or a portion of the Shares or if any person proposes a scheme with regard to such acquisition, it shall forthwith give notice of such offer or scheme to the holders of the Convertible Securities at the same time as any notice thereof is sent to its Shareholders (or as soon as practicable thereafter) stating that details concerning such offer or scheme may be obtained from the specified office of the Company and, where such an offer or scheme has been recommended by the Board or where such an offer has become or been declared unconditional in all respects, use its best endeavours to procure that a like offer or scheme is extended in accordance with the Takeovers Code to the holders of the Convertible Securities and the holders of any Conversion Shares issued during the period of the offer or scheme.

## **IRREVOCABLE UNDERTAKINGS**

Pursuant to the Viva China Irrevocable Undertaking, Viva China has irrevocably undertaken to the Company and TPG, conditional upon the obtaining of the Viva China Shareholders Approval, that (i) Viva China will beneficially own an aggregate of 266,374,000 Shares (representing approximately 25.23% of the issued share capital of the Company as at the date of this announcement) on the Record Date; and (ii) it shall take up, or procure to be taken up, all Convertible Securities which will be issued to it and/or its nominee(s) as its assured entitlement under the Open Offer upon and subject to the terms and conditions therein stated; but (iii) it shall not subscribe for Convertible Securities for a principal amount of more than approximately HK\$744.7 million under the EAF.

Pursuant to the TPG Irrevocable Undertaking, TPG has irrevocably undertaken in favour of the Company and Viva China that (i) the Shares comprising its current shareholding in the Company will remain to be beneficially and directly owned by it on the Record Date; (ii) it will not transfer any of the TPG Convertible Bonds or exercise any conversion rights attaching to the TPG Convertible Bonds on or prior to the Record Date without the consent from the Company; and (iii) it shall take up, or procure to be taken up, all Convertible Securities which will be issued to it and/or its nominee(s) as its assured entitlement under the Open Offer upon and subject to the terms and conditions therein stated; but (iv) it shall not subscribe for Convertible Securities for a principal amount of more than approximately HK\$496.5 million under the EAF.

Pursuant to the GIC Irrevocable Undertaking, the GIC Investor has irrevocably undertaken in favour of the Company and the Underwriters that (i) the Shares comprising its current shareholding in the Company will remain to be beneficially and directly owned by it on the

Record Date; (ii) it will not transfer any of the GIC Convertible Bonds or exercise any conversion rights attaching to the GIC Convertible Bonds on or prior to the Record Date without the consent from the Company; and (iii) it shall take up, or procure to be taken up, all Convertible Securities which will be issued to it and/or its nominee(s) as its assured entitlement under the Open Offer upon and subject to the terms and conditions therein stated; but (iv) it shall not subscribe for any Convertible Securities under the EAF.

## **UNDERWRITING ARRANGEMENTS**

### **Underwriting Agreements**

On 23 January 2013, the Company entered into an Underwriting Agreement, on principally the same terms (except as disclosed below in this section), with each of TPG and Viva China.

### **The Viva China Underwriting Agreement**

Date:	23 January 2013
Parties:	(1) The Company; and  (2) Viva China as an Underwriter
Convertible Securities Underwritten:	Viva China will underwrite 60% of all the Underwritten Securities assuming that (i) no Qualifying Shareholder (other than Viva China, TPG and the GIC Investor in respect of their applications under the Irrevocable Undertakings) will apply for any Convertible Securities under their assured entitlement and (ii) no Qualifying Shareholder will apply for any Convertible Securities under excess application
Underwriting commission payable to Viva China:	2.5% on the principal amount of Convertible Securities Underwritten by Viva China, which is approximately HK\$18.6 million and payable in cash

## **The TPG Underwriting Agreement**

Date:	23 January 2013
Parties:	(1) The Company; and  (2) TPG as an Underwriter
Convertible Securities Underwritten:	TPG will underwrite 40% of all the Underwritten Securities assuming that (i) no Qualifying Shareholder (other than Viva China, TPG and the GIC Investor in respect of their applications under the Irrevocable Undertakings) will apply for any Convertible Securities under their assumed entitlement and (ii) no Qualifying Shareholder will apply for any Convertible Securities under excess application
Underwriting commission payable to TPG:	2.5% on the principal amount of Convertible Securities Underwritten by TPG, which is approximately HK\$12.4 million and payable by cash

The commissions payable to the Underwriters were determined after arm's length negotiations between the Company and the Underwriters with reference to current prevailing market rate. The Directors are of the view that the underwriting commissions are in line with the market rate and that the commissions given to the Underwriters are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the Underwriting Agreements have been entered into on normal commercial terms.

### **Conditions of the Open Offer and the Underwriting Agreements**

The Open Offer is conditional upon the Underwriting Agreements having become unconditional. The obligations of each of the Underwriters under the respective Underwriting Agreement are conditional upon the following conditions being fulfilled:

- (a) the delivery to the Stock Exchange for authorisation, and the registration with the Registrar of Companies in Hong Kong, respectively, not later than the Prospectus Posting Date, of one copy of each of the Prospectus Documents in compliance with the Listing Rules and the Companies Ordinance;
- (b) the delivery to the Underwriters the documents as set out in the Underwriting Agreements;
- (c) the despatch of the Prospectus Documents to the Qualifying Shareholders, and the despatch of the Prospectus to the Excluded Shareholders (if and to the extent legally and practically permissible) on the Prospectus Posting Date;

- (d) the grant (subject to allotment) by the Listing Committee of the Stock Exchange, and not having withdrawn or revoked such grant, of the listing of and permission to deal in all the Conversion Shares, either unconditionally or subject to such conditions as are accepted by the Company and the satisfaction of such conditions (if any and where relevant) on or prior to the Latest Time for Termination;
- (e) the Company having obtained approval from the Shareholders in respect of certain variations to the General Mandate to facilitate the Open Offer or a refreshed general mandate;
- (f) the delivery of the Irrevocable Undertakings to the Company and the Underwriters on the date of the Underwriting Agreements;
- (g) the Company and the Underwriters not having received any indication from the SFC that the Underwriters are subject to an obligation to make a general offer under the Takeovers Code issued by the SFC for the Shares not already owned by them as a result of the completion of the Open Offer;
- (h) none of the Underwriting Agreements having been validly terminated by the relevant Underwriter in accordance with the terms thereof; and
- (i) (in the case of the Viva China Underwriting Agreement only) Viva China Holdings having obtained approval from its shareholders for the subscription of assured entitlement, excess application under the Open Offer and the entering into of the Viva China Underwriting Agreement, including the execution and performance of the Viva China Underwriting Agreement, the Viva China Irrevocable Undertaking and the transactions contemplated under those documents (the “**Viva China Shareholders Approval**”).

