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## **LI NING COMPANY LIMITED**

**李寧有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Codes: 2331 (HKD counter) and 82331 (RMB counter)**

### **CONNECTED TRANSACTION FORMATION OF JOINT VENTURE COMPANY**

#### **FORMATION OF JV COMPANY**

On 22 October 2024 (after trading hours), LN Co, being an indirect wholly-owned subsidiary of the Company, entered into the Subscription and Shareholders' Agreement with Founder Co, HongShan Venture, HongShan Motivation and the JV Company in relation to the formation of the JV Company in the British Virgin Islands and subscription of JV Shares by each of the JV Parties. Immediately following Completion, the total share capital of the JV Company shall be HK\$200 million, of which the LN Co, Founder Co, HongShan Venture and HongShan Motivation shall contribute HK\$58,000,000, HK\$52,000,000, HK\$62,728,000 and HK\$27,272,000 in cash respectively, accounting for 29%, 26%, 31.36% and 13.64% of the total share capital of the JV Company respectively.

The purpose of the JV Group shall be to develop and operate the Li Ning Brand business (including the sale of products carrying Li Ning Brand) in the Territory on an exclusive basis.

The Group (excluding the JV Group) will continue to carry on the businesses of designing, manufacturing, procurement, and marketing of products carrying the Li Ning Brand in the Mainland China.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Mr. Li, being an executive Director and a Joint Chief Executive Officer of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules. Founder Co is wholly-owned by Mr. Li and is therefore an associate of Mr. Li. Founder Co is also a connected person of the Company. Accordingly, the formation of the JV Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, as one or more applicable percentage ratios in respect of the formation of the JV Company exceed 0.1% but less than 5%, the formation of the JV Company is only subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **Formation of JV Company**

On 22 October 2024 (after trading hours), LN Co, being an indirect wholly-owned subsidiary of the Company, entered into the Subscription and Shareholders' Agreement with Founder Co, HongShan Venture, HongShan Motivation and the JV Company in relation to the formation of the JV Company by way of subscription of JV Shares by each of the JV Parties.

## **Principal Terms of the Subscription and Shareholders' Agreement**

The principal terms of the Subscription and Shareholders' Agreement are set out as follows:

### ***Date:***

22 October 2024 (after the trading hours)

### ***Parties:***

- (i) LN Co;
- (ii) Founder Co;
- (iii) HongShan Venture;
- (iv) HongShan Motivation; and
- (v) the JV Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, HongShan Co and its ultimate beneficial owner(s) are both independent third parties of the Company and are not connected persons of the Company.

### ***Purpose of the JV Company:***

The purpose of the JV Group shall be to develop and operate the Li Ning Brand business (including the sale of products carrying Li Ning Brand) in the Territory on an exclusive basis ("**Business**") which shall include:

- (a) the business of designing, manufacturing, procurement, distribution, wholesale, logistics, retail and marketing of products carrying the Li Ning Brand;
- (b) other general supporting services in connection therewith; and
- (c) any other business approved with the Requisite Approval.

The Parties intend to use their respective resources and endeavours to assist the JV Group to build its independent operating capabilities, achieve long-term development of the Li Ning Brand overseas, and seek opportunities for listings in the future.

For the avoidance of doubt, the Group (excluding the JV Group) will continue to carry on the businesses of designing, manufacturing, procurement, and marketing of products carrying the Li Ning Brand in the Mainland China.

***Capital contribution:***

As at the date of this announcement, the JV Company is a limited company incorporated in the British Virgin Islands, with LN Co being the sole shareholder and holding one issued share of the JV Company.

Each of the JV Parties shall subscribe for, and the JV Company shall issue and allot, the number of new JV Shares, fully paid and free from all encumbrances, at the cash consideration amount set out below:

<b>JV Party</b>	<b>Number of new JV Shares to be subscribed by each JV Party</b>	<b>Consideration</b>
LN Co	28,999	HK\$57,999,999
Founder Co	26,000	HK\$52,000,000
HongShan Venture	31,364	HK\$62,728,000
HongShan Motivation	13,636	HK\$27,272,000
Total:	99,999	HK\$199,999,999

Immediately following Completion, the shareholding structure of the JV Company shall be as follows:

<b>JV Party</b>	<b>Number of JV Shares held by each JV Party</b>	<b>Percentage of issued JV Shares</b>	<b>Total amount of each JV Party's contribution to the JV Company's share capital</b>
LN Co	29,000	29%	HK\$58,000,000
Founder Co	26,000	26%	HK\$52,000,000
HongShan Venture	31,364	31.36%	HK\$62,728,000
HongShan Motivation	13,636	13.64%	HK\$27,272,000
Total:	100,000	100%	HK\$200,000,000

The total consideration shall be contributed by the JV Parties on or before the Long Stop Date.

