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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
AND
CONNECTED TRANSACTION

Sale Transactions, Purchase Transactions and Guarantee

Since the Completion Date, Double Happiness, a non-wholly owned subsidiary of the Company, has entered into the Sale Transactions and the Purchase Transactions with the DHSG Group Members, which are connected persons of the Company. During the preparation of the consolidated accounts of the Company for the year ended 31 December 2008, the Directors note that for the period between the Completion Date and 31 December 2008, (a) the aggregate revenue generated from the Sale Transactions was approximately RMB2,695,200, which did not exceed the de minimis threshold under Rule 14A.33 of the Listing Rules, (b) the aggregate expenditure incurred by the Purchase Transactions was approximately RMB20,872,000, and (c) Double Happiness provided the Guarantee for the benefit of Ma Li, a connected person of the Company, in respect of a banking facility of RMB5,400,000 in principal. The applicable percentage ratios in respect of the Purchase Transactions have exceeded the de minimis threshold under Rule 14A.33 of the Listing Rules but below 2.5%. Therefore, the Purchase Transactions constitute continuing connected transactions under Rule 14A.34 of the Listing Rules which are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement. The provision of the Guarantee constitutes a connected transaction for the Company under Rule 14A.13(3) of the Listing Rules. As the applicable percentage ratios represented by the amount of guarantee exceed 0.1% but below 2.5%, the provision of the Guarantee is subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement pursuant to Rule 14A.66(2) of the Listing Rules. The Company therefore makes this announcement to comply with the announcement requirement.

Comprehensive Products Framework Agreements

To regulate the Sale Transactions and the Purchase Transactions, on 13 March 2009, Double Happiness entered into the Comprehensive Products Framework Agreements with the DHSG Group Members. Each of the Comprehensive Products Framework Agreements is of substantially the same terms and conditions, pursuant to which:

- (a) the Double Happiness Group may sell to the relevant DHSG Group Member products that the relevant DHSG Group Member may require for its business operation and production; and
- (b) the relevant DHSG Group Member may sell to the Double Happiness Group products that the Double Happiness Group may require for its business operation and production.

Annual Caps

As the Sale Transactions and the Purchase Transactions have continued and have been entered into in the ordinary and usual course of the Group's business on normal commercial terms and on terms that are fair and reasonable and in the interests of the Shareholders as a whole, the Directors considered that it would not be practical to make disclosure for every transaction as it arises. As the applicable percentage ratios for the annual caps for the three financial years ending 31 December 2011 in respect of each of (i) the Sale Transactions and (ii) the Purchase Transactions exceed 0.1% but are less than 2.5%, these transactions are subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules and are exempt from independent shareholders' approval requirement. Therefore, the Company makes this announcement on its plans for the three financial years ending 31 December 2011 with respect to the Sale Transactions and the Purchase Transactions to fulfill its announcement obligation.

DOUBLE HAPPINESS AND CONNECTED PERSONS

On the Completion Date, the Group completed the acquisition of 57.5% equity interest in Double Happiness. As a result, Double Happiness has become an indirect non-wholly owned subsidiary of the Company.

Since DHSG holds 33% equity interest in Double Happiness, DHSG and its associates are the Company's connected persons under Rule 14A.11 of the Listing Rules.

Since DHSG holds more than 30% equity interests in Hwa Hing, Nittaku and Ma Li, each of Hwa Hing, Nittaku and Ma Li is an associate of DHSG and therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Sale Transactions

Since the Completion Date, Double Happiness has entered into the following Sale Transactions, which constitute continuing connected transactions:

- (1) provision of raw materials and semi-finished table tennis rackets by Double Happiness to Hwa Hing; and
- (2) provision of finished table tennis equipments by Double Happiness to Nittaku.

Purchase Transactions

Since the Completion Date, Double Happiness has entered into the following Purchase Transactions, which constitute continuing connected transactions:

- (1) provision of finished table tennis rackets by Hwa Hing to Double Happiness;
- (2) provision of finished table tennis apparels by Nittaku to Double Happiness; and
- (3) provision of badminton equipment by DHSG to Double Happiness.