The Underwriters may waive condition (b) set out above. If any of the conditions of the Open Offer are not fulfilled (or in respect of condition (b), waived by the Underwriters) on or before 31 July 2013 (or such later time and/or date as the Company and the Underwriters may determine in writing), the Underwriting Agreements shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreements prior to such termination) and neither the Company nor the Underwriters shall have any claim against the other parties for costs, damages, compensation or otherwise and the Open Offer will not proceed.

### **Termination of the Underwriting Agreements**

Each of the Underwriters is entitled to terminate its respective Underwriting Agreement by notice in writing given by the relevant Underwriter to the Company at any time prior to the Latest Time for Termination if the obligations of the Underwriter under the relevant Underwriting Agreement have not ceased and there has developed, occurred, existed or come into effect:



- (a) any moratorium, suspension of or material restriction on trading in securities generally on the Stock Exchange, the New York Exchange or NASDAQ; or
- (b) there is any suspension in trading of the Shares on the Stock Exchange for a continuous period of 10 Business Days (other than suspension resulting from the Open Offer or the transactions contemplated under the Underwriting Agreements); or
- (c) permission to deal in and listing of the Conversion Shares has been withdrawn by the Stock Exchange; or
- (d) the Company is in breach of any of its obligations under each of the Underwriting Agreements which is material in the context of the Open Offer.

Upon termination of the Underwriting Agreements, all obligations and liabilities of the Underwriters under the Underwriting Agreements shall cease, and no party to the Underwriting Agreements shall have any claim against the other party in respect of anything arising out of or in connection with Underwriting Agreements, subject to certain limitations as set out in the Underwriting Agreements.

***If any of the Underwriting Agreements is terminated by the relevant Underwriter on or before the Latest Time for Termination or does not become unconditional, the Open Offer will not proceed.***

### **Information on the Underwriters**

Viva China is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Viva China Holdings, which is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange. Viva China principally engages in investment holding and Viva China Holdings principally engages in, *inter alia*, sports talent management, competition and event production and management, sports-themed community development. As at the date of this announcement, Viva China, who indirectly holds approximately 25.23% interests in the Company, is a substantial Shareholder and thus a connected person of the Company. As at the date of this announcement, Viva China Holdings is owned as to approximately 38.10% by Lead Ahead Limited, which is in turn owned as to 60% by Mr. Li and 40% by his brother, Mr. Li Chun, and 31.81% is held by Victory Mind Assets Limited, which is indirectly held by a corporate trustee of two discretionary trusts, the respective beneficiaries of which include family members of Mr. Li Ning and Mr. Li Chun as at the date of this announcement.

TPG Group is a leading global private investment firm founded in 1992 with US\$54.5 billion of assets under management and offices in San Francisco, Fort Worth, Austin, Beijing, Chongqing, Hong Kong, London, Luxembourg, Melbourne, Moscow, Mumbai, New York, Paris, Sao Paulo, Shanghai, Singapore and Tokyo. TPG Group has extensive experience with global public and

private investments executed through leveraged buyouts, recapitalizations, spin-outs, growth investments, joint ventures and restructurings. TPG Group investments span a variety of industries including financial services, travel and entertainment, technology, energy, industrials, retail, consumer, real estate, media and communications and healthcare.

### **Listing Rules implications**

Viva China, who indirectly holds approximately 25.23% interests in the Company as at the date of this announcement, is a substantial Shareholder and thus a connected person of the Company. Accordingly, the payment of the underwriting commission to Viva China pursuant to the Underwriting Agreement constitutes a connected transaction for the Company. As the percentage ratios (other than the profits ratio) in respect of the underwriting commission payable by the Company to Viva China is more than 0.1% but less than 5%, the payment of the underwriting commission by the Company to Viva China is subject to reporting and announcement but is exempt from the independent Shareholders' approval under the Listing Rules.

Save for Mr. Li, Mr. Jin-Goon Kim and Mr. Chen Yue, Scott (who have abstained from voting on the board resolution regarding the Open Offer, including entering into the Viva China Underwriting Agreement), none of the Directors has a material interest in the Open Offer, including the Viva China Underwriting Agreement.

### **WARNING OF THE RISK OF DEALING IN THE SHARES**

**The Shares will be dealt in on an ex-entitlement basis commencing from Friday, 15 March 2013 based on the expected timetable.**

**The Open Offer is conditional upon, inter alia, the fulfilment or waiver of the conditions set out under the paragraph headed "Conditions of the Open Offer and the Underwriting Agreements" under the section headed "Underwriting Arrangements" in this announcement. The Open Offer may or may not proceed.**

**Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled or waived will accordingly bear the risk that the Underwriting Agreements may not become unconditional or the Open Offer may not proceed. Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers.**

### **REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS**

As set out in the announcement of the Company dated 17 December 2012, the Board notes that over-expansion has caused the building up of inventory for the Group's channel partners, which has adversely affected their store productivity and profitability and has led to a deterioration of their financial positions.

Over the past two years, problems in the Group's sales channels gradually surfaced and have impacted the Group's own financial position. Furthermore, the Group's gearing level may impact management's assessment in making optimal decisions including investments into the Group's operations. When the situation deteriorated further in 2012, the management of the Group acted quickly by devising and implementing a comprehensive transformation blueprint (the "**Transformation Plan**") as first disclosed in the announcement of the Company dated 4 July 2012 (the "**July 2012 Announcement**"). One of the key components of the Transformation Plan is to have a one-time channel revival plan (the "**Channel Revival Plan**"), which was disclosed in the announcement of the Company dated 17 December 2012.

