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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 (HKD counter) and 82331 (RMB counter)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

THE SALE AND PURCHASE AGREEMENT

On 10 December 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares and take up the assignment of the Sale Loan, at the consideration of HK\$2,208,000,000 which is subject to the Completion Adjustment.

Upon Completion, the Company will be interested in the entire issued share capital of the Target Company, which will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the financial statements of the Group.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition (taking into account the Completion Adjustment) exceed 5% but are less than 25%, the Acquisition 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.

INTRODUCTION

The Board is pleased to announce that on 10 December 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares and the Purchaser has conditionally agreed to take up the assignment of the Sale Loan, for a consideration of HK\$2,208,000,000 which is subject to the Completion Adjustment.

THE SALE AND PURCHASE AGREEMENT

The major terms of the Sale and Purchase Agreement are set out as follows:

- Date:** 10 December 2023
- Parties:** (1) The Purchaser; and
- (2) Vendor.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Vendor, Profit Best and their ultimate beneficial owner, Henderson Land, as well as the persons and entities holding 30% or more of the shares or voting rights in Henderson Land are Independent Third Parties.

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase from the Vendor the Sale Shares (representing the entire issued share capital of the Target Company) and to take up from Profit Best the assignment of the Sale Loan (being the entire amount of an unsecured non-interest bearing loan owing by the Target Company to Profit Best as at the Completion Date).

The principal asset of the Target Company is the Property, descriptions of which are set out in the paragraph headed “Information on the Target Company and the Property” below.

Consideration

The consideration for the Acquisition is HK\$2,208,000,000 and shall be paid by the Purchaser to the Vendor in the following manner, subject to the Completion Adjustment:

- (i) an amount of HK\$220,800,000 (the “**Deposit**”) shall be paid by the Purchaser to the Vendor’s solicitors as stakeholder on the business day immediately following the date of the Sale and Purchase Agreement; and

- (ii) an amount of HK\$1,987,200,000, with the Completion Adjustment made on the basis of the Proforma Accounts prepared 5 business days before the Completion Date (the “**Proforma Adjustment**”), shall be paid before or at Completion.

The Consideration will be funded by the Group’s internal resources.

Adjustment to the Consideration

The Consideration shall be adjusted by the following basis:

- (i) all rents and monies received and receivable and outgoings paid and payable in respect of the Target Company and/or the Property shall be apportioned so that all such rents, monies and outgoings up to and inclusive of the Completion Date shall effectively be for the account of the Vendor and all such rents and monies received and receivable and outgoings paid and payable in respect of the Target Company and/or the Property after the Completion Date shall effectively be for the account of the Purchaser; and
- (ii) all assets of the Target Company (excluding the Property, rental amortisation, rental commission amortisation and deferred tax assets) plus the accumulated available tax losses of the Target Company multiplied by 16.5% and less all liabilities of the Target Company (excluding the Sale Loan and deferred tax liabilities) as at the Completion Date.

After the Completion, the Vendor will procure the accountants of the Target Company to verify the Proforma Accounts on which the Proforma Adjustment was made and ascertain the amount of Completion Adjustment. The Purchaser will have the right to confirm or dispute the amount ascertained by the accountants. Where a dispute arises and the Vendor and the Purchaser do not reach agreement, another independent firm of certified public accountants of international repute in Hong Kong as the President of the Hong Kong Institute of Certified Public Accountants may nominate will make a decision on the dispute. The final amount of Completion Adjustment (the “**Certified Adjustment**”) will be determined through the above-mentioned post-Completion mechanism.

The difference amount between the Proforma Adjustment and the Certified Adjustment shall be settled between the Vendor and the Purchaser within 10 business days from the date on which the Certified Adjustment is ascertained.

