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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)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
57.5% EQUITY INTEREST IN  
DOUBLE HAPPINESS**

The Directors are pleased to announce that on 15 November 2007, Shanghai Yue Ao, an indirect wholly-owned subsidiary of the Company entered into the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement with the First Vendor, the Second Vendor, the Third Vendor and the Fourth Vendor, respectively, in relation to the acquisition of an aggregate of 57.5% equity interest in Double Happiness at a total consideration of RMB305,325,000 (approximately HK\$320,896,000). Double Happiness owns the “紅雙喜” brand, a leading table tennis brand. Upon completion of the Agreements, Double Happiness will become an indirect non-wholly owned subsidiary of the Company.

As the applicable percentage ratios exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules and is subject to the announcement and circular requirements under Chapter 14 of the Listing Rules. A circular containing further details of the Acquisition will be sent to the Shareholders as soon as practicable.

**INTRODUCTION**

On 15 November 2007, Shanghai Yue Ao entered into the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement with the First Vendor, the Second Vendor, the Third Vendor and the Fourth Vendor, respectively, pursuant to which Shanghai Yue Ao agreed to acquire and the Vendors agreed to sell their 17.5%, 10%, 20% and 10% equity interest, respectively, in Double Happiness for a total consideration of RMB305,325,000 (approximately HK\$320,896,000).

## THE AGREEMENTS

### Date

15 November 2007

### Parties

- First Vendor: Crown City Industrial Limited, a limited liability company incorporated in Hong Kong, holding 17.5% equity interest in Double Happiness (“Crown City”);
- Second Vendor: 上海科成企業發展有限公司 (Shanghai Ke Cheng Development Co., Ltd.), a limited liability company established in the PRC, holding 10% equity interest in Double Happiness (“Ke Cheng”);
- Third Vendor: 上海元琿實業投資有限公司 (Shanghai Yuan Hui Investment Co., Ltd.), a limited liability company established in the PRC, holding 20% equity interest in Double Happiness (“Yuan Hui”);
- Fourth Vendor: 上海雙晟置業有限公司 (Shanghai Shuang Cheng Co., Ltd.), a limited liability company established in the PRC, holding 10% equity interest in Double Happiness (“Shuang Cheng”); and
- Purchaser: Shanghai Yue Ao, a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company.

Pursuant to the Agreements, Shanghai Yue Ao has agreed to purchase and the Vendors have agreed to sell an aggregate of 57.5% equity interest in Double Happiness.

### Consideration

The aggregate consideration payable by Shanghai Yue Ao to the Vendors for the Acquisition is RMB305,325,000 (approximately HK\$320,896,000), which will be satisfied by way of cash from internal resources of the Group. The consideration of the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement are RMB92,925,000 (approximately HK\$97,664,000), RMB53,100,000 (approximately HK\$55,808,000), RMB106,200,000 (approximately HK\$111,616,000) and RMB53,100,000 (approximately HK\$55,808,000), respectively.

The consideration was determined after arm’s length negotiations between the parties to the Agreements taking into accounts the audited net asset value of Double Happiness attributable to the 57.5% equity interest as at 31 December 2006 after deduction of profit distribution for 2006 which amounts to approximately RMB17,600,000 (approximately HK\$18,498,000) and the goodwill and brand value of “紅雙喜” owned by Double Happiness.

Completion of the Agreements shall take place upon compliance with the applicable transfer and registration procedures under the PRC law to enable the 57.5% equity interest in Double Happiness to be transferred to Shanghai Yue Ao.

Double Happiness will become an indirect non-wholly owned subsidiary of the Company upon completion of the Agreements.

## **INFORMATION OF THE COMPANY, THE VENDORS AND DOUBLE HAPPINESS**

### **Company**

The Company 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 and accessories for sports and leisure use which are primarily sold under its own LI-NING brand and Z-DO brand. The Group also manufactures, markets, distributes and sells outdoor sports products which bear the AIGLE trademarks in the PRC.

### **Crown City**

Crown City is incorporated in Hong Kong with limited liability and is principally engaged in business of general trading.

### **Ke Cheng**

Ke Cheng is established in the PRC as a limited liability company which is principally engaged in processing, manufacturing and sale of metallic products, car accessories and apparel products in the PRC.

### **Yuan Hui**

Yuan Hui is established in the PRC as a limited liability company which is principally engaged in industrial investment and enterprise asset trust management in the PRC.

### **Shuang Cheng**

Shuang Cheng is established in the PRC as a limited liability company which is principally engaged in real estate development in the PRC.

To the best of the Directors' knowledge, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## **Double Happiness**

Double Happiness is established in the PRC as a limited liability company as to 57.5% owned by the Vendors collectively and 42.5% owned by two other shareholders before the Acquisition. The other two shareholders and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company. Upon completion of the Acquisition, Double Happiness will be held as to 57.5% by Shanghai Yue Ao and 42.5% by the other two shareholders.