The Group's Channel Revival Plan will include a range of initiatives focusing on support for channel partners' inventory clearance, inventory buy-back, sales network rationalization as well as customized programs to restructure the accounts receivable from individual participants. While the costs associated with the Channel Revival Plan will be mostly non-cash and take the form of accounts receivable offsets, they will reduce the outstanding accounts receivables balance as well as associated rights to cash collection from distributors.

As a key part of the Channel Revival Plan, the Group has also started replenishing channels with new inventories with more rationalized stock-keeping unit, improved pricing strategy and broader and more targeted coverage of key demographics, which the management believes will start generating healthy account receivable and cash flow in the channels. Replacing the old and stale inventories with new attractive product requires additional working capital during this period of transformation.

The total gross proceeds from the Open Offer will be not less than approximately HK\$1,847.8 million (in the Minimum Scenario) and not more than approximately HK\$1,868.6 million (in the Maximum Scenario). The net proceeds of the Open Offer after deducting for expenses are estimated to be not less than HK\$1,806.2 million (representing a net price of HK\$3.42 per Conversion Share) (in the Minimum Scenario) and not more than HK\$1,826.9 million (representing a net price of HK\$3.42 per Conversion Share) (in the Maximum Scenario). The net proceeds of the Open Offer are intended to be applied by the Group towards:

- (i) funding of the overall execution of the Transformation Plan, including (a) rebuilding and revitalising the LI-NING brand, (b) investing in branding and product development, (c) building better supply chain and retail operating capabilities for the Group, (d) creating a more retail-oriented and consumer-oriented business model; and (e) optimizing the retail platform and funding future expansion;
- (ii) optimizing the Group's capital structure; and
- (iii) providing the Group with general working capital.

The Board believes that, with the support of the funding to be raised under the Open Offer, the Transformation Plan, including the Channel Revival Plan, will restore the healthy profitability of the Group's channel partners and create a new model that will result in profitable long-term growth for the Group's business overall.

The Directors (including the independent non-executive Directors) consider that the Open Offer is in the interests of both the Company and its Shareholders as a whole as it provides an equitable means for the Company's Qualifying Shareholders to participate in the future development of the Company and the opportunity to maintain their respective pro-rata shareholding interests in the Company.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR CONVERTIBLE SECURITIES**

The latest time for acceptance of, and payment for, the Convertible Securities will not take place if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of, and payment for, the Convertible Securities will be extended to 5:00 p.m. on the same Business Day; and
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time for acceptance of, and payment for, the Convertible Securities will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of, and payment for, the Convertible Securities does not take place at 4:00 p.m. on the Final Acceptance Date, the dates mentioned in the section headed "Expected timetable for the Open Offer and the proposed variations to General Mandate to issue new securities" below may be affected. The Company will notify the Shareholders by way of an announcement on any change to the expected timetable as soon as practicable.

### **ADJUSTMENTS TO THE EXERCISE PRICE OF THE SHARE PURCHASE OPTIONS AND THE SHARE OPTIONS**

Pursuant to the terms of the Share Purchase Scheme and the Share Option Scheme, the exercise price of the outstanding Share Purchase Options and Share Options may be adjusted in accordance with the Share Purchase Scheme and the Share Option Scheme, respectively, as a result of completion of the Open Offer. If there are any adjustments made upon completion of the Open Offer, the Company will notify the holders of the Share Purchase Options and the

Share Options of such adjustments and make a further announcement in due course. For the avoidance of doubt, the Revised CB Conversion Price of HK\$4.50 will not be adjusted as a result of completion of the Open Offer pursuant to the Amendment Deeds.

**II. PROPOSED VARIATIONS TO GENERAL MANDATE TO ISSUE NEW SECURITIES**

Reference is made to the Company’s annual general meeting held on 11 May 2012 pursuant to which the General Mandate has been granted to the Directors. The Board wishes to make certain variations to the definition of “Right Issue” under the General Mandate, the details of which will be set out in the notice convening the EGM to be despatched to the Shareholders on or about Monday, 28 January 2013. The proposed variations will facilitate the execution of the Open Offer.

**III. EXPECTED TIMETABLE FOR THE OPEN OFFER AND THE PROPOSED VARIATIONS TO GENERAL MANDATE TO ISSUE NEW SECURITIES**

The expected timetable for the Open Offer and the proposed variations to General Mandate to issue new securities is set out below:

**2013**

EGM (to approve certain variations to General Mandate only) . . . . .	Thursday, 21 February
Last day of dealings in Shares on a cum-entitlement basis for the Open Offer . . . . .	Thursday, 14 March
First day of dealings in Shares on an ex-entitlement basis for the Open Offer . . . . .	Friday, 15 March
Latest time for lodging transfers of Shares in order to qualify for the Open Offer . . . . .	4:30 p.m. on Monday, 18 March
Register of members to be closed (both days inclusive) . . . . .	Tuesday, 19 March to Wednesday, 20 March
Record Date . . . . .	Tuesday, 19 March
Register of members to be re-opened . . . . .	Thursday, 21 March
Prospectus Documents to be despatched on . . . . .	Friday, 22 March
Acceptance period of the Open Offer commences . . . . .	Monday, 25 March

Latest time for acceptance of and payment  
for Convertible Securities and  
application for excess Convertible  
Securities . . . . . 4:00 p.m. on Wednesday, 10 April

Latest Time for Termination . . . . . 5:00 p.m. on Thursday, 11 April

Announcement of allotment results of the Open Offer . . . . . Monday, 15 April

Refund cheques for unsuccessful excess application  
will be posted on or before . . . . . Wednesday, 17 April

Certificates for Convertible Securities  
will be ready for collection on . . . . . Wednesday, 17 April

Dates or deadlines specified in this announcement refer to Hong Kong local times and dates and are indicative only and may be varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

#### **IV. AMENDMENTS TO THE CONVERTIBLE BONDS**

##### **Introduction**

Reference is made to the announcements of the Company dated 19 January 2012 and 8 February 2012 regarding the issue of the Convertible Bonds. On 19 January 2012, the Company entered into the TPG Subscription Agreement and the GIC Subscription Agreement with TPG Asia, Inc. (whose obligations and benefits under the TPG Subscription Agreement was later novated to TPG Stallion Holdings, L.P. and the Shares held by and the TPG Convertible Bonds issued to TPG Stallion Holdings, L.P. were transferred and assigned to TPG prior to the date of this announcement) and the GIC Investor, respectively, in relation to the issuance of the Convertible Bonds in an aggregate principal amount of RMB750,000,000 (comprising (i) the TPG Convertible Bonds with a principal amount of RMB561,000,000; and (ii) the GIC Convertible Bonds with a principal amount of RMB189,000,000). On 22 January 2013, TPG Stallion Holdings, L.P. transferred all of the TPG Convertible Bonds to TPG. The Convertible Bonds bear interest at the rate of 4% per annum and will be due on the fifth anniversary of the date of issue of the Convertible Bonds. The issue of the Convertible Bonds was completed on 8 February 2012. As of the date of this announcement, none of the principal amount of RMB750,000,000 under the Convertible Bonds have been converted.