Basis of the Consideration

The consideration under the Sale and Purchase Agreement was determined after arm’s length negotiations between the Vendor and the Purchaser, having taken into account, among other things:

- (i) the market price of the comparable properties;
- (ii) the proposed use of a portion of the Property as the Group’s headquarters in Hong Kong;

- (iii) the nature and quality of the Property; and
- (iv) the valuation of the Property as at 5 December 2023, being HK\$2,460,000,000 appraised by an independent property valuer appointed by the Purchaser.

Conditions precedent

Completion is conditional upon the satisfaction or waiver of the following conditions precedent on the Completion Date:

- (i) the Vendor having procured the Target Company to show and give good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong), free from all encumbrances;
- (ii) certain representations and warranties relating to the title of the Property given by the Vendor in the Sale and Purchase Agreement being and remain true and accurate and not misleading in all material respects up to Completion;
- (iii) the Target Company being and as at Completion remaining the sole legal and beneficial owner of the Property; and
- (iv) the Property is not, for any reason, (a) condemned as a dangerous structure, closed or declared dangerous by any Relevant Authority; (b) substantially or structurally damaged or destroyed, or rendered inaccessible by a natural disaster, torrential rain, fire, explosion or other calamity; (c) subject to any closure order under the Buildings Ordinance (Cap.123 of the Laws of Hong Kong) or the Demolished Buildings (Re-development of Sites) Ordinance (Cap.337 of the Laws of Hong Kong); or (d) subject to any notice of resumption, compulsory acquisition or re-entry by any Relevant Authority.

If any of the conditions precedent has not been satisfied by the Vendor or waived by the Purchaser (as the case may be) before the Completion Date which is anticipated to be 28 January 2024, the Sale and Purchase Agreement shall cease and determine and neither the Vendor nor the Purchaser shall be bound to proceed with the sale and purchase of the Sale Shares and taking up the assignment of the Sale Loan under the Sale and Purchase Agreement. The Deposit paid by the Purchaser shall be returned by the Vendor's solicitors to the Purchaser (without interest) within 3 business days following the date of such termination of the Sale and Purchase Agreement.

Completion

The Completion of the Acquisition is anticipated to take place on or before 28 January 2024 (or such other date as may be agreed by the Vendor and the Purchaser in writing).

If the Vendor fails to fully perform its obligations for the Completion, the Purchaser shall be entitled to at its option either:

- (i) proceed to Completion so far as practicable, but without prejudice to the Purchaser's rights and remedies in relation to the Vendor's failure to perform its obligations;
- (ii) seek specific performance of the Sale and Purchase Agreement; or
- (iii) terminate the Sale and Purchase Agreement by giving written notice to the Vendor, upon which the Deposit paid by the Purchaser shall be returned by the Vendor's solicitors to the Purchaser (without interest) within 3 business days following the date of such termination but without prejudice to the Purchaser's right to claim damages.

If the Purchaser fails to fully perform its obligations for the Completion, the Vendor shall be entitled to at its option either:

- (i) proceed to Completion so far as practicable, but without prejudice to the Vendor's rights and remedies in relation to the Purchaser's failure to perform its obligations;
- (ii) seek specific performance of the Sale and Purchase Agreement; or
- (iii) terminate the Sale and Purchase Agreement by giving written notice to the Purchaser, upon which the Deposit paid by the Purchaser shall be released by the Vendor's solicitors to the Vendor and be forfeited by the Vendor absolutely as liquidated damages and the Vendor may then sell or procure the sale of the Sale Shares and the Sale Loan to anyone at its absolute discretion without prejudice to the Vendor's right to claim additional damages.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Vendor. The Target Company is principally engaged in property investment and is the sole legal and beneficial owner of the Property, which is the principal asset of the Target Company.

The Property is a whole building that occupies a total land parcel area of approximately 9,600 square feet and its gross floor area is of approximately 144,000 square feet. The building includes 22 storeys of commercial/office space and two storeys of retail areas.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the tenants of the Property is an Independent Third Party. The Company intends to, after the Completion, negotiate with the existing tenants of the Property for renewal and/or look for new tenants for the space of the Property not yet leased.

