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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ENTERING INTO OF
THE LICENSE AGREEMENT,
THE MARKETING CONTRIBUTION AGREEMENT
AND THE ASSET PURCHASE AGREEMENT**

The Board announces that on 31 July 2008, Li Ning Sports entered into the following agreements:

- (a) the License Agreement with Lotto Sport (which is ultimately beneficially owned by Lotto Sport Italia), pursuant to which Lotto Sport agreed to grant Li Ning Sports an exclusive license of approximately 20 years to use the Lotto Trademarks in China in connection with the development, manufacture, marketing, advertising, promotion, distribution and sale of the Licensed Products;
- (b) the Marketing Contribution Agreement with Lotto Sport, pursuant to which Lotto Sport agreed to pay Li Ning Sports a total fixed sum as contribution to the marketing and public relations activities concerning the Lotto Trademarks and the Licensed Products; and
- (c) the Asset Purchase Agreement with the Vendors and Lotto (China) pursuant to which the Vendors agreed to sell to Li Ning Sports the Assets, the Inventory and the goodwill of the Properties.

The trademark “Lotto” is a well known Italian sports brand with famous Italian design and world class sports marketing resources focused on soccer and tennis. In line with the Group’s multi-brand strategy, the Directors consider that the License Agreement will strengthen the Group’s product offering and market position in the fast growing sports fashion sector in China. This long term license agreement strengthens the Group’s multi-brand strategy and helps solidify the Group’s leadership position in China’s sporting goods sector. The Directors also believe that the License Agreement will benefit the Group by lowering its operating costs and strengthening its bargaining power in the distribution channels of sporting goods.

As the applicable percentage ratios exceed 5% but are less than 25%, the transactions under the License Agreement, the Marketing Contribution Agreement and the Asset Purchase Agreement together constitute a discloseable transaction pursuant to Chapter 14 of the Listing Rules and are subject to the announcement and circular requirements under Chapter 14 of the Listing Rules. A circular containing further details of such agreements will be sent to the Shareholders as soon as practicable.

INTRODUCTION

The Board announces that on 31 July 2008, Li Ning Sports entered into the following agreements:

- (a) the License Agreement with Lotto Sport;
- (b) the Marketing Contribution Agreement with Lotto Sport; and
- (c) the Asset Purchase Agreement with Lotto (Nanjing), Lotto (Shanghai) and Lotto (China).

LICENSE AGREEMENT

Grant of license

On 31 July 2008, Lotto Sport as the licensor and Li Ning Sports as the licensee entered into the License Agreement, pursuant to which Lotto Sport agreed to grant Li Ning Sports an exclusive license to use the Lotto Trademarks in China in connection with the development, manufacture, marketing, advertising, promotion, distribution and sale of the Licensed Products in accordance with the License Agreement. The License will commence on 31 July 2008 and will expire on 31 December 2028, if not terminated earlier by either party pursuant to its terms.

The royalties payable by Li Ning Sports for each year commencing on 1 January 2009 shall be calculated according to percentages of the actual sales of the Licensed Products unless agreed otherwise by the parties in accordance with the terms of the License Agreement and are subject to a minimum amount for each year under the License Agreement. If the License Agreement is not terminated earlier by either party pursuant to its terms, the aggregate of the estimated minimum amounts of royalties payable by Li Ning Sports over the 20-year term commencing on 1 January 2009 is approximately RMB933,900,000 (approximately HK\$1,064,646,000). Li Ning Sports shall pay the minimum amounts of royalties for each year in four equal installments by way of cash on the last day of every quarter. Depending on the actual sales of the Licensed Products, any annual balance of the royalties payable shall be paid by Li Ning Sports within 30 days of 31 December of each year.

The method of calculating the royalties payable under the License Agreement was determined after arm's length negotiations between the parties to the agreement taking into account the brand reputation of "Lotto" and the sales targets as determined by the parties to the agreement and business plans as proposed by Li Ning Sports in relation to the Licensed Products.

