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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 4 January 2013 in relation to, among others, the Existing Transactions under the Existing Master Agreement. The Existing Master Agreement will expire on 31 December 2015. On 24 December 2015, the Company entered into the Renewed Master Agreement relating to the renewal of the Existing Master Agreement with Viva China.

As at the date of this announcement, Viva China, who indirectly holds approximately 15.88% shares in the Company, is a substantial Shareholder and thus a connected person of the Company. Therefore, the Renewed Transactions contemplated under the Renewed Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios set out in the Listing Rules in respect of the annual caps of the Renewed Transactions are expected to be more than 0.1% but less than 5%, the Renewed Transactions are subject to the reporting, announcement and annual review requirements but are exempt from approval by the independent Shareholders under the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 4 January 2013 in relation to, among others, the Existing Transactions under the Existing Master Agreement. The Existing Master Agreement will expire on 31 December 2015.

RENEWED MASTER AGREEMENT

On 24 December 2015, the Company entered into the Renewed Master Agreement relating to the renewal of the Existing Master Agreement with Viva China, pursuant to which the Viva China Group may provide to the Group services in relation to (i) brand or product endorsement, (ii) sponsorship and marketing; and (iii) event production and management (the “**Viva China Services**”).

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

Term

The Renewed Master Agreement will take effect from 1 January 2016 to 31 December 2018 or the day on which Viva China ceases to be a connected person of the Company (whichever is earlier).

Pricing Policy

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

- (1) if there is a prevailing market price, by reference to such market price;
- (2) if there is no prevailing market price, on normal commercial terms by reference to the price of comparable or similar transactions with an Independent Third Party. The Group will make enquiries on the prices of comparable or similar transactions with industry players and conduct researches, and then compare with the prices quoted by the Viva China Group; and
- (3) if both (1) and (2) above are not applicable, to be agreed between the parties on normal commercial terms comparable to those offered by the relevant party or other industry players to Independent Third Parties. Experienced staff in the Group will opine on the fairness and reasonableness of the relevant price by reference to the current and/or historical transaction prices of similar service offered by the relevant party or other industry players to Independent Third Parties.

For (2) and (3) above, the Group will ensure that the prices for the Viva China Services will be fair and reasonable, and no less favourable to the Group than that available from independent service providers.

Historical Figures

For the three financial years ended 31 December 2015, the annual caps and the service fees paid by the Group in respect of the Existing Master Agreement were as follows:–

| | Year ended 31 December 2013 | Year ended 31 December 2014 | Year ended 31 December 2015 |
|-----------------------------------|--|--|--|
| Approved Caps (RMB) | 60,000,000 | 90,000,000 | 90,000,000 74,568,000 (Estimated |
| Actual or Estimated Expense (RMB) | <u>46,188,000</u> | <u>68,986,000</u> | <u>Expense)</u> |

Annual Caps

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

| | Year ending 31 December | | |
|-------------------|--------------------------------|--------------------|--------------------|
| | 2016 | 2017 | 2018 |
| Annual Caps (RMB) | <u>140,000,000</u> | <u>154,000,000</u> | <u>170,000,000</u> |

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

The Viva China Group is experienced in providing sports-related management and marketing services. Through its cooperation with the Group in the past five years, the Viva China Group has secured a solid understanding of the Group's operations. By utilising the services of the Viva China Group, the Group will have better access to certain sports sponsorship resources and events promotion, which is conducive to the long term stability of the Group's sports sponsorship resources. The Group will also be able to benefit from the synergies and crossover created from other sports resources of the Viva China Group.

The Directors (including independent non-executive Directors) other than Mr. Li Ning (who has a material interest in the transactions contemplated under the Renewed Master Agreement and therefore abstained from voting on the Board's resolution approving, among other things, the Renewed Master Agreement) confirm that the Renewed Master Agreement has been entered into (and the transactions contemplated under the Renewed Master Agreement would be entered into) in the ordinary and usual course of business of the Group, on normal commercial terms, and consider that the terms of the Renewed Master Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including independent non-executive Directors) other than Mr. Li Ning are also of the view that the Annual Caps of the continuing connected transactions under the Renewed Master Agreement are fair and reasonable.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Viva China, who indirectly holds approximately 15.88% interests in the Company, is a substantial Shareholder and thus a connected person of the Company. Therefore, the Renewed Transactions contemplated under the Renewed Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios set out in the Listing Rules in respect of the annual caps of the Renewed Transactions are expected to be more than 0.1% but less than 5%, the Renewed Transactions are subject to the reporting, announcement and annual review requirements but are exempt from approval by the independent Shareholders under the Listing Rules.

GENERAL

The Company

The Company is one of the leading sports brand companies in China, mainly providing sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes.

Viva China Group

The Viva China Group is principally engaged in, inter alia, (i) sports talent management and competition/event production and management and provision of sports consultancy service; and (ii) sports-themed community development.

DEFINITIONS

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

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| “Annual Caps” | the expected maximum service fees under the Renewed Transactions for the three financial years ending 31 December 2016, 2017 and 2018 |
|---------------|---|

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|-----------------------------|---|
| “Board” | the board of Directors |
| “Company” | Li Ning Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Existing Master Agreement” | the agreement dated 4 January 2013 entered into between the Company and Viva China, details of which are set out in the Company’s announcement dated 4 January 2013 |
| “Existing Transactions” | the continuing connected transactions of the Group with the Viva China Group as contemplated under the Existing Master Agreement |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “Group” | the Company and its subsidiaries |
| “Independent Third Parties” | persons(s) or company(ies) which is(are) independent of the Directors, substantial Shareholders and chief executive (as defined under the Listing Rules) of the Group |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | the People’s Republic of China |
| “Renewed Master Agreement” | the agreement dated 24 December 2015 entered into between the Company and Viva China relating to the Renewed Transactions |
| “Renewed Transactions” | the continuing connected transactions of the Group with the Viva China Group as contemplated under the Renewed Master Agreement |
| “RMB” | Renminbi yuan, the lawful currency of the PRC |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiaries” | has the meaning ascribed to it under the Listing Rules |

| | |
|--------------------|---|
| “Viva China” | Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM and a substantial Shareholder of the Company |
| “Viva China Group” | Viva China and its subsidiaries |
| “%” | per cent |

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

Hong Kong, 24 December 2015

As at the date of this announcement, the executive director of the Company is Mr. Li Ning. The non-executive directors are Mr. Chen Yue, Scott and Mr. Wu, Jesse Jen-Wei. The independent non-executive directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei, Dr. Chan Chung Bun, Bunny and Mr. Su Jing Shyh, Samuel.