The amount of capital contribution was determined after arm's length negotiations between the JV Parties to the JV Company with reference to, among other things, the expected capital requirements of the JV Company.

The capital contribution to be made by LN Co to the JV Company is expected to be financed by internal resources of the Group.

***Conditions precedent to the Completion:***

Completion is conditional upon fulfilment or waiver (if applicable) of the following matters on or before the Long Stop Date:

- (a) the compliance by the Company of all Listing Rules requirements, all other relevant legal and regulatory requirements, and all requirements of official bodies (including the Stock Exchange), in relation to the Subscription and Shareholders' Agreement and the transactions contemplated therein;
- (b) the finalisation of all terms of all Cooperation Agreements, in the form to the satisfaction of all Parties, which shall have been duly executed by all parties thereto and become effective as of the Completion;
- (c) all necessary approvals and consents by banks, contractual counterparties and/or any other relevant persons (including the third parties with whom the Group has entered into agreements as prescribed in the Subscription and Shareholders' Agreement) in connection with the transactions contemplated under the Subscription and Shareholders' Agreement having been obtained;
- (d) up to the date of Completion, the representations and warranties given by each of the Parties under the Subscription and Shareholders' Agreement having remained true and accurate in all respects;
- (e) each Party having performed and complied with all agreements and obligations contained in the Subscription and Shareholders' Agreement which are required to be performed or complied with by it on or before Completion;
- (f) solely with respect to the Parties other than the JV Company, the amended and restated memorandum and articles of association of the JV Company shall have been duly adopted by the JV Company immediately prior to the Completion;

- (g) solely with respect to the Parties other than the JV Company, the JV Company shall have obtained from sound and reputable insurer(s) director's liability insurance with respect to all of the LN Co Directors, Founder Co Director and HongShan Co Directors in an amount and on terms and conditions to the satisfaction of all Parties;
- (h) solely with respect to HongShan Co, a management rights letter has been duly executed by the JV Company and HongShan Co and become effective as of the Completion; and
- (i) with respect to the Parties other than the JV Company, the JV Company shall have delivered to each other Party a duly executed certificate certifying that the conditions set forth in paragraphs (b), (c), (d) with respect to JV Company, (e) with respect to the JV Company and (g) have been satisfied.

Each Party may waive any of the conditions set out above (other than those in paragraphs (a), (b) and (c)) in respect of another Party's warranties or obligations, subject to such terms and conditions as may be determined by the waiving Party. The conditions set out in paragraphs (a), (b) and (c) may not be waived by any Party. If any of the above conditions has not been fulfilled or waived (if applicable) by 12:00 noon on the Long Stop Date, the Subscription and Shareholders' Agreement shall be terminated.

***Board composition of the JV Company:***

The board of the JV Company shall consist of a maximum of five directors, among which two will be appointed by LN Co, one will be appointed by Founder Co and two will be appointed by HongShan Co. The director of the JV Company nominated by the Founder Co (initially being Mr. Li) shall act as the chairman of the board of the JV Company who shall have a second or casting vote when the votes for and against a board resolution of the JV Company are equal.

***Restriction of transfer of JV Shares:***

None of the JV Shareholders may sell, transfer, assign, exchange, lease, license, encumbrance, conveyance in trust, gift, creation of option or right, transfer by bequest, devise or descent, or other transfer or disposition of any kind ("**Transfer**"), on its interest in the JV Shares or enter into any agreement or arrangement to do so, unless with the prior written consent of all of the other JV Shareholders and subject to the terms of the Subscription and Shareholders' Agreement.

Subject to the terms of the Subscription and Shareholders' Agreement, where any existing JV Shareholder intends to Transfer part or all the JV Shares held by it to any third party or another JV Shareholder ("**Potential Transferee**"), each of the other JV Shareholders shall have:

- (a) the right of first refusal to acquire such JV Shares on the same terms on a pro rata basis; and

- (b) the right to sell to such Potential Transferee the JV Shares held by such other JV Shareholders on the same terms on a pro rata basis as the sale by the selling JV Shareholder, such that the JV Shares to be sold by the selling JV Shareholder will be reduced proportionally; provided that if the sale by the selling JV Shareholder will result in a change in the control of the JV Company, such other JV Shareholder shall have the right to sell all of the JV Shares it holds on the same terms to the Potential Transferee, provided further that if the selling JV Shareholder is HongShan Co and the Potential Transferee is not a JV Shareholder, any other JV Shareholder shall not have the right to participate in the sale.