## **Amendments to the Subscription Agreements and the Convertible Bonds**

On 23 January 2013, the Company entered into the TPG Amendment Deed with TPG and the GIC Amendment Deed with the GIC Investor to amend certain terms of the Subscription Agreements and the Convertible Bonds on principally the same terms. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Bondholders, other than their holding of the Convertible Bonds, are not connected persons of the Company.

### **The TPG Amendment Deed**

Date: 23 January 2013 (after trading hours)

Parties: (1) the Company; and  
(2) TPG as the holder of the TPG Convertible Bonds

### **The GIC Amendment Deed**

Date: 23 January 2013 (after trading hours)

Parties: (1) the Company; and  
(2) the GIC Investor as the holder of the GIC Convertible Bonds



The CB Amendments have become effective upon execution of the Amendment Deeds. The terms and conditions of the Subscription Agreements and the Convertible Bonds have been amended as follows:

	Original Terms	Amendments
Lock-up Period	<p>After expiry of the 6-month period from the date of completion of the issue of the Convertible Bonds (the issue was completed on 8 February 2012) (“<b>Lock-up Period</b>”), the relevant Bondholder is free from any restrictions to dispose of the Convertible Bonds or CB Conversion Shares save only that the relevant Bondholder shall not knowingly dispose of any Convertible Bonds or CB Conversion Shares to any person who is a competitor of the Company in respect of its core business without the prior consent of the Board. This provision shall not restrict the relevant Bondholder from disposing of any Convertible Bonds or CB Conversion Shares on the Stock Exchange or through a block-trade.</p>	<p>An additional proviso is added to the effect that where the relevant Bondholder disposes of any Convertible Bonds or CB Conversion Shares through a block-trade and the Bondholder does not know the identity of the buyer, it shall instruct (and is limited to instructing) its placing agent not to knowingly dispose of the Convertible Bonds or the CB Conversion Shares to a competitor but the Bondholder is not required to conduct independent verification on the identity of the buyer in the block-trade.</p>
Taxation	<p>The Company is responsible for all taxes in connection with the creation, issue and offering of the Convertible Bonds, the issue of the CB Conversion Shares or the execution or delivery of the Subscription Agreements.</p>	<p>An exception is included that the Company will not be responsible for any tax payable as a result of loss of tax exemption applicable to the Bondholders arising solely because of the domicile of the Bondholders.</p>

Restrictions on fund-raising activities and connected transactions	So long as there are outstanding Convertible Bonds, the Company will not, and will procure its material subsidiary(ies) not to, for any Relevant Period, except with the prior written consent of each of the Bondholders, enter into (i) any of capital raising activities, acquisitions or disposals, in each case, involving US\$30,000,000 or more (or its equivalent in any other currency), or (ii) any connected transactions involving US\$10,000,000 or more (or its equivalent in any other currency).	This term is deleted.
Restrictions on trading activities	So long as there are outstanding Convertible Bonds, the Company will not, and will procure its material subsidiary(ies) not to except with the prior consent of the Bondholders, directly or indirectly, engage in trading in shares, derivatives, options or other securities (save for in respect of hedging arrangements ordinarily entered into for the purposes of hedging interest rate or currency exposure).	This term is amended such that the exception will be extended to any acquisition, sale, transfer or disposition of securities effected as consideration of an acquisition or disposal of assets or companies by the Company.

Restrictions on borrowing to EBITDA ratio

So long as there are outstanding Convertible Bonds, the Company will not, and will procure its material subsidiary(ies) not to allow the ratio of aggregate borrowings of the Group from time to time to EBITDA for the Relevant Period to exceed 3:1, unless prior Bondholders' consent has been obtained.

An exception is added that the Company is not bound by such covenant for so long as:

1. at least two persons nominated by TPG or its Affiliates (the “**Nominated Person**”) remain as Directors on each of the Board and the executive committee of the Company. This condition is deemed not satisfied if any of the Nominated Persons is removed from his office by the Company as a Director and the Company fails to procure a competent replacement nominated by the Bondholder or its Affiliates to be appointed as a Director within two weeks from the nomination. For the avoidance of doubt, this condition is deemed to be satisfied if a Nominated Person resigns or is otherwise removed from his office by the Company as a Director but the Company procures a competent replacement nominated by the Bondholder or its Affiliates to be appointed as a Director within two weeks from the nomination; and
2. any borrowing undertaken by the Company after the CB Amendments become effective is presented to the Board or the executive committee of the Company for consideration.

Pre-emptive rights	Each Bondholder has a pre-emptive right to purchase, subscribe for or obtain its pro-rata share of all equity securities that the Company may, from time to time, propose to issue or grant after the date of the certificate for the Convertible Bonds, and the Company will give Bondholders written notice if it proposes to issue or grant any equity securities.	This term is deleted.
Renewal and inspection of licences	The Company is required to obtain and promptly renew from time to time, and make available for inspection by the Bondholders or their authorised representatives during normal business hours of, all such authorizations, approvals, consents, licences, exemptions as may be required under any applicable law or regulation to enable it to perform its obligations under the Convertible Bonds or required for the validity or enforceability of the Convertible Bonds.	The word “exemptions” is removed from the term.

### **Reset of the CB Conversion Price**

The initial CB Conversion Price is reset to HK\$4.5 per Share.