Double Happiness Group is principally engaged in research and development, manufacturing, promotion and distribution of table tennis and badminton equipments under its own “紅雙喜” brand, a leading table tennis brand. It is the largest manufacturer of table tennis equipments in the PRC and a sponsor of many international tournaments and world class athletes in the table tennis sector in the PRC.

Based on the financial statements of Double Happiness Group which were prepared in accordance with the accounting principles generally accepted in the PRC, the audited profits before taxation for the years ended 31 December 2005 and 2006 were approximately RMB22,100,000 (approximately HK\$23,227,000) and RMB38,483,000 (approximately HK\$40,446,000), respectively, whereas the audited profits after taxation for the same periods were approximately RMB18,842,000 (approximately HK\$19,803,000) and RMB25,052,000 (approximately HK\$26,330,000), respectively.

The audited net asset value of Double Happiness as at 31 December 2006 amounted to approximately RMB134,088,000 (approximately HK\$140,926,000).

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Directors consider that the Acquisition strengthens the Group's position in the fast growing table tennis and badminton business sector in the PRC. It is a step forward in enhancing the professional image of the LI-NING brand and in realizing the Group's strategic goal of becoming a multi-brand operator. The Directors are of the view that the Agreements and the transactions contemplated therein are on normal commercial terms and such terms (including the consideration) are fair and reasonable and in the interests of the Shareholders as a whole.

## **GENERAL**

The Acquisition constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules and is subject to the announcement and circular requirements under Chapter 14 of the Listing Rules. A circular containing further details of the Acquisition will be sent to the Shareholders as soon as practicable.

## DEFINITIONS

In this announcement, the following terms have the following meanings:

“Acquisition”	the acquisition of an aggregate of 57.5% equity interest in Double Happiness pursuant to the terms and subject to the conditions set out in the Agreements
“Agreements”	collectively, the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the The Stock Exchange of Hong Kong Limited
“connected person”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Double Happiness”	上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.), a limited liability company established in the PRC
“Double Happiness Group”	Double Happiness and its subsidiaries
“First Agreement”	the sale and purchase agreement entered into between Shanghai Yue Ao and the First Vendor on 15 November 2007 in relation to the sale and purchase of 17.5% equity interest in Double Happiness
“First Vendor”	Crown City Industrial Limited, a limited liability company incorporated in Hong Kong
“Fourth Agreement”	the sale and purchase agreement entered into between Shanghai Yue Ao and the Fourth Vendor on 15 November 2007 in relation to the sale and purchase of 10% equity interest in Double Happiness
“Fourth Vendor”	上海雙晟置業有限公司 (Shanghai Shuang Cheng Co., Ltd.), a limited liability company established in the PRC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Agreement”	the sale and purchase agreement entered into between Shanghai Yue Ao and the Second Vendor on 15 November 2007 in relation to the sale and purchase of 10% equity interest in Double Happiness
“Second Vendor”	上海科成企業發展有限公司 (Shanghai Ke Cheng Development Co., Ltd.), a limited liability company established in the PRC
“Shanghai Yue Ao”	上海悦奥體育用品有限公司 (Shanghai Yue Ao Sports Goods Co., Ltd.), an indirect wholly-owned subsidiary of the Company
“Shareholders”	the shareholders of the Company
“Third Agreement”	the sale and purchase agreement entered into between Shanghai Yue Ao and the Third Vendor on 15 November 2007 in relation to the sale and purchase of 20% equity interest in Double Happiness
“Third Vendor”	上海元暉實業投資有限公司 (Shanghai Yuan Hui Investment Co., Ltd.), a limited liability company established in the PRC
“Vendors”	collectively, the First Vendor, the Second Vendor, the Third Vendor and the Fourth Vendor
“%”	per cent.

*Notes:*

- (1) In this announcement, the exchange rate of RMB1.00 to HK\$1.051 has been used for conversion into the relevant currency for indication only.
- (2) In the event that the Chinese names of the PRC entities mentioned in this announcement are inconsistent with their respective English translations, the Chinese version shall prevail.

By order of the Board  
**Li Ning Company Limited**  
**Li Ning**  
*Chairman*

Hong Kong, 15 November 2007

*As at the date of this announcement, the executive directors of the Company are Mr. Li Ning, Mr. Zhang Zhi Yong and Mr. Tan Wee Seng. The non-executive directors are Mr. Lim Meng Ann, Mr. Stuart Schonberger, Mr. Chu Wah Hui and Mr. James Chun-Hsien Wei. The independent non-executive directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei, Jane and Mr. Chan Chung Bun, Bunny.*