Transaction Figures in 2008 and Listing Rules Implications

During the preparation of the consolidated accounts of the Company for the year ended 31 December 2008, the Directors note that for the period between the Completion Date and 31 December 2008, (a) the aggregate revenue generated from the Sale Transactions was approximately RMB2,695,200, which did not exceed the de minimis threshold under Rule 14A.33 of the Listing Rules, and (b) the aggregate expenditure incurred by the Purchase Transactions was approximately RMB20,872,000. The applicable percentage ratios in respect of the Purchase Transactions have exceeded the de minimis threshold under Rule 14A.33 of the Listing Rules but below 2.5%. Therefore, the Purchase Transactions constitute continuing connected transactions under Rule 14A.34 of the Listing Rules which are subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement. The Company therefore makes this announcement to comply with the announcement requirement.

The consideration for the Sale Transactions and the Purchase Transactions in 2008 was determined with reference to the technology level of the products and the market prices and payments were made in cash on normal credit terms.

Comprehensive Products Framework Agreements

To regulate the Sale Transactions and the Purchase Transactions, on 13 March 2009, Double Happiness entered into the Comprehensive Products Framework Agreements with the DHSG Group Members. Each of the Comprehensive Products Framework Agreements is of substantially the same terms and conditions, pursuant to which:

- (a) the Double Happiness Group may sell to the relevant DHSG Group Member products that the relevant DHSG Group Member may require for its business operation and production; and
- (b) the relevant DHSG Group Member may sell to the Double Happiness Group products that the Double Happiness Group may require for its business operation and production.

The transactions under the Comprehensive Products Framework Agreements will be conducted on normal commercial terms and conditions which shall not be less favorable than those offered to independent third parties and priced in accordance with the following pricing principles:

- (i) price prescribed by the PRC Government (including the local government in the PRC);
- (ii) where there is no government-prescribed price but there is a government guidance price, at a price not higher than the guidance price set by the PRC Government; and
- (iii) where there is neither a government-prescribed price nor a government guidance price, the market price.

The term of each of the Comprehensive Products Framework Agreements takes effect on 1 January 2009 and will expire on 31 December 2011, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The parties to the Comprehensive Products Framework Agreements have the option to retain independent third parties for, or provide independent third parties with, the products covered by the agreements.

The parties to the Comprehensive Products Framework Agreements may, from time to time when the situation requires, enter into separate agreements which will set out the specific products and terms for sale and purchase of such products, based on normal commercial terms and subject to the provisions of the Comprehensive Products Framework Agreements and the relevant laws and regulations (including but not limited to the Listing Rules).

Annual Caps for 2009, 2010 and 2011 and Listing Rules Implications

The annual caps for the three financial years ending 31 December 2011 are as follows:

Transactions	For the year ending 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Revenue			
1. Provision of raw materials and semi-finished table tennis rackets by Double Happiness to Hwa Hing	4,800	6,000	7,500
2. Provision of finished table tennis equipments by Double Happiness to Nittaku	3,600	4,700	6,100
Sub-total	8,400	10,700	13,600
Expenditure			
3. Provision of finished table tennis rackets by Hwa Hing to Double Happiness	12,000	14,000	16,000
4. Provision of finished table tennis apparels by Nittaku to Double Happiness	800	1,000	1,200
5. Provision of badminton equipment by DHSG to Double Happiness	20,000	N/A (Note)	N/A (Note)
Sub-total	32,800	15,000	17,200

Note: Starting from 1 July 2009, Double Happiness will cease purchasing badminton equipment from DHSG. Double Happiness will purchase such products directly from manufacturers.

The annual caps are determined by reference to historical transaction figures for the year ended 31 December 2008 and projection of future transaction volumes which is in line with expected future business needs and growth.