Notwithstanding anything otherwise said in the Subscription Agreements or the conditions of the Convertible Bonds, it was agreed that none of the adjustment mechanisms regarding (i) rights issues of Shares or options over Shares (at less than 95% of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant); (ii) rights issues of other securities; (iii) issues of Shares at less than 95% of the Current Market Price; and (iv) other issues of securities at less than 95% of the Current Market Price shall apply in connection with a Qualifying Issuance of securities (including shares and securities convertible or exchangeable into shares of the Company) by the Company made after the date of the Amendment Deeds but before 31 December 2013. For the purpose of this provision, “Qualifying Issuance” shall mean:

1. a single or a series of placements of securities up to RMB800 million at an issue price of no more than 20% discount to the benchmark price set out in Rule 13.36(5) of the Listing Rules; or

2. a single or a series of issuances of securities to all shareholders of the Company in proportion to their shareholding which in aggregate would not (in the case of an issuance of convertible or exchangeable securities, assuming a conversion or exchange in full of such convertible or exchangeable securities into shares) increase the aggregate of (i) the issued share capital of the Company at the date of the Amendment Deeds; and (ii) any additional share capital issued by the Company pursuant to the exercise of the conversion right under the Convertible Bonds between the date of the Amendment Deeds and the date of the relevant issuance, by more than 50%.

During the period from the date of Amendment Deeds until the earlier of (i) 31 December 2013 and (ii) date of completion of the Qualifying Issuance, and if there is more than a single issuance of securities, until the date of completion of the last issuance comprising the Qualifying Issuance, the Bondholders shall not exercise any of its conversion rights unless the relevant CB Conversion Shares are disposed of to a third party within fifteen (15) Business Days of such conversion.

### **Comparison of the Revised CB Conversion Price**

Upon completion of the Open Offer, the initial CB Conversion Price of the Convertible Bonds would have to be adjusted to approximately HK\$6.53 per Share after accounting for the anti-dilution mechanism in the original terms and conditions of the Convertible Bonds.

The Revised CB Conversion Price of HK\$4.5 represents:

1. a premium of approximately 5.63% over the average closing price of HK\$4.26 per Share over the last 30 Trading Days including and up to 17 December 2012, being the date of the announcement of the Company regarding the channel revival plan and profit warning;
2. a premium of approximately 5.39% over the average closing price of HK\$4.27 per Share over the last 60 Trading Days including and up to 17 December 2012, being the date of the announcement of the Company regarding the channel revival plan and profit warning;
3. a discount of approximately 27.54% to the closing price of HK\$6.21 per Shares on the Last Trading Day;
4. a discount of approximately 31.51% to the average closing price of HK\$6.57 per Share over the last 5 trading days including and up to the Last Trading Day;
5. a discount of approximately 19.65% to the average closing price of HK\$5.60 per Share over the last 30 trading days including and up to the Last Trading Day;
6. a discount of approximately 7.86% to the average closing price of HK\$4.88 per Share over the last 60 trading days including and up to the Last Trading Day;

7. a discount of approximately 3.64% to the average closing price of HK\$4.67 per Share over the last 90 trading days including and up to the Last Trading Day; and
8. a premium of approximately 28.57% over the Subscription Price in relation to the Open Offer.

After the reset of the initial CB Conversion Price, the Convertible Bonds may be converted into up to 205,000,000 CB Conversion Shares, representing approximately 19.41% of the issued share capital of the Company as at the date of this announcement and approximately 16.26% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Bonds only.

Save for the CB Amendments above, all other material terms and conditions of the Subscription Agreements and the Convertible Bonds remain unchanged. The CB Amendments were arrived at after arm's length negotiations between the Company and the Bondholders and the Board is of the view that the Amendment Deeds and the CB Amendments are fair and reasonable and in the interests of the Company and the Shareholder as a whole.

### **Reasons and benefits for the CB Amendments**

As part of the subscription of the Convertible Bonds, each of the Bondholders has obtained certain rights which are typically afforded to an investor of a debt instrument to protect their interests, among these rights are restrictions on capital raisings, debt financings and the conduct of certain transactions.

Due to the Company's recent financial performance and complementary funding needs for its transformation plan, the Company has been looking into alternative sources of funding to finance the implementation of its restructuring and revival initiatives with a view to transforming itself from a traditional wholesale practice to a retail-oriented business model in the dynamic sportswear market and to solidify its foundation for pursuing long term growth.

In light of the Company's financing needs and its desire to optimize its capital structure, each of the Bondholders has agreed to enter into the Amendment Deeds to make a number of fundamental concessions on its rights as bondholders under the Convertible Bonds, including waiving the restrictions/thresholds on capital raisings, debt financings and transactions (such as disposals and acquisitions) to be conducted by the Company. The Company and the Bondholders believe that the termination, waiver and consent over the aforementioned financial and other covenants are important to the Company in devising the underlying implementation strategies of its transformation plan as they would allow the Company to pursue different business and the associated financing plans with more flexibility without being restricted from complying with certain covenants of the original Subscription Agreements and terms of the Convertible Bonds.

Having considered that the Bondholders agreed to the concessions under the Amendment Deeds to relinquish important debt holder protection rights in relation to the Convertible Bonds to assume higher risks amid the restructuring phase of the sector and the Company as well as the significant contributions that the Bondholders have made and will continue to make in revamping the business of the Group in the foreseeable future to the Company, the Company believes the Revised CB Conversion Price given to the Bondholders is a fair and reasonable consideration.

In light of the above benefits, the Directors (including the independent non-executive Directors) are of the view that the CB Amendments are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Listing Rules implications**

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 11 May 2012, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on 11 May 2012, i.e. 1,055,907,629 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate. As at the date of this announcement, the Company is entitled to issue up to 211,181,525 Shares pursuant to the General Mandate. It is intended that the additional CB Conversion Shares will be allotted and issued under the General Mandate.

Under Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. An application for the said approval has been submitted to the Stock Exchange by the Company and the Stock Exchange has approved the CB Amendments.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the additional CB Conversion Shares to be issued under the Convertible Bonds (as amended by the CB Amendments) that exceed the number of CB Conversion Shares convertible under the original Convertible Bonds.



