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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 INVESTMENT AGREEMENT**

#### **THE INVESTMENT AGREEMENT**

The Board is pleased to announce that on 8 November 2019 (after trading hours), Li Ning Guangxi, an indirect wholly owned subsidiary of the Company, entered into the Investment Agreement with the Committee, pursuant to which Li Ning Guangxi has conditionally agreed to invest in the Project and the Committee has conditionally agreed to assist Li Ning Guangxi to implement the Project after Li Ning Guangxi has acquired the land use right over the Land through Listing-for-Sale.

The Project is subject to the successful bidding by Li Ning Guangxi of the land use right over the Land through Listing-for-Sale process. The Project will involve the construction of a supply chain base over the Land for the production, packaging, research and development of high-end sports equipment including but not limited to sports shoes, sports apparels and sports equipment.

The maximum investment amount of the Project is approximately RMB1.5 billion, which covers, among others, the cost of acquiring the land use right over the Land and the expenses to be involved in the construction of the supply chain base. The investment amount is estimated on the basis of the scale of the Project taking into account the construction of plant and supporting facilities, the equipment of the production line and the investment on new technology. The investment amount will be funded by the internal resources of the Group and contributions made by certain business partners of Li Ning Guangxi.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the entering into of the Investment Agreement exceeds 5% but all are less than 25%, the entering into of the Investment Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**There is no guarantee and/or assurance that Li Ning Guangxi will eventually win the bid for the Land under the Listing-for-Sale and therefore the Investment Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **THE INVESTMENT AGREEMENT**

The Board is pleased to announce that on 8 November 2019 (after trading hours), Li Ning Guangxi, an indirect wholly owned subsidiary of the Company, entered into the Investment Agreement with the Committee, pursuant to which Li Ning Guangxi has conditionally agreed to invest in the Project and the Committee has conditionally agreed to assist Li Ning Guangxi to implement the Project after Li Ning Guangxi has acquired the land use right over the Land through Listing-for-Sale.

The principal terms of the Investment Agreement are set out below:

### **Date**

8 November 2019

### **Parties**

- (1) Li Ning Guangxi, an indirect wholly owned subsidiary of the Company; and
- (2) The Committee, a local governmental authority in Guangxi Zhuang Autonomous Region, the PRC, responsible for, among other things, the administration of the Zone

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Committee is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

### **Term**

The Investment Agreement shall be valid for 10 years from the signing date.

### **The Project**

Pursuant to the Investment Agreement, Li Ning Guangxi has conditionally agreed to invest in the Project, with a maximum investment amount of approximately RMB1.5 billion. The Project is subject to the successful bidding by Li Ning Guangxi of the land use right over the Land through Listing-for-Sale process. The Project will involve the construction of a supply chain base over the Land for the production, packaging, research and development of high-end sports equipment including but not limited to sports shoes, sports apparels and sports equipment.

### **The Land**

Pursuant to the Investment Agreement, Li Ning Guangxi has agreed to acquire the land use right over the Land through Listing-for-Sale to be conducted by the relevant lands department. The Land is a piece of industrial land with a total site area of approximately 590 mu (畝), with the exact size, term of the land grant and the scope of land use subject to the terms and conditions of a Sale and Purchase Agreement for National Construction Land Use Right\* (國

有建設用地使用權出讓合同) to be signed between the relevant land department and Li Ning Guangxi upon successful bidding of the Land.

### **Investment amount**

The maximum investment amount of the Project is approximately RMB1.5 billion, which covers, among others, the cost of acquiring the land use right over the Land and the expenses to be involved in the construction of the supply chain base. The investment amount is estimated on the basis of the scale of the Project taking into account the construction of plant and supporting facilities, the equipment of the production line and the investment on new technology. The investment amount will be funded by the internal resources of the Group and contributions made by certain business partners of Li Ning Guangxi.

Li Ning Guangxi shall pay a refundable amount of RMB5.9 million (the “**Deposit**”) to the Committee within 7 days from the signing of the Investment Agreement. The Deposit shall be refunded in full without interest to Li Ning Guangxi within 5 business days of demand in the event Li Ning Guangxi fails to acquire the land use right over the Land through the Listing-for-Sale process, in which case, the Investment Agreement shall be terminated automatically.

