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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)

## CONNECTED TRANSACTION ACQUISITION OF THE REMAINING EQUITY INTEREST IN AN INDIRECT NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY

The Directors hereby announce that on 10 May 2007, Shanghai Yue Ao, an indirect wholly-owned subsidiary of the Company (as the purchaser) entered into the Agreement with Guangdong Jianlibao (as the vendor) in relation to the acquisition of the 20% equity interest in Guangdong Li Ning at a total consideration of RMB17,817,147.53 (approximately HK\$18,155,700). Guangdong Jianlibao is the existing equity holder of Guangdong Li Ning holding 20% equity interest in its registered capital. Upon completion of the Agreement, Guangdong Li Ning will become an indirect wholly-owned subsidiary of the Company as to 80% owned by Shanghai Li Ning and 20% owned by Shanghai Yue Ao.

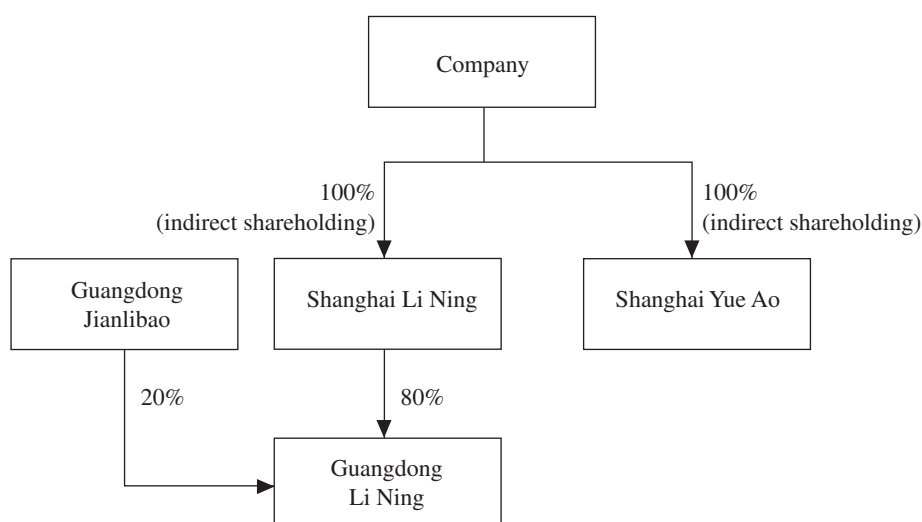
The Directors consider that the acquisition of the 20% equity interest in Guangdong Li Ning can accelerate the Group's strategy in developing Guangdong Li Ning as the apparel product sample technology centre and the market responsive supply chain centre of the Group.

As Guangdong Jianlibao has a 20% equity interest in Guangdong Li Ning which is a 80% indirectly-owned subsidiary of the Company, Guangdong Jianlibao is a substantial shareholder of Guangdong Li Ning and hence, a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. The sale of the 20% equity interest of Guangdong Li Ning to Shanghai Yue Ao therefore constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules. Since the Acquisition falls below the *de minimis* threshold under Rule 14A.32 of the Listing Rules, it is exempted from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

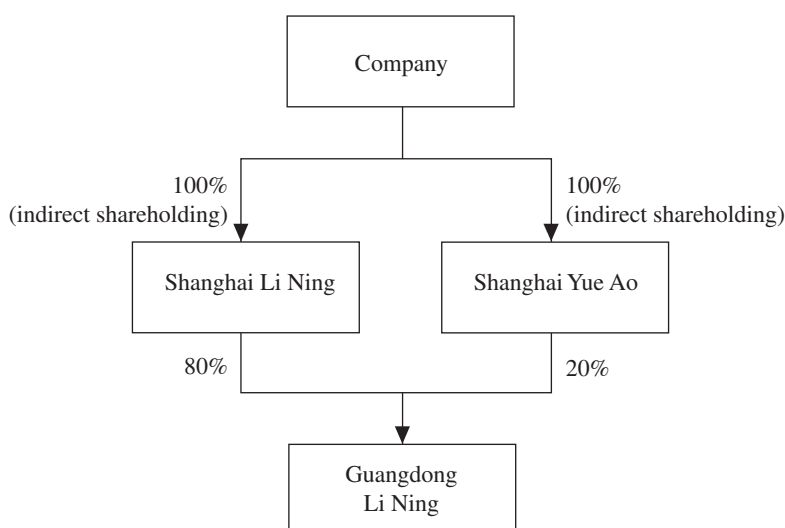
### INTRODUCTION

On 10 May 2007, Shanghai Yue Ao and Guangdong Jianlibao entered into the Agreement pursuant to which Shanghai Yue Ao agreed to acquire and Guangdong Jianlibao agreed to sell the 20% equity interest in Guangdong Li Ning for a total consideration of RMB17,817,147.53 (approximately HK\$18,155,700). Guangdong Jianlibao is the existing equity holder of Guangdong Li Ning holding 20% equity interest in its registered capital. Upon completion of the Agreement, Guangdong Li Ning will become an indirect wholly-owned subsidiary of the Company as to 80% owned by Shanghai Li Ning and 20% owned by Shanghai Yue Ao.