The above-mentioned restrictions shall automatically cease to apply to any Transfer of JV Shares held by HongShan Co immediately upon LN Co's failure to purchase all JV Shares then held by HongShan Co by exercising its Purchase Right (as defined below) by the 9th anniversary of the Completion.

***Pre emptive rights***

If at any time after the Completion, the JV Company proposes to issue any new securities (even with the Requisite Approval), the JV Company shall first offer such securities to each JV Shareholder on a pro rata basis which reflects to the percentage of JV Shareholder's shareholding in the JV Company, except (a) with the waivers of all JV Shareholders and (b) where the JV Company is obliged to issue new securities under any equity incentive award which has been approved with the Requisite Approval.

***Performance Call Option:***

LN Co and Founder Co will be granted an option that, if the operating revenue of the JV Group on a consolidated basis for the fourth full financial year of the JV Company following the Completion is less than US\$1 billion (which is equivalent to approximately HK\$7.8 billion), LN Co and Founder Co are entitled to acquire JV Shares held by HongShan Co up to the amount of 25% of the issued JV Shares (the "**Performance Call Option**") at a total consideration equal to HongShan Co's investment cost plus a premium of 5% per annum calculated on a simple interest rate basis, payable in cash.

The Performance Call Option may be exercised by LN Co and Founder Co together or separately, provided that the total number of JV Shares to be acquired under all exercises of the Performance Call Option shall not exceed the threshold prescribed in the Subscription and Shareholders' Agreement.

### ***Purchase right:***

LN Co will be granted an option (the “**Purchase Right**”) to which LN Co is entitled at any time after 8 years following the Completion and prior to 9 years following the Completion unless extended by HongShan Co or Founder Co, to acquire all or part of the JV Shares held by HongShan Co and Founder Co at a total consideration, payable in cash or the Shares of equivalent value, which is the higher of (a) the investment cost of HongShan Co or Founder Co (as the case may be) in respect of such JV Shares plus a premium of 8% per annum calculated on a simple interest rate basis and (b) the fair market value of such JV Shares assessed by an independent financial adviser appointed by the JV Company.

The Purchase Right with respect to the JV Shares respectively held by HongShan Co and Founder Co may be exercised by LN Co separately.

### **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY**

Over the past decade, the Group has been adopting the core strategy of “Single Brand, Multiple Categories, and Diversified Channels” to leverage its competitive advantages in the industry. While further developing the Mainland China market, the Group may gradually explore opportunities in other countries and regions. In the previous few years, the Group has prioritised its domestic market strategy, resulting in a slower pace of internationalisation. Due to this reason, the Group has been able to focus its resources domestically and has achieved impressive results in the highly competitive domestic market.

Having said that, the development of overseas markets, especially in the Belt and Road regions, is also part of the Group’s long-term development strategy. At the same time, the Group is aware of the uncertainties in the overseas markets, including economic, political, legal, credit, societal value practices and other risk factors being largely different from those domestically. The business models in the overseas market also differ substantially from the domestic models.

Therefore, the Board has considered that expanding into international markets requires collaboration with a partner which possesses extensive multinational resources. This requires the establishment of a new framework with an independent team, rich in overseas resources and experience, to take responsibilities of developing the international business operations with clear business and financial objectives. After a period of cultivation, this approach is expected to yield desirable results in the overseas markets.

According to the Board’s understanding, HongShan has accumulated extensive investment experience since its establishment in 2005. It has a strong team of professional investors with deep industry insights and cross-border investment networks that may provide resources and services to portfolio companies, deploy key resources to enterprises that engage in transnational businesses during their development stage, and provide them with services such as business empowerment, talent development, digitalisation support and media management.

