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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)

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
PROCESSING AND CUSTOMIZATION AGREEMENT**

On 1 January 2021, Li Ning China (an indirect wholly owned subsidiary of the Company) entered into the Processing and Customization Agreement with Ningjuli, pursuant to which Li Ning China (as purchaser) has agreed to engage Ningjuli as supplier to manufacture, process and customize footwear products ordered by Li Ning China at prices to be determined and agreed upon by Li Ning China and Ningjuli on an arm's length basis.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Viva China is a substantial shareholder of the Company indirectly holding approximately 10.87% shares in the Company and thus a connected person of the Company. Therefore, the transactions contemplated under the Processing and Customization Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Although Li Ning China entered into the Processing and Customization Agreement on 1 January 2021, the aggregate amount incurred by Li Ning China for the transactions under the Processing and Customization Agreement between 1 January 2021 and 10 September 2021 was approximately RMB17,417,722.10 (the “**Historical Transactions**”). As all of the applicable percentage ratios set out under Rule 14.07 of the Listing Rules in respect of each of the Historical Transactions and the Budget contemplated under the Processing and Customization Agreement were below 0.1%, the Historical Transactions and the Budget constituted de minimis transactions of the Company and were fully exempt from reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, the total amount incurred by Li Ning China under the Processing and Customization Agreement since 13 September 2021, when aggregated with the Historical Transactions, was approximately RMB18,317,515.35 (the “**Aggregated Transactions**”). As one or more of the applicable percentage ratios set out in the Listing Rules in respect of each of the Aggregated Transactions and the Annual Cap exceeds 0.1% but all are less than 5%, the Aggregated Transactions contemplated under the Processing and Customization Agreement and the Annual Cap are subject to the reporting, announcement and annual review requirements and are exempt from approval by the independent Shareholders under the Listing Rules.

The Company and Viva China entered into the new master sales agreement and the renewed master agreement in relation to provision of services by Viva China Group to the Group, details of which were disclosed in the announcement of the Company dated 28 December 2018 (collectively the “**2018 CCT Agreements**”). Pursuant to Rule 14A.83 of the Listing Rules, all continuing connected transactions entered into with a connected person are required to be aggregated. As all the applicable percentage ratios set out in the Listing Rules in respect of the highest annual caps of the transactions contemplated under the 2018 CCT Agreements and the Processing and Customization Agreement on an aggregated basis are less than 5%, the transactions contemplated under the 2018 CCT Agreements and the Processing and Customization Agreement when aggregated are still subject to the reporting, announcement and annual review requirements and are exempt from approval by the independent Shareholders under the Listing Rules.

PROCESSING AND CUSTOMIZATION AGREEMENT

On 1 January 2021, Li Ning China (an indirect wholly owned subsidiary of the Company) entered into the Processing and Customization Agreement with Ningjuli, pursuant to which Li Ning China (as purchaser) has agreed to engage Ningjuli as supplier to manufacture, process and customize footwear products ordered by Li Ning China at prices to be determined and agreed upon by Li Ning China and Ningjuli on an arm’s length basis.

Term

The Processing and Customization Agreement has taken effect from 1 January 2021 and shall continue in force for a term of one year until 31 December 2021 unless terminated earlier in accordance with the terms of the Processing and Customization Agreement.

Pricing Policy

The amount of fees payable by Li Ning China for transactions contemplated under the Processing and Customization Agreement shall be agreed on arm’s length negotiation between Li Ning China and Ningjuli from time to time with the principle of fairness and reasonableness, which shall be comparable to and no higher than market prices of similar services provided by Independent Third Party(ies) to the Group.

The unit price of the footwear products to be manufactured, processed and customized under the Processing and Customization Agreement shall be determined with reference to market mechanism taking into account the following factors:

- (i) material costs, which include the costs of fabrics, linings, soles, decorative metal parts, accessories and packaging, which are calculated by multiplying the unit price of the relevant materials based on prevailing market conditions and the actual consumption amount of each pair of shoes;
- (ii) labor costs; and
- (iii) other processing costs.

Annual Cap

As at the date of this announcement, the total amount incurred by Li Ning China in respect of transactions under the Processing and Customization Agreement was approximately RMB18,317,515.35. It is expected that amount of orders placed by Li Ning China to Ningjuli will increase for the remaining time in year 2021. Therefore, the estimated budget of RMB10,000,000 (the “**Budget**”) is insufficient to meet the demand of the Group in terms of the sales performance.

Accordingly, the Board proposes to increase the budget and set up the annual cap in respect of the transactions contemplated under the Processing and Customization Agreement for the year ending 31 December 2021 from RMB10,000,000 to RMB69,000,000 (the “**Annual Cap**”).

