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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 A NEW FRAMEWORK AGREEMENT

On 30 December 2021 (after trading hours), the Company and Viva China entered into the New Framework Agreement to set out the Relevant Transactions (as defined below) which may be entered into between member(s) of the Group and member(s) of Viva China Group.

As at the date of this announcement, Viva China is a substantial shareholder of the Company indirectly holding approximately 10.36% shares in the Company and thus a connected person of the Company. Therefore, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios set out under Rule 14.07 of the Listing Rules in respect of the Relevant Transactions contemplated under the New Framework Agreement are all less than 5%, the Relevant Transactions are subject to the reporting, announcement and annual review requirements, and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NEW FRAMEWORK AGREEMENT

Reference is made to (i) the announcement of the Company dated 28 December 2018 in relation to the continuing connected transactions between the Company and Viva China Group under the 2018 Renewed Master Agreement and the 2018 New Master Sales Agreement and (ii) the announcement of the Company dated 13 September 2021 in relation to the continuing connected transactions between Li Ning China and Ningjuli under the Processing and Customization Agreement. The Previous Agreements will expire on 31 December 2021. As the Group intends to (i) continue to carry out the continuing connected transactions under the Previous Agreements after 31 December 2021 and (ii) expand the transaction scope, on 30 December 2021 (after trading hours), the Company and Viva

China entered into the New Framework Agreement to set out the Relevant Transactions (as defined below) which may be entered into between member(s) of the Group and member(s) of Viva China Group.

Pursuant to the New Framework Agreement, member(s) of the Group and member(s) of Viva China Group may enter into the following transactions (collectively, the “**Relevant Transactions**”), which will constitute continuing connected transactions of the Company:

- (1) sale of branded products (including but not limited to sportswear and sports-related products) by the Group to Viva China Group;
- (2) manufacturing, processing and sale of products by Viva China Group to the Group;
- (3) provision of services (including but not limited to (i) brand or product endorsement, (ii) sponsorship and marketing, (iii) event production and management, (iv) consignment-sales, (v) training, (vi) engineering consulting, (vii) sports resources operation and (viii) sport-related knowledge sharing) by Viva China Group to the Group;
- (4) provision of services (including but not limited to (i) product planning and design guidance, (ii) consignment-sales, (iii) smart office park and office system sharing and (iv) training) by the Group to Viva China Group;
- (5) lease of premises (including but not limited to offices and warehouses) by the Group to Viva China Group; and
- (6) collaboration in designing, producing, manufacturing, selling, marketing and promoting co-branded products between the Group and Viva China Group.

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

Term

The New Framework Agreement will take effect on 1 January 2022 and shall continue in force until 31 December 2024 or the day on which Viva China ceases to be a connected person of the Company (whichever is earlier).

Undertaking

To ensure operational independence when conducting the Relevant Transactions under the New Framework Agreement, each of the Company and Viva China undertook to the other party that:

- (1) it shall ensure that its business operations are independent of the other party, and shall maintain assets, personnel, qualifications and capabilities for conducting its business activities independently;
- (2) in the course of its business it shall use its own resources, personnel, funds and equipment without consideration, and shall not mix its own resources with those of the other party, or use in such a way that its assets or resources are mixed or will occupy the resources of the other party; and
- (3) if it needs to use the resources of the other party in the course of its business, it shall in advance agree on the price and terms of the relevant transaction with the relevant member of the other party in accordance with the New Framework Agreement.

Pricing Policy

Pursuant to the terms of the New Framework Agreement, the prices to be charged under the Relevant Transactions 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, or paid by other industry players to Independent Third Parties determined on normal commercial terms. The experienced staff in the Group will make enquiries on the fees of comparable or similar transactions with industry players and conduct researches, and then compare with the fees paid to/received from Viva China Group, then opine on the fairness and reasonableness of the relevant price;
- (3) if both (1) and (2) above are not applicable, to be determined in accordance with the pricing policy determined by the Group (if any); and
- (4) where the Group permits Viva China Group to make use of its intellectual property (including where the Group collaborates with Viva China Group in developing co-branded products), the price charged for the Relevant Transaction shall sufficiently reflect the market value of and contribution to the Relevant Transaction by the Group's intellectual property.

For (2) to (4) above, the Group will ensure that (i) the prices charged under the Relevant Transactions and the prices paid by the Group to Viva China Group will be fair and reasonable; (ii) if the Group is to make payment, the consideration paid is not higher than prices paid to Independent Third Parties

for similar transactions; and (iii) if the Group is to receive payment, the consideration paid by Viva China Group to the Group is no less favourable than the consideration paid by Independent Third Parties to the Group.