## V. SHAREHOLDING STRUCTURE

### (a) Shareholding structure of the Company in the Minimum Scenario

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, assuming that (a) none of the outstanding Share Options are exercised; (b) none of the Convertible Bonds are converted; (c) no further Shares will be issued; and (d) no Shares will be repurchased, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Open Offer under various scenarios as set out below:

	(i) As at the date of announcement		(ii) Immediately upon completion of the Open Offer					
	No. of Shares	%	(a) assuming ALL shareholders take up and convert the Convertible Securities in full		(b) assuming only Viva China, TPG and GIC Investor take up and convert the Convertible Securities in full (to the extent that no general offer obligation under the Takeovers Code is triggered)		(c) Assuming only Viva China, TPG and GIC Investor take up and convert the Convertible Securities in full	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Viva China	266,374,000	25.23%	399,561,000	25.23%	415,113,380	29.86%	608,773,989	38.44%
							(Note 1)	
Alpha Talent (Note 2)	1,807,850	0.17%	2,711,775	0.17%	1,807,850	0.13%	1,807,850	0.11%
Other Directors	10,168,600	0.96%	15,252,900	0.96%	10,168,600	0.73%	10,168,600	0.64%
	278,350,450	26.36%	417,525,675	26.36%	427,089,830	30.72%	620,750,439	39.19%
TPG	53,000,000	5.02%	79,500,000	5.02%	218,975,325	15.75%	218,975,325	13.83%
GIC Investor	39,157,000	3.71%	58,735,500	3.71%	58,735,500	4.23%	58,735,500	3.71%
GIC	6,156,252	0.58%	9,234,378	0.58%	6,156,252	0.44%	6,156,252	0.39%
Others	679,243,927	64.33%	1,018,865,890	64.33%	679,243,927	48.86%	679,243,927	42.88%
	777,557,179	73.64%	1,166,335,768	73.64%	963,111,004	69.28%	963,111,004	60.81%
Total	<u>1,055,907,629</u>	<u>100.00%</u>	<u>1,583,861,443</u>	<u>100.00%</u>	<u>1,390,200,834</u>	<u>100.00%</u>	<u>1,583,861,443</u>	<u>100.00%</u>

#### Notes:

- For illustration purposes only, the conversion of any Convertible Securities by Viva China may cause the aggregate equity interests in the Company held by Viva China and parties acting concert with it equal to or over 30% of the then outstanding issued share capital of the Company. In such case, an obligation on Viva China to make a mandatory general offer

*for the Shares (not already owned by it or parties acting in concert with it) may arise unless a whitewash waiver is obtained where Viva China will have to be subject to compliance of the relevant requirements under the Takeovers Code.*

2. *Shares are held by Alpha Talent, which is established and solely owned by Mr. Li Ning for the purpose of holding the relevant Shares under the Share Purchase Scheme. Mr. Li Ning is therefore deemed to be interested in the 1,807,850 Shares held by Alpha Talent. Mr. Li Ning is a director of Alpha Talent.*
3. *As at the date of this announcement, the Trustee holds 2,437,540 Shares. According to the scheme document of the Share Award Scheme and the trust deed of the Trustee, the Trustee is not allowed to accept any of its assured entitlement of Convertible Securities or apply for any excess Convertible Securities in the Open Offer.*

**(b) Shareholding structure of the Company in the Maximum Scenario**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, assuming that (a) all of the outstanding Share Options (that are exercisable on or before the Record Date) are exercised on or before the Record Date; (b) none of the Convertible Bonds are converted; (c) no further Shares will be issued; and (d) no Shares will be repurchased, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Open Offer under various scenarios as set out below:

	(i) As at the date of announcement		(ii) As at the date of announcement and assuming full exercise of Share Options		(iii) Immediately upon completion of the Open Offer and assuming full exercise of Share Options on or before the Record Date					
	No. of Shares	%	No. of Shares	%	(a) assuming ALL shareholders take up and convert the Convertible Securities in full		(b) assuming only Viva China, TPG and GIC Investor take up and convert the Convertible Securities in full (to the extent that no general offer obligation under the Takeovers Code is triggered)		(c) assuming only Viva China, TPG and GIC Investor take up and convert the Convertible Securities in full	
					No. of Shares	%	No. of Shares	%	No. of Shares	%
Viva China	266,374,000	25.23%	266,374,000	24.95%	399,561,000	24.95%	421,208,048	29.86%	612,330,906	38.23%
Alpha Talent (Note 2)	1,807,850	0.17%	1,807,850	0.17%	2,711,775	0.17%	1,807,850	0.13%	1,807,850	0.11%
Other Directors	10,168,600	0.96%	15,512,000	1.45%	23,268,000	1.45%	15,512,000	1.10%	15,512,000	0.97%
	278,350,450	26.36%	283,693,850	26.57%	425,540,775	26.57%	438,527,898	31.09%	629,650,756	39.31%
TPG	53,000,000	5.02%	53,000,000	4.96%	79,500,000	4.96%	221,346,603	15.69%	221,346,603	13.82%
GIC Investor	39,157,000	3.71%	39,157,000	3.67%	58,735,500	3.67%	58,735,500	4.16%	58,735,500	3.67%
GIC	6,156,252	0.58%	6,156,252	0.58%	9,234,378	0.58%	6,156,252	0.44%	6,156,252	0.38%
Others	679,243,927	64.33%	685,756,916	64.22%	1,028,635,374	64.22%	685,756,916	48.62%	685,756,916	42.82%
	777,557,179	73.64%	784,070,168	73.43%	1,176,105,252	73.43%	971,995,271	68.91%	971,995,271	60.69%
Total	1,055,907,629	100.00%	1,067,764,018	100.00%	1,601,646,027	100.00%	1,410,523,169	100.00%	1,601,646,027	100.00%