The formation of the JV Company leverages on the appeal of the Company's founder, Mr. Li, to provide leadership in the positioning and direction of the Li Ning Brand's development in the Territory. Moreover, the Company and Mr. Li together will hold 55% of the JV Shares, enabling the Company to effectively safeguard the reputation of the Li Ning Brand and to maintain sufficient influence over the JV Group. On the other hand, by bringing in HongShan, the JV Group may enjoy HongShan's transnational resources and business experience which are expected to help the JV Group to accelerate its development effectively. In this joint venture, LN Co has the option to acquire all the JV Shares from HongShan Co in the future (subject to compliance with the relevant Listing Rules requirements), so as to realise the Company's control over the JV Company.

Thus, after due consideration of the external factors, the Board considers that the JV Parties can complement each other's strengths. The JV Parties may leverage on their respective reputations, brands, channels, talents and other resources in this joint venture, in order to empower the JV Group to be competitive and flexible in its business operations, and be more effective in risk management of the markets in the Territory.

The intensification of competition in the sports consumer goods market of Mainland China is mostly attributable to the decline in consumer spending. In the short term, the Company will prioritise its domestic operations to further increase the market share of its core business and to enhance the competitiveness of its brands in the key business segments.

Mr. Li, who is an executive Director and a Joint Chief Executive Officer of the Company, is also the ultimate beneficial owner of Founder Co and, as a result, is considered to have material interest in the formation of the JV Company. As such, Mr. Li has abstained from voting on the Board resolutions to approve the formation of the JV Company and the transactions contemplated thereunder. Save as disclosed in this announcement, no other Director has a material interest in the formation of the JV Company (and the transactions contemplated thereunder) and is required to abstain from voting on the Board resolutions to approve the Subscription and Shareholders' Agreement and the transactions contemplated thereunder.

The Directors (other than Mr. Li who was required to abstain from voting), including the independent non-executive Directors, are of the view that the formation of the JV Company, consider that the terms and conditions of the Subscription and Shareholders' Agreement (including the amount of capital contribution payable by the Company) are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.



## **GENERAL INFORMATION**

### **Information on LN Co**

LN Co is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of administrative services to the Group. As at the date of this announcement, LN Co is an indirect wholly-owned subsidiary of the Company.

### **Information on the Group**

The Group 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.

### **Information on Founder Co**

Founder Co is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, Founder Co is a company wholly-owned by Mr. Li, the ultimate beneficial owner.

### **Information on HongShan Co**

HongShan Venture and HongShan Motivation are companies incorporated in the Cayman Islands with limited liability and principally engaged in investment holding. HongShan Venture and HongShan Motivation are entities formed and managed by HongShan. As at the date of this announcement, HongShan Venture is a wholly-owned subsidiary of HongShan Capital Venture Fund IX, L.P. The general partner of HongShan Capital Venture Fund IX, L.P. is HSG Venture IX Management, L.P., whose general partner is HSG Holding Limited. HongShan Motivation is a wholly-owned subsidiary of HSG Motivation (HK) LPF. The general partner of HSG Motivation (HK) LPF is HSG Motivation Management (HK) Limited, whose general partner is HSG Holding X, Ltd. In respect of ultimate beneficial owner of HSG Holdings X, Ltd. and HSG Holding Limited, each of the two companies is wholly owned by SNP China Enterprises Limited, which in turn is wholly owned by Mr. Neil Nanpeng Shen. Each of HongShan Capital Venture Fund IX, L.P. and HSG Motivation (HK) LPF is an investment fund whose primary purpose is to make equity investments in private companies.

### **Information on the JV Company**

The JV Company is a company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, it has not engaged in any business activities and its sole shareholder is LN Co.

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Li, being an executive Director and a Joint Chief Executive Officer of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules.

Founder Co is a wholly-owned subsidiary of Mr. Li and is therefore an associate of Mr. Li. As such, Founder Co is also a connected person of the Company. Accordingly, the formation of the JV Company by LN Co (a wholly-owned subsidiary of the Company) with Founder Co constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules although HongShan Co is independent from the Company.

As at the date of this announcement, as one or more applicable percentage ratios in respect of the formation of the JV Company exceed 0.1% but less than 5%, the formation of the JV Company is only subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Performance Call Option and the Purchase Right are exercisable at the discretion of LN Co. When LN Co exercises the Performance Call Option and/or the Purchase Right, the Company will comply with the relevant Listing Rules requirements.

## WARNING

**As the implementation of the Subscription and Shareholders' Agreement is subject to various terms and conditions, the Subscription and Shareholders' Agreement and the transactions contemplated thereunder may or may not proceed at all or in a timely manner. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	Li Ning Company Limited, a company incorporated under the laws of the Cayman Islands and the shares of which are listed on The Stock Exchange of Hong Kong Limited under stock codes 2331 and 82331
“Completion”	the completion of the subscription of JV Shares by all JV Parties pursuant to the Subscription and Shareholders' Agreement

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Cooperation Agreements”	<ul style="list-style-type: none"> <li>(i) an exclusive franchise agreement, pursuant to which, among other things, the JV Group shall be conferred by the Group the right to purchase products from the Group;</li> <li>(ii) an exclusive licence agreement, pursuant to which, among other things, the Group shall confer the licence to the JV Group to utilise the Li Ning Brand and the related intellectual property related to the Li Ning Brand for the JV Group’s purpose of conducting the Business;</li> <li>(iii) a supply and services agreement, pursuant to which, among other things, the Group shall provide the JV Group such supplies and services required by the JV Group for the purpose of the JV Group’s operation of the Business; and</li> <li>(iv) any other agreement relating to the Business that the JV Company and the Group may consider necessary for the JV Group’s purpose of conducting the Business</li> </ul>
“Director(s)”	the director(s) of the Company
“Founder Co”	Alpha Talent Management Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Mr. Li
“Founder Co Director”	the director appointed by Founder Co to the JV Company’s board in accordance with the Subscription and Shareholders’ Agreement
“Group”	the Company and its subsidiaries from time to time, which for the purpose of the Subscription and Shareholders’ Agreement excludes the JV Company and the other members of the JV Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“HongShan”	a reference to the HongShan funds and entities that are engaged in activities related to investing and are principally focused on companies located in, or with connections to, the PRC
“HongShan Co”	collectively, HongShan Venture and HongShan Motivation
“HongShan Co Director(s)”	the director(s) appointed by HongShan Co to the JV Company’s board in accordance with the Subscription and Shareholders’ Agreement
“HongShan Motivation”	HongShan Motivation Holdco A, Ltd., a company incorporated in the Cayman Islands with limited liability
“HongShan Venture”	HongShan Venture IX Holdco K, Ltd., a company incorporated in the Cayman Islands with limited liability
“JV Company”	Power Sports Company Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the LN Co as at the date of this announcement
“JV Group”	the JV Company and its subsidiaries from time to time
“JV Party”	each of LN Co, Founder Co, HongShan Venture and HongShan Motivation
“JV Shares”	the ordinary shares in the share capital of the JV Company
“JV Shareholders”	the registered shareholders of the JV Company from time to time and the “JV Shareholders” immediately following the Completion will be LN Co, Founder Co, HongShan Venture and HongShan Motivation
“Li Ning Brand”	collectively refers to the brands developed, expanded or operated by the Group from time to time, whether or not such brands carry the words “Li Ning” or “李寧”
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LN Co”	Li Ning Sports (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“LN Co Director(s)”	the director(s) appointed by LN Co to the JV Company’s board in accordance with the Subscription and Shareholders’ Agreement
“Long Stop Date”	30 November 2024 or such later date as the Parties may otherwise agree in writing
“Mainland China”	the mainland of the PRC which does not include Hong Kong, Macau Special Administrative Region and Taiwan
“Mr. Li”	Mr. Li Ning, an executive Director and a Joint Chief Executive Officer of the Company
“Party”	each of the parties to the Subscription and Shareholders’ Agreement, being LN Co, Founder Co, HongShan Venture, HongShan Motivation and the JV Company
“PRC”	the People’s Republic of China
“Requisite Approval”	(A) in respect of a resolution put forward to be considered by the board of JV Company, the consent of (a) at least one LN Co Director, one Founder Co Director and one HongShan Co Director at a board meeting of the JV Company or (b) all directors of the JV Company as evidenced in writing by a written board resolution of JV Company and (B) in respect of a resolution put forward to be considered by the JV Shareholders, the consent of all JV Shareholders
“Share(s)”	the ordinary share in the capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription and Shareholders’ Agreement”	the subscription and shareholders’ agreement entered into among LN Co, Founder Co, HongShan Venture, HongShan Motivation and the JV Company and dated 22 October 2024
“Territory”	means any jurisdiction apart from Mainland China (that is, the Territory includes Hong Kong, Macau Special Administrative Region and Taiwan)

“US\$” United States dollars, the lawful currency in the United States of America

“%” per cent

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

Hong Kong, 22 October 2024

*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 Ms. Wang Yajuan.*