### **Termination**

The Investment Agreement shall lapse and be of no further effect if:

- (i) the Land fails to be tendered for Listing-for-Sale; or
- (ii) the Deposit was not paid in full within 30 days from the signing of the Investment Agreement; or
- (iii) Li Ning Guangxi fails to attend the Listing-for-Sale bidding; or
- (iv) Li Ning Guangxi fails to win the bid for the land use right over the Land.

### **Undertaking by Li Ning Guangxi**

Pursuant to the Investment Agreement, Li Ning Guangxi undertakes to ensure that the Project shall be implemented and production commenced within 5 years from the signing of the Investment Agreement, with i) annual revenue generating from the Project reaching not less than RMB3.5 million/ mu (畝) in respect of the Land (“**Revenue Target**”); and ii) annual payable tax of not less than RMB0.2 million/ mu (畝) (“**Tax Target**”).

In the event the Revenue Target and the Tax Target cannot be met, the Committee has the right to i) resume the undeveloped plot of the Land at a price to be calculated by multiplying the original bidding price for the Land by the area of the undeveloped plot over the total area of the Land; and ii) resume the buildings already erected on the Land at a price to be determined with reference to the then valuation price.

Alternatively, in the event the Tax Target cannot be achieved, the Committee has the discretion to cancel all or part of the favorable treatments granted to Li Ning Guangxi.

### **INFORMAITON ON THE GROUP AND LI NING GUANGXI**

The Company is one of the leading sports brand companies in the PRC mainly providing sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes primarily under the LI-NING brand. Headquartered in Beijing, the Group has brand marketing, research and development, design, manufacturing, distribution and retail

capabilities. In addition to its core LI-NING brand, the Group also manufactures, develops, markets, distributes and/or sells various sports products which are self-owned by or licensed to the Group.

Li Ning Guangxi is a limited liability company incorporated in the PRC and is an indirect wholly owned subsidiary of the Company, principally engaged in the research and development, design, manufacturing, distribution, marketing and wholesale and retail of sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes.

## **INFORMATION ON THE COMMITTEE**

The Committee is a governmental authority responsible for administrative approval and management of the Zone in Guangxi Zhuang Autonomous Region, the PRC.

## **REASONS AND THE BENEFITS FOR THE INVESTMENT AGREEMENT AND THE PROJECT**

As disclosed by the Company in its interim report 2019, the Group has always been proactively exploring and broadening room for business development as well as strengthening its research and development in relation to sports science.

The Project is expected to increase the annual production capacity of the Group for differentiated sports products and accumulate the research and development and techniques on the functionality of sports products. This will allow the Group to continuously improve its production process and cost management capabilities. The new production lines will facilitate the expansion of production capacity and output of differentiated sports products to gain further market shares. It can also assist the Group in its business growth, which ultimately will help to secure the Group's leading position in the industry.

The Directors are therefore of the view that the terms of the Investment Agreement and the Project are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## DEFINITIONS

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

“Board”	the board of Directors
“Committee”	Guangxi ASEAN Economic and Technological Development Zone Management Committee* (廣西-東盟經濟技術開發區管理委員會), a governmental authority in the PRC responsible for, among other things, the administration of the Zone
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Investment Agreement”	the investment agreement entered into between Li Ning Guangxi and the Committee on 8 November 2019, pursuant to which Li Ning Guangxi has conditionally agreed to invest in the Project
“Land”	a piece of industrial land of approximately 590 mu (畝) located in the Zone
“Li Ning Guangxi”	Li Ning Sports (Guangxi) Company Limited* (李寧體育(廣西)有限公司), a company incorporated in the PRC and an indirect wholly owned subsidiary of the Company
“Listing-for-Sale”	the listing-for-sale bidding process (招拍掛) to be conducted for the bidding of the Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Project”	the proposed investment by Li Ning Guangxi for the construction of a supply chain base in the Zone for the production, packaging, research and development of high-end sports equipment including but not limited to sports shoes, sports apparels and sports equipment
“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
“Zone”	Guangxi ASEAN Economic and Technological Development Zone* (廣西 - 東盟經濟技術開發區), a national economic and technological development zone located in Nanning City, Guangxi Zhuang Autonomous Region of the PRC
“%”	per cent

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

Hong Kong, 8 November 2019

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

*\*For identification purpose only*