*Notes:*

1. *For illustration purposes only, the conversion of any Convertible Securities by Viva China may cause the aggregate equity interests in the Company held by Viva China and parties acting concert with it equal to or over 30% of the then outstanding issued share capital of the Company. In such case, an obligation on Viva China to make a mandatory general offer for the Shares (not already owned by it or parties acting in concert with it) may arise unless a whitewash waiver is obtained where Viva China will have to be subject to compliance of the relevant requirements under the Takeovers Code.*
2. *Shares are held by Alpha Talent, which is established and solely owned by Mr. Li Ning for the purpose of holding the relevant Shares under the Share Purchase Scheme. Mr. Li Ning is therefore deemed to be interested in the 1,807,850 Shares held by Alpha Talent. Mr. Li Ning is a director of Alpha Talent.*
3. *As at the date of this announcement, the Trustee holds 2,437,540 Shares. According to the scheme document of the Share Award Scheme and the trust deed of the Trustee, the Trustee is not allowed to accept any of its assured entitlement of Convertible Securities or apply for any excess Convertible Securities in the Open Offer.*

## VI. FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

Details of the fund raising exercise conducted by the Company by way of issue of equity securities in the past 12 months immediately preceding the date of this announcement are set out below:

Date of the announcement	Description	Net proceeds	Intended use of net proceeds as announced	Actual use of proceeds
19 January 2012	Issue of Convertible Bonds ( <i>Note</i> )	Approximately RMB745,691,000	Development of the LI-NING brand	Use as intended

*Note:*

*The issue of the Convertible Bonds was completed on 8 February 2012, in which Convertible Bonds in the principal amount of RMB561,000,000 were issued to TPG and Convertible Bonds in the principal amount of RMB189,000,000 were issued to GIC Investor.*

Save as disclosed above, there was no fund raising activities of the Company by way of issue of equity securities in the past 12 months.

## VII. GENERAL

The Group is one of the leading sports brand enterprises in the PRC. It has its own branding, research and development, design, manufacturing, distribution and retail capabilities. The Group's products include footwear, apparel, equipment and accessories for sport and leisure use which are primarily sold under its own LI-NING brand.

The Prospectus or the Prospectus Documents, where appropriate, containing further information on the Open Offer will be despatched to the Shareholders on Friday, 22 March 2013 or such other date as may be agreed between the Company and the Underwriters.

## VIII. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been halted from 9:00 a.m. on 24 January 2013 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 25 January 2013.

## IX. DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Affiliates”	(i) in relation to a natural person, any trust managed by such person, or any trust in which such person is beneficially interested in, or an associate (as defined in the Listing Rules) of such person, (ii) in relation to a body corporate, any subsidiary or holding company of such body corporate, any subsidiary of any such holding company for the time being and (iii) in relation to any partnership or other fund structure, any other person which through share ownership or through any other arrangement directly or indirectly controlling or controlled by or under direct or indirect common control with, such partnership or other fund structure
“Alpha Talent”	Alpha Talent Management Limited, a company incorporated in the British Virgin Islands and a holder of approximately 0.17% shareholding interest in the Company as at the date of this announcement
“Amendment Deeds”	the TPG Amendment Deed and the GIC Amendment Deed
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholders”	the holders of the Convertible Bonds
“Business Day(s)”	a day (other than a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Capital Distribution”	include distributions in specie, but exclude all cash distributions paid to the Shareholders

“CB Amendments”	the amendments to the terms and conditions of the Subscription Agreements and the Convertible Bonds pursuant to the Amendment Deeds
“CB Conversion Price”	the conversion price per CB Conversion Shares under the Convertible Bonds
“CB Conversion Shares”	the new Shares to be issued by the Company upon conversion of the Convertible Bonds
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Certificates”	the certificate, substantially in the form set out in the relevant Instrument, to be issued in respect of the Convertible Securities, together with the Conditions
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Conditions”	the terms and conditions to the Convertible Securities to be attached to the Certificates substantially in the form set out in the relevant Instrument
“Conversion Period”	any time following the Issue Date, subject to, and upon compliance with, the provisions of the Conditions
“Conversion Price”	the price at which each Conversion Share will be issued upon conversion
“Conversion Right”	the right of the holder of the Convertible Securities to convert the Convertible Securities held by it into Conversion Shares
“Conversion Shares”	the new Shares to be issued upon the exercise of the Conversion Rights under the Convertible Securities
“Convertible Bonds”	the TPG Convertible Bonds and the GIC Convertible Bonds
“Convertible Securities”	the convertible securities to be issued by the Company under the Open Offer with an aggregate principal amount of not less than approximately HK\$1,847.8 million but not more than approximately HK\$1,868.6 million

“Current Market Price”	in respect of the Shares on a particular date, the average closing price per Share quoted on the daily quotation sheets of the Stock Exchange for the five Trading Days immediately preceding such date
“Directors”	the directors of the Company
“EAF”	the excess application forms to apply for additional Convertible Securities proposed to be issued to the Qualifying Shareholders
“EGM”	the extraordinary general meeting of the Company to be held on Thursday, 21 February 2013 to consider and, if thought fit, to approve certain proposed variations to the General Mandate to facilitate the Open Offer
“Excluded Securities”	the Convertible Securities with the aggregate principal amount of approximately HK\$627.4 million undertaken to be applied for by Viva China, TPG and the GIC Investor in their capacity as Qualifying Shareholders (which do not take into account of their subscriptions in excess of their assured entitlements under the EAF) pursuant to the Open Offer in respect of their aggregate holding of 358,531,000 Shares as at the Record Date
“Excluded Shareholders”	the Overseas Shareholders to whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Convertible Securities on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Final Acceptance Date”	Wednesday, 10 April 2013, or such other time and date as the Company and the Underwriters may agree as the last date for acceptance of, and payment for, the Convertible Securities
“General Mandate”	the general mandate granted to the Directors to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on 11 May 2012, by a resolution of the Shareholders passed at the annual general meeting of the Company held on 11 May 2012
“GIC”	Government of Singapore Investment Corporation Private Limited