Set out below is the audited financial information of the Target Company for the two years ended 31 December 2021 and 2022, which were prepared in accordance with the accounting principles generally accepted in Hong Kong:

	Year ended 31 December 2022 (audited) HK\$	Year ended 31 December 2021 (audited) HK\$
Revenue	49,549,637	35,131,267
Loss before taxation	80,357,911	16,765,981
Loss after taxation	80,357,911	16,765,981
Net assets as at the year end	2,732,513,004	2,812,870,915

Upon Completion, the Company will be interested in the entire issued share capital of the Target Company, which will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the financial statements of the Group.

INFORMATION ON THE GROUP, THE COMPANY AND THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

The Group and the Company

The Group is one of the leading sports brand enterprises in the PRC mainly providing sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes primarily under the LI-NING brand.

The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and its principle activity is investment holding. As at the date of the announcement, the Purchaser is an indirect wholly-owned subsidiary of the Company.

The Vendor

The Vendor is a limited liability company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of Henderson Land. Its principal business is investment holding.

Profit Best

Profit Best is a limited liability company incorporated in Hong Kong and is a direct wholly-owned subsidiary of Henderson Land. Its principal business is investment holding.

REASON FOR AND THE BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Board believes that the development potential of the Group's business in Hong Kong is substantial. Also, expanding the Group's operations in Hong Kong has important strategic importance as it will help expanding its international business. As Hong Kong is one of the world's few global cities and with its long-established reputation as a business hub, the Group can strengthen its link with different countries and explore various international business opportunities.

The purchase of the Property for use as Hong Kong headquarters of the Group via the Acquisition demonstrates the Group's confidence in its business prospects in Hong Kong and marks the implementation of its plan to strengthen its business development internationally.

The Board (including its independent non-executive Directors) are of the view that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable. The Acquisition is in the interests of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition (taking into account the Completion Adjustment which is expected to have an impact of less than 1% of the Consideration amount before the Completion Adjustment) exceed 5% but are less than 25%, the Acquisition 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.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (not being a Saturday, Sunday, public holiday in Hong Kong or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) when banks generally are open in Hong Kong for the transaction of general banking business

“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
“Completion”	Completion of the Acquisition pursuant to the Sale and Purchase Agreement
“Completion Adjustment”	the adjustment to the Consideration as stipulated in the section headed “Adjustment to the Consideration” above
“Completion Date”	the date on which the Completion will take place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$2,208,000,000, subject to the Completion Adjustment
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Henderson Land”	Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liabilities, the shares of which are listed on the Main Board of the Stock Exchange under the stock code of 12
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Profit Best”	Profit Best Development Limited which is the sole creditor in respect of the Sale Loan

“Proforma Accounts”	the proforma unaudited completion accounts of the Target Company comprising a proforma unaudited profit and loss account of the Target Company for the period from 1 January 2023 to and inclusive of the Completion Date and proforma unaudited balance sheet of the Target Company as at the Completion Date
“Property”	the parcel of ground registered in the Land Registry of Hong Kong as INLAND LOT NO. 7430 together with the commercial building known as “Harbour East (港匯東)”, located at No. 218 Electric Road, North Point, Hong Kong
“Purchaser”	High Match Limited which is an indirect wholly-owned subsidiary of the Company
“Relevant Authority”	any government, government department or governmental, quasi-governmental, supranational, federal, statutory, regulatory or investigative body, authority (including any national or supranational anti-trust or merger control authority), court or tribunal in Hong Kong
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 December 2023 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Loan”	the loan amount owing by the Target Company to Profit Best as at the Completion Date, which is unsecured and non-interest bearing, and the amount of which as at 1 November 2023 was approximately HK\$587.9 million
“Sale Shares”	two shares in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of this announcement
“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
“Target Company”	Vansittart Investment Limited, a company incorporated in Hong Kong with limited liability and the registered owner of the Property
“Vendor”	Gallex Resources Limited which is the holder of the Sale Shares

“%”

per cent

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

Hong Kong, 10 December 2023

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.