As the Sale Transactions and the Purchase Transactions have continued and have been entered into in the ordinary and usual course of the Group's business on normal commercial terms and on terms that are fair and reasonable and in the interests of the Shareholders as a whole, the Directors considered that it would not be practical to make disclosure for every transaction as it arises. As the applicable percentage ratios for the annual caps for the three financial years ending 31 December 2011 in respect of each of (i) the Sale Transactions and (ii) the Purchase Transactions exceed 0.1% but are less than 2.5%, these transactions are subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules and are exempt from independent shareholders' approval requirement. Therefore, the Company makes this announcement on its plans for the three financial years ending 31 December 2011 with respect to the Sale Transactions and the Purchase Transactions to fulfill its announcement obligation.

CONNECTED TRANSACTION — PROVISION OF GUARANTEE

During the preparation of the consolidated accounts of the Company for the year ended 31 December 2008, the Directors note that Double Happiness, as guarantor, provided the Guarantee for the benefit of Ma Li, the principal terms and conditions of which are as follows:

Date:	22 July 2008
Borrower:	Ma Li
Lender:	Industrial and Commercial Bank of China, Shanghai City Chang Ning Branch (the "Lender")
Guarantor:	Double Happiness
Purpose:	To guarantee Ma Li's obligations under a banking facility of RMB5,400,000 in principal granted by the Lender to Ma Li, including the principal amount, interests, damages and costs incurred in enforcing the Lender's rights under the banking facility. The banking facility is for a period of one year from 22 July 2008 to 22 July 2009.
Duration of the Guarantee:	For a period of two years starting from 23 July 2009 or the day after the date on which the Lender demands early repayment of the indebtedness.

The provision of Guarantee by Double Happiness for the benefit of Ma Li constitutes a connected transaction for the Company under Rule 14A.13(3) of the Listing Rules. As the applicable percentage ratios represented by the amount of guarantee exceed 0.1% but below 2.5%, the provision of the Guarantee is subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement pursuant to Rule 14A.66(2) of the Listing Rules. The Company therefore makes this announcement to comply with the announcement requirement.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE CONNECTED TRANSACTION

Continuing Connected Transactions

The Directors confirm that the Sale Transactions, the Purchase Transactions and the transactions under the Comprehensive Products Framework Agreements are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the products involved in these transactions are required for the daily operation and business of the parties to the continuing connected transactions.

The Directors consider that by entering into such transactions, Double Happiness is able to secure a steady source of supply of finished table tennis rackets, table tennis apparel and badminton equipments and leverage on the technical know-how and expertise of staff in connection with the production of these products.

Connected Transaction

The Guarantee was provided as a result of a cross guarantee arrangement between Double Happiness and Ma Li. Ma Li, as guarantor, has provided a guarantee for the benefit of Double Happiness, as borrower, on normal commercial terms, in respect of Double Happiness's obligations under a banking facility made available by an independent financial institution in the PRC for working capital purpose of Double Happiness. No security of the Group is granted in respect of such guarantee provided by Ma Li and therefore such guarantee is exempt under Rule 14A.65(4) of the Listing Rules from reporting, announcement and independent shareholders' approval requirements.

Double Happiness will not renew the Guarantee provided for the benefit of Ma Li and Ma Li will not renew the existing guarantee provided for the benefit of Double Happiness.

OPINION OF THE DIRECTORS

Continuing Connected Transactions

The Directors (including independent non-executive Directors) confirm that the Sale Transactions, the Purchase Transactions, and the Comprehensive Products Framework Agreements and the transactions contemplated thereunder have been entered into in the ordinary and usual courses of business of the Group, on normal commercial terms, and consider that the terms of these transactions are fair and reasonable and in the interests of the Shareholders as a whole.

Connected Transaction

The Directors (including independent non-executive Directors) consider the terms of the Guarantee to be on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL

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 footwear, apparel, accessories and equipment for sports and leisure use.

Double Happiness

Double Happiness is principally engaged in research and development, manufacturing, promotion and distribution of table tennis and badminton equipments under its own brand.

Connected Persons

DHSG is principally engaged in production and trading of sports equipment, musical instruments, fitness and leisure products, sports boats and yachts.

Hwa Hing is principally engaged in manufacturing and sale of table tennis rackets and related materials and products.

Nittaku is principally engaged