“GIC Amendment Deed”	the deed of amendment dated 23 January 2013 entered into between the Company and the GIC Investor to effect the amendments to the GIC Subscription Agreement and the GIC Convertible Bonds
“GIC Convertible Bonds”	the convertible bonds due 2017 in the principal amount of RMB189,000,000 issued by the Company on 8 February 2012 pursuant to the GIC Subscription Agreement, which form part of the Convertible Bonds
“GIC Investor”	Tetrad Ventures Pte. Ltd., an investment vehicle managed by GIC Special Investments Pte. Ltd., the private equity investment arm of GIC
“GIC Irrevocable Undertaking”	the irrevocable undertaking dated 23 January 2013 given by the GIC Investor in favour of the Company and Underwriters as set out in the paragraph headed “Irrevocable Undertakings” in this announcement
“GIC Subscription Agreement”	the subscription agreement entered into between the Company and the GIC Investor on 19 January 2012 in relation to the issue of the GIC Convertible Bonds
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Company’s branch share registrar and transfer office in Hong Kong
“Instrument”	the instrument dated 23 January 2013 executed by the Company by way of deed poll in relation to the creation of the Convertible Securities
“Irrevocable Undertakings”	the GIC Irrevocable Undertaking, the TPG Irrevocable Undertaking and the Viva China Irrevocable Undertaking
“Issue Date”	the issue date of the Convertible Securities
“Last Trading Day”	23 January 2013

“Latest Time for Termination”	5:00 p.m. on Thursday, 11 April 2013 or such date as the Company and the Underwriters may agree, being the latest time to terminate the Underwriting Agreements
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maximum Scenario”	the scenario that the holders of the Share Options (that are exercisable on or before the Record Date) exercise all their outstanding Share Options on or before the Record Date
“Minimum Scenario”	the scenario that none of the holders of the Share Options exercise their outstanding Share Options from the date of this announcement and up to the Record Date
“Mr. Li”	Mr. Li Ning, the executive Director and the executive Chairman and the controlling shareholder of Viva China, which is a substantial shareholder of the Company
“NASDAQ”	The NASDAQ Stock Market of the United States
“Open Offer”	the proposed open offer of Convertible Securities in the principal amount of HK\$3.50 for every two existing Shares held by the Qualifying Shareholders on the Record Date, and on the terms and subject to the conditions to be set out in the Prospectus Documents
“Overseas Shareholder(s)”	the Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register are in place(s) outside Hong Kong or at that time who are otherwise known by the Company to be resident outside Hong Kong
“PAL”	letters to be issued by the Company for application by the Qualifying Shareholders for the Convertible Securities that will be provisionally allotted to the Qualifying Shareholders
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Prospectus”	the prospectus to be issued to the Shareholders containing details of the Open Offer
“Prospectus Documents”	the Prospectus, PAL and EAF
“Prospectus Posting Date”	Friday, 22 March 2013, or such other date as the Underwriters may agree in writing with the Company, being the date of despatch of the Prospectus Documents
“Qualifying Shareholders”	the Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Tuesday, 19 March 2013, being the date by reference to which entitlements under the Open Offer will be determined
“Relevant Period”	the full financial year ended immediately prior to the relevant date when the relevant ratio is being calculated
“Revised CB Conversion Price”	the new Conversion Price of the CB Conversion Shares as amended pursuant to the CB Amendments
“RMB”	Renminbi, the lawful currency of the PRC
“Scrip Dividend”	a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	the share(s) of HK\$0.10 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 14 July 2006 and amended on 30 April 2009
“Share Options”	the options to subscribe for Shares granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 5 June 2004 and amended on 15 May 2009 and 11 October 2012
“Share Purchase Options”	the options to purchase for Shares granted under the Share Purchase Scheme

“Share Purchase Scheme”	the share purchase scheme adopted by Alpha Talent on 5 June 2004
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	the GIC Subscription Agreement and the TPG Subscription Agreement
“Subscription Price”	the subscription price of the Convertible Securities, being the face value of the Convertible Securities
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“TPG”	TPG Stallion, L.P.
“TPG Amendment Deed”	the deed of amendment dated 23 January 2013 entered into between the Company and TPG to effect the amendments to the TPG Subscription Agreement and the TPG Convertible Bonds
“TPG Convertible Bonds”	the convertible bonds due 2017 in the principal amount of RMB561,000,000 issued by the Company on 8 February 2012 pursuant to the TPG Subscription Agreement, which form part of the Convertible Bonds
“TPG Group”	TPG and its Affiliates
“TPG Irrevocable Undertaking”	the irrevocable undertaking dated 23 January 2013 given by TPG in favour of the Company and Underwriters (other than to itself) as set out in the paragraph headed “Irrevocable Undertakings” in this announcement
“TPG Subscription Agreement”	the subscription agreement entered into between the Company and TPG Asia, Inc. on 19 January 2012 in relation to the issue of the TPG Convertible Bonds and the rights and obligations of TPG Asia, Inc. under the subscription agreement were subsequently novated and assumed by TPG Stallion Holdings, L.P. pursuant to a novation agreement dated 20 January 2012 entered into between the Company, TPG Asia Inc. and TPG Stallion Holdings, L.P.

“TPG Underwriting Agreement”	the underwriting agreement dated 23 January 2013 entered into between the Company and TPG in relation to the Open Offer
“Trading Day(s)”	a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“Trustee”	the trustee of the Share Award Scheme
“Underwriters”	Viva China and TPG
“Underwriting Agreements”	the Viva China Underwriting Agreement and the TPG Underwriting Agreement
“Underwritten Securities”	all the Convertible Securities to be offered under the Open Offer other than the Excluded Securities
“United States”	the United States of America
“Viva China”	Viva China Holdings Ltd, a company incorporated in the British Virgin Islands with limited liability, a substantial shareholder of the Company and a wholly-owned subsidiary of Viva China Holdings
“Viva China Holdings”	Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Viva China Irrevocable Undertaking”	the irrevocable undertaking dated 23 January 2013 given by Viva China in favour of the Company and Underwriters (other than to itself) as set out in the paragraph headed “Irrevocable Undertakings” in this announcement
“Viva China Underwriting Agreement”	the underwriting agreement dated 23 January 2013 entered into between the Company and Viva China in relation to the Open Offer

“%”

per cent.

By order of the Board  
**LI NING COMPANY LIMITED**  
**Li Ning**  
*Executive Chairman*

Hong Kong, 25 January 2013

*As at the date of this announcement, the executive Directors are Mr. Li Ning, Mr. Jin-Goon Kim and Mr. Zhang Zhi Yong. The non-executive Directors are Mr. James Chun-Hsien Wei and Mr. Chen Yue, Scott. The independent non-executive Directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei, Mr. Chan Chung Bun, Bunny and Mr. Su Jing Shyh, Samuel.*