Li Ning Sports shall pay Lotto Sport RMB15,000,000 (approximately HK\$17,100,000) as a one-off signing fee to be settled by way of cash within 60 days from the date of execution of the License Agreement, the amount of which was determined after arm's length negotiations between the parties to the agreement.

In accordance with the Company's accounting policy which follows the International Financial Reporting Standards, the License will be recorded by the Company as intangible asset at approximately RMB393,800,000 (approximately HK\$448,932,000), being the sum of the capitalised present values of the estimated minimum amounts of royalties payable by Li Ning Sports over the term of the License Agreement as at 1 January 2009 and the amount of the signing fee. The License is not revenue generating by itself as Li Ning Sports is not allowed to sub-license any right granted by Lotto Sport under the License Agreement without the prior written approval of Lotto Sport and resources will have to be deployed by Li Ning Sports to develop, manufacture, market, advertise, promote, distribute and sell the Licensed Products. The net profits attributable to the License for the past two financial years cannot be ascertained.

Material obligations

Li Ning Sports undertakes, among other things, to open and maintain a certain number of stores and counters, to pay minimum amounts of royalties, to achieve minimum sales targets and to deliver specific reports to Lotto Sport in accordance with the License Agreement.

MARKETING CONTRIBUTION AGREEMENT

On 31 July 2008, Li Ning Sports entered into the Marketing Contribution Agreement with Lotto Sport in conjunction with the License Agreement. In consideration of Li Ning Sports' agreement to enter into the License Agreement and to perform the marketing and public relations activities thereunder, Lotto Sport agreed to pay Li Ning Sports a total sum of RMB15,000,000 (approximately HK\$17,100,000) by way of cash in installments over three years from year 2009 to year 2011 as contribution to the marketing and public relations activities concerning the Lotto Trademarks and the Licensed Products. Such fixed sum was determined after arm's length negotiations between the parties to the agreement taking into account the business and marketing plans in relation to the Licensed Products, and will be credited to the Company's consolidated income statements in each of the three years upon receipt of the monies from Lotto Sport.

The Marketing Contribution Agreement shall commence on 31 July 2008 and continue until the said sum is fully paid by Lotto Sport to Li Ning Sports.

ASSET PURCHASE AGREEMENT

Assets, Inventory and goodwill of the Properties

On 31 July 2008, Lotto (Nanjing) and Lotto (Shanghai) as the Vendors, Li Ning Sports as the purchaser and Lotto (China) as the guarantor entered into the Asset Purchase Agreement. The Asset Purchase Agreement was signed in conjunction with the License Agreement. Pursuant to such

agreement, the Vendors agreed to sell to Li Ning Sports the Assets, the Inventory and the goodwill of the Properties at a maximum total consideration of RMB25,000,000 (approximately HK\$28,500,000) which shall be satisfied by Li Ning Sports by way of cash in installments on and shortly after Completion. The maximum total consideration is the aggregate amount of (a) a fixed sum of RMB5,000,000 (approximately HK\$5,700,000) which is the value of the Assets and the goodwill of the Properties determined by the parties to the agreement at the date of execution of the agreement; and (b) an amount which is equal to the value of the Inventory determined jointly by the parties in accordance with the terms of the Asset Purchase Agreement after inspection and stock taking of the Inventory and capped at RMB20,000,000 (approximately HK\$22,800,000). If the value of the Inventory exceeds RMB20,000,000, the consideration payable for the Inventory will be equal to RMB20,000,000. The cut-off date for determining the amount of the Inventory to be acquired by Li Ning Sports is on or about 31 August 2008 which is immediately after the completion of the inspection and stock taking of the Inventory. The maximum total consideration is determined after arm's length negotiations between the parties to the agreement taking into account the market environment, the goodwill of the Properties and the value of the Assets and the Inventory determined jointly by the parties to the agreement.

The goodwill of the Properties represents mainly the possible benefits which could be generated from the location of the Properties. The Properties are sales counters in department stores located in Beijing and Shanghai, the PRC, which are ready to be used by Li Ning Sports as point of sales of the Licensed Products.

The Properties are owned by third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. The Vendors hold or occupy the Properties under the Leases and use the Properties as points of sale for distributing, marketing or selling sporting products bearing the trademark "Lotto". On or before Completion, the Vendors shall assign or shall use reasonable endeavours to procure the assignment or novation of the Leases.

There is no specific provision in the Asset Purchase Agreement to prohibit termination of the Leases. In determining the consideration payable for the goodwill of the Properties, Li Ning Sports has taken into account the fact that the Leases can be terminated before the expiry of their terms. The Directors take the view that the chance of all the Leases being terminated before the expiry of their terms is remote. In case any of the Leases is terminated in accordance with its terms and conditions, Li Ning Sports can negotiate with the relevant landlord for a new agreement.

In the Company's consolidated financial statements, the Inventory will be recorded at cost of acquisition while the Assets and the goodwill of the Properties will be recorded as non-current asset at cost of acquisition.

Since each of the Assets, the Inventory and the goodwill of the Properties are not revenue generating by itself, the net profits attributable to them for the past two financial years cannot be ascertained.

Guarantee by Lotto (China)

In consideration of Li Ning Sports entering into the Asset Purchase Agreement, Lotto (China) guarantees to Li Ning Sports the due and punctual performance by each Vendor of all its obligations, warranties and indemnities given under the Asset Purchase Agreement.

INFORMATION OF THE COMPANY, LOTTO SPORT, LOTTO (CHINA), LOTTO (NANJING) AND LOTTO (SHANGHAI)

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

Lotto Sport, Lotto (China), Lotto (Nanjing) and Lotto (Shanghai)

Lotto Sport is principally engaged in research and development, sourcing and quality control activities in support of Lotto Sport Italia and Lotto Sport Italia's licensees worldwide. It is the owner of the Lotto Trademarks in China, Hong Kong and Macau and is ultimately beneficially owned by Lotto Sport Italia. It holds the entire issued share capital in Lotto (China).

Lotto (China) is principally engaged in the sales and marketing of products bearing the trademarks "Lotto" in Hong Kong and Macau. It holds the entire equity interest in each of Lotto (Nanjing) and Lotto (Shanghai).

Lotto (Nanjing) is principally engaged in the design, research and development, sourcing, distribution and marketing of products bearing the trademarks "Lotto" in China.

Lotto (Shanghai) is principally engaged in the retailing of products bearing the trademarks "Lotto" in China.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lotto Sport, Lotto (China), Lotto (Nanjing) and Lotto (Shanghai) and their ultimate beneficial owner are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The trademark "Lotto" is a well known Italian sports brand with famous Italian design and world class sports marketing resources focused on soccer and tennis. In line with the Group's multi-brand strategy, the Directors consider that the License Agreement will strengthen the Group's product offering and market position in the fast growing sports fashion sector in China. This long term license agreement strengthens the Group's multi-brand strategy and helps solidify the Group's leadership position in

China's sporting goods sector. The Directors also believe that the License Agreement will benefit the Group by lowering its operating costs and strengthening its bargaining power in the distribution channels of sporting goods.

The Marketing Contribution Agreement and the Asset Purchase Agreement are ancillary agreements to and were signed in conjunction with the License Agreement. The reasons for and the benefits of entering into these agreements as a whole are set out above.

The License Agreement, the Marketing Contribution Agreement and the Asset Purchase Agreement were negotiated and entered into in accordance with customary business practice of sports brand licensing industry. The Directors are of the view that the License Agreement, the Marketing Contribution Agreement and the Asset Purchase Agreement and the transactions contemplated therein are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

As the applicable percentage ratios exceed 5% but are less than 25%, the transactions under the License Agreement, the Marketing Contribution Agreement and the Asset Purchase Agreement together constitute a discloseable transaction pursuant to Chapter 14 of the Listing Rules and are subject to the announcement and circular requirements under Chapter 14 of the Listing Rules.