Historical Figures and Annual Caps

For the two financial years ended 31 December 2020 and the financial year ending 31 December 2021, the annual caps and fees (rounded to the nearest thousand) under the Previous Agreements were respectively as follows:

2018 Renewed Master Agreement

	Year ended 31 December 2019	Year ended 31 December 2020	Year ending 31 December 2021
Approved Caps (RMB)	320,500,000	326,500,000	333,000,000
Actual or Estimated Expense (RMB)	281,813,000	175,628,000	240,000,000

2018 New Master Sales Agreement

	Year ended 31 December 2019	Year ended 31 December 2020	Year ending 31 December 2021
Approved Caps (RMB)	10,000,000	22,000,000	40,000,000
Actual or Estimated Expense (RMB)	5,569,000	6,740,000	9,000,000

Processing and Customization Agreement

	Year ending 31 December 2021
Approved Caps (RMB)	69,000,000
Estimated Expense (RMB)	45,000,000

In respect of the services or products to be provided by the Group to Viva China Group under the New Framework Agreement, the Receivable Annual Caps for the three years ending 31 December 2024 are set out below:

	Year ending 31 December		
	2022	2023	2024
Receivable Annual Caps (RMB)	100,000,000	100,000,000	107,000,000

In respect of the services or products to be provided by Viva China Group to the Group under the New Framework Agreement, the Payable Annual Caps for the three financial years ending 31 December 2024 are set out below:

	Year ending 31 December		
	2022	2023	2024
Payable Annual Caps (RMB)	538,000,000	599,000,000	600,000,000

The Receivable Annual Caps and the Payable Annual Caps are determined with reference to (i) the historical figures in respect of the fees incurred under the Previous Agreements; (ii) the expected increase in fees as a result of the expanded scope of the Relevant Transactions covered under the New Framework Agreement; (iii) current market prices and expected inflation rates for certain Relevant Transactions; and (iv) fees for certain similar Relevant Transactions in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE NEW FRAMEWORK AGREEMENT

The Group is principally engaged in the manufacturing, development, marketing, distribution and sale of various sports products such as footwear, apparel and equipment. It has been implementing its strategy of “Single Brand, Multi-categories, Diversified Channels” and improving the allocation of diverse marketing resources. It is also upgrading distribution channel structure and efficiency and at the same time optimizing production operation model. Brand competitiveness is being strengthened through marketing campaigns and the e-commerce platform.

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, and the manufacture of footwears.

Given the respective business directions of the Group and of Viva China Group, coupled with the Company’s development plan which calls for cooperation alliance, there are areas where the two groups may collaborate and build synergy by actualizing their respective strengths. Such collaboration

will give rise to continuing connected transactions of the Company, but such transactions allow each group to have better access to the other group's resources on arm's length terms. The Group will be able to benefit from the synergies and crossover created from such transactions.

The Directors (including 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 New Framework Agreement and therefore abstained from voting on the Board's resolutions approving, among other things, the New Framework Agreement) confirm that the New Framework Agreement has been entered into (and the transactions contemplated under the New Framework Agreement will 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 New Framework 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 and Mr. Li Qilin are also of the view that the Receivable Annual Caps and the Payable Annual Caps of the continuing connected transactions under the New Framework Agreement are fair and reasonable.

GENERAL

The Company

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.

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, and the manufacture of footwears.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Viva China is a substantial shareholder of the Company indirectly holding approximately 10.36% shares in the Company and thus a connected person of the Company. Therefore, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios set out under Rule 14.07 of the Listing Rules in respect of the Relevant Transactions contemplated under the New Framework Agreement are all less than 5%, the Relevant Transactions are subject to the reporting, announcement and annual review requirements, and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2018 Renewed Master Agreement”	the renewed master agreement dated 28 December 2018 entered into between the Company and Viva China, details of which are set out in the Company’s announcement dated 28 December 2018
“2018 New Master Sales Agreement”	the master sales agreement dated 28 December 2018 entered into between the Company and Viva China, details of which are set out in the Company’s announcement dated 28 December 2018
“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, its subsidiaries and entities jointly held with Viva China Group
“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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Framework Agreement”	the framework agreement entered into between the Company and Viva China on 30 December 2021 in relation to the Relevant Transactions which may be entered into between member(s) of the Group and member(s) of Viva China Group
“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

“Payable Annual Caps”	the expected maximum fees payable by the Group to Viva China Group under the New Framework Agreement for the three financial years ending 31 December 2024
“PRC”	the People’s Republic of China
“Previous Agreements”	the 2018 Renewed Master Agreement, the 2018 New Master Sales Agreement and the Processing and Customization Agreement
“Processing and Customization Agreement”	the processing and customization agreement entered into between Li Ning China and Ningjuli on 1 January 2021, details of which are set out in the Company’s announcement dated 13 September 2021
“Receivable Annual Caps”	the expected maximum fees payable by Viva China Group to the Group under the New Framework Agreement for the three financial years ending 31 December 2024
“RMB”	Renminbi, the legal currency of the PRC
“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, its subsidiaries and entities jointly held with the Group
“%”	per cent.

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

Hong Kong, 30 December 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*