The Annual Cap has been determined with reference to (i) the historical amount in respect of the transactions contemplated under the Processing and Customization Agreement, (ii) the orders placed by the Group with Ningjuli, (iii) the possible larger scale of products required from Ningjuli to meet the business plan of the Group, and (iv) manufacturing fees for similar services in the PRC.

In the event that the aggregate consideration payable by Li Ning China under the Processing and Customization Agreement is expected to exceed the Annual Cap for the year ending 31 December 2021, the Company will comply with all the relevant requirements of Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE PROCESSING AND CUSTOMIZATION AGREEMENT

The Group is principally engaged in manufacturing, development, marketing, distribution and sales of various sports products, including but not limited to footwear, apparel and equipment. By leveraging the manufacturing capability of Ningjuli, the Group could improve the efficiency of supply of footwear products.

The Directors (including the independent non-executive Directors) other than Mr. Li Ning and Mr. Li Qilin (who are both common directors of the Company and Viva China and are considered to have a material interest in the transactions contemplated under the Processing and Customization Agreement and therefore abstained from voting on the Board’s resolutions approving, among other things, the Processing and Customization Agreement), confirm that the Processing and Customization Agreement (and the transactions contemplated under the Processing and Customization Agreement) has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and consider that the terms of the Processing and Customization Agreement 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) other than Mr. Li Ning and Mr. Li Qilin are also of the view that the Annual Cap of the continuing connected transactions contemplated under the Processing and Customization Agreement are fair and reasonable.

GENERAL

Li Ning China

Li Ning China is a company incorporated in the PRC with limited liability, and an indirect wholly owned subsidiary of the Company. Li Ning China is principally engaged in sale of sports goods.

The Group

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.

Ningjuli

Ningjuli is a company incorporated in the PRC with limited liability, and an indirect non-wholly owned subsidiary of Viva China. Ningjuli is principally engaged in manufacturing of footwears.

Viva China Group

Viva China Group's core business is the operation of multi-brands apparels and footwears business. It also engages in the sports experience including the operation, service provision and investment of sports destinations, sports competitions and events as well as an e-sports club.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Viva China is a substantial shareholder of the Company indirectly holding approximately 10.87% shares in the Company and thus a connected person of the Company. Therefore, the transactions contemplated under the Processing and Customization Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Although Li Ning China entered into the Processing and Customization Agreement on 1 January 2021, the aggregate amount incurred by Li Ning China for the transactions under the Processing and Customization Agreement between 1 January 2021 and 10 September 2021 was approximately RMB17,417,722.10 (the "**Historical Transactions**"). As all of the applicable percentage ratios set out under Rule 14.07 of the Listing Rules in respect of each of the Historical Transactions and the Budget contemplated under the Processing and Customization Agreement were below 0.1%, the Historical Transactions and the Budget constituted de minimis transactions of the Company and were fully exempt from reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, the total amount incurred by Li Ning China under the Processing and Customization Agreement since 13 September 2021, when aggregated with the Historical Transactions, was approximately RMB18,317,515.35 (the "**Aggregated Transactions**"). As one or more of the applicable percentage ratios set out in the Listing Rules in respect of each of the Aggregated Transactions and the Annual Cap exceeds 0.1% but all are less than 5%, the Aggregated Transactions contemplated under the Processing and Customization Agreement and the Annual Cap are subject to the reporting, announcement and annual review requirements and are exempt from approval by the independent Shareholders under the Listing Rules.

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) independent of the Directors, substantial shareholders and chief executive (as defined under the Listing Rules) of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Li Ning China”	Li Ning (China) Sports Goods Co., Ltd.* (李寧(中國)體育用品有限公司), a company incorporated in the PRC and an indirect wholly owned subsidiary of the Company
“Ningjuli”	Laibin Ningjuli Shoes Co., Ltd.* (來賓寧聚力鞋業有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of Viva China

“PRC”	the People’s Republic of China
“Processing and Customization Agreement”	the processing and customization agreement entered into between Li Ning China and Ningjuli on 1 January 2021 in relation to manufacturing, processing and customization of footwear products ordered by Li Ning China
“RMB”	Renminbi, the legal currency of the PRC
“Shareholder(s)”	the holder(s) of the shares 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 the GEM and a substantial shareholder of the Company as at the date of this announcement
“Viva China Group”	Viva China and its subsidiaries
“%”	per cent.

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

Hong Kong, 13 September 2021

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 and Dr. Chan Chung Bun, Bunny.

**For identification purpose only*