A circular containing further details of the said agreements will be sent to the Shareholders as soon as practicable.

DEFINITIONS

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

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| “Asset Purchase Agreement” | the agreement dated 31 July 2008 entered into among Li Ning Sports, Lotto (Nanjing), Lotto (Shanghai) and Lotto (China) |
| “Assets” | the fixtures and fittings, including equipment and machinery, affixed to the Properties located at the relevant Vendor's points of sale |
| “Board” | the board of Directors |
| “China” or “PRC” | the People's Republic of China which excludes, for the purpose of this announcement only, Hong Kong, Macau and Taiwan |
| “Company” | Li Ning Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange |
| “Completion” | completion of the Asset Purchase Agreement |
| “Directors” | the directors of the Company |

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| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Inventory” | all finished products (being sport and leisure footwear, apparel and accessories) owned by the Vendors and stored in the relevant Vendor’s warehouse in Nanjing and the relevant Vendor’s points of sale |
| “Leases” | all the leases, sub-leases, tenancy agreements, sub-tenancy agreements, licenses or other documents granted to the Vendors or pursuant to which the Vendors hold or occupy the Properties |
| “License” | the license granted by Lotto Sport to Li Ning Sports under the License Agreement |
| “License Agreement” | the license agreement dated 31 July 2008 entered into between Li Ning Sports and Lotto Sport |
| “Licensed Products” | the sports and leisure footwear, apparel and accessories as specified under the License Agreement, and such collections of products as may be agreed upon in writing by the parties thereto pursuant to the terms and conditions of the License Agreement |
| “Li Ning Sports” | 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Co., Ltd.), a limited liability company established under the laws of 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 |
| “Lotto (China)” | Lotto China Limited, a company incorporated in Hong Kong |
| “Lotto (Nanjing)” | 樂途(南京)服飾有限公司 (Lotto (Nanjing) Garment Co. Ltd.), a wholly foreign owned enterprise established under the laws of the PRC |
| “Lotto (Shanghai)” | 樂途(上海)商貿有限公司 (Lotto (Shanghai) Co. Ltd.), a company established under the laws of the PRC |
| “Lotto Sport” | Lotto Sport H.K. Limited, a company incorporated in Hong Kong which is ultimately beneficially owned by Lotto Sport Italia |
| “Lotto Sport Italia” | Lotto Sport Italia S.p.A., a corporation established under the laws of Italy |

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| “Lotto Trademarks” | the trademark registration and applications for registration, trade names and logos concerning the word and/or device of “Lotto” as set out in the License Agreement, and any further registration, applications for registration of such word, logo and/or device as may be agreed upon in writing by the parties thereto pursuant to the terms and conditions of the License Agreement. The Lotto Trademarks do not include the trademarks and logos concerning “Leggenda”, “Lotto Leggenda” and “Lotto Works” and these are not licensed |
| “Macau” | the Macau Special Administrative Region of the PRC |
| “Marketing Contribution Agreement” | the marketing contribution agreement dated 31 July 2008 entered into between Li Ning Sports and Lotto Sport |
| “Properties” | the 18 sales counters in the department stores located in Beijing and Shanghai and occupied by the Vendors as set out in the Asset Purchase Agreement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholders” | the shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Vendors” | collectively, Lotto (Nanjing) and Lotto (Shanghai), and each a “Vendor” |

Notes:

- (1) *In the event that the Chinese names of the PRC entities mentioned in this announcement are inconsistent with their respective English translations, the Chinese version shall prevail.*
- (2) *In this announcement, the exchange rate of RMB1.00 to HK\$1.14 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, 31 July 2008

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, Mr. Stuart Schonberger, Mr. Chu Wah Hui and Mr. James Chun-Hsien Wei. The independent non-executive directors are Mr. Koo Fook Sun, Louis, Ms. Wang Ya Fei, Jane and Mr. Chan Chung Bun, Bunny.