## Shareholding chart before the Acquisition



## Shareholding chart after the Acquisition



## THE AGREEMENT

**Date:** 10 May 2007

### Parties:

- (i) Guangdong Jianlibao, a limited liability company established in the PRC, a substantial shareholder of Guangdong Li Ning; and
- (ii) Shanghai Yue Ao, a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company.

Pursuant to the Agreement, Shanghai Yue Ao has agreed to purchase and Guangdong Jianlibao has agreed to sell the 20% equity interest in Guangdong Li Ning.

### Consideration:

The consideration payable by Shanghai Yue Ao to Guangdong Jianlibao for the 20% equity interest in Guangdong Li Ning is RMB17,817,147.53 (approximately HK\$18,155,700), which will be satisfied by way of cash from internal resources of the Group.

The consideration was determined after arm's length negotiations between the parties to the Agreement and with reference to the net asset value of Guangdong Li Ning attributable to the 20% equity interest as at 31 December 2006.

Completion of the Agreement shall take place upon compliance with the applicable transfer and registration procedures under the PRC law to enable the 20% equity interest in Guangdong Li Ning to be transferred to Shanghai Yue Ao.

## **INFORMATION OF THE COMPANY, GUANGDONG LI NING AND GUANGDONG JIANLIBAO**

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

### **Guangdong Li Ning**

Guangdong Li Ning is principally engaged in manufacture of a small portion of the Group's sports apparel products. The registered capital of Guangdong Li Ning is RMB8,241,000 (approximately HK\$8,397,600) of which 80% is owned by Shanghai Li Ning and 20% is owned by Guangdong Jianlibao.

Based on the financial statements of Guangdong Li Ning which were prepared in accordance with the accounting principles generally accepted in the PRC, the audited profits before taxation of Guangdong Li Ning for the years ended 31 December 2005 and 2006 were approximately RMB2,908,000 (approximately HK\$2,963,300) and RMB3,855,000 (approximately HK\$3,928,200) respectively, whereas the audited profits after taxation for the same periods were approximately RMB800,000 (approximately HK\$815,200) and RMB2,220,000 (approximately HK\$2,262,200), respectively. As a portion of wages and staff welfare expenses were not deductible for tax purposes under the PRC tax regime, the difference between the profits before and after taxation for the two financial years ended 31 December 2006 was significant.

The audited net asset value of Guangdong Li Ning as at 31 December 2006 amounted to approximately RMB89,085,000 (approximately HK\$90,777,600).

### **Guangdong Jianlibao**

Guangdong Jianlibao is established in the PRC as a limited liability company which is principally engaged in beverage business in the PRC. Guangdong Jianlibao has been desirous of disposing of its interest in Guangdong Li Ning as it is not in line with the core business of Guangdong Jianlibao. Guangdong Jianlibao has paid up all its committed investment in Guangdong Li Ning.

To the best of the Directors' knowledge, save as its being a substantial shareholder of Guangdong Li Ning, Guangdong Jianlibao and its ultimate controlling shareholders are third parties independent of the Company and connected persons of the Company.

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

The Directors consider that the acquisition of the 20% equity interest in Guangdong Li Ning can accelerate the Group's strategy in developing Guangdong Li Ning as the apparel product sample technology centre and the market responsive supply chain centre of the Group which are essential for the further enhancement of the Group's core competence for its continual business growth.

The Directors, including the independent non-executive Directors, are of the view that the Agreement and the transactions contemplated therein are on normal commercial terms and such terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## GENERAL

As Guangdong Jianlibao has a 20% equity interest in Guangdong Li Ning which is a 80% indirectly-owned subsidiary of the Company, Guangdong Jianlibao is a substantial shareholder of Guangdong Li Ning and hence, a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. The sale of the 20% equity interest of Guangdong Li Ning to Shanghai Yue Ao therefore constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules. Since the Acquisition falls below the *de minimis* threshold under Rule 14A.32 of the Listing Rules, it is exempted from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the acquisition of the 20% equity interest in Guangdong Li Ning by Shanghai Yue Ao from Guangdong Jianlibao under the Agreement
“Agreement”	the equity transfer agreement dated 10 May 2007 entered into between Guangdong Jianlibao and Shanghai Yue Ao in relation to the Acquisition
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited
“connected person”	shall have the meaning ascribed to it under the Listing Rules
“ <i>de minimis</i> threshold”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangdong Jianlibao”	廣東健力寶集團有限公司 (Guangdong Jianlibao Group Co., Ltd.), a limited liability company established in the PRC
“Guangdong Li Ning”	廣東李寧體育發展有限公司 (Guangdong Li Ning Sports Development Co., Ltd.), a limited liability company established in the PRC, and an indirect subsidiary of the Company in which the Company owns an equity interest of 80%
“HK\$”	Hong Kong Dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the 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

“Shanghai Li Ning” 李寧體育（上海）有限公司 (Li Ning Sports (Shanghai) Company Limited), an indirect wholly-owned subsidiary of the Company

“%” per cent.

*Note: In this announcement, the exchange rate of RMB1.00 to HK\$1.019 has been used for conversion into the relevant currency for indication only.*

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

Hong Kong, 10 May 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 and Mr. Stuart SCHONBERGER. The independent non-executive directors are Mr. KOO Fook Sun, Louis, Ms. WANG Ya Fei, Jane and Mr. CHAN Chung Bun, Bunny.*

*Please also refer to the published version of this announcement in South China Morning Post, and Hong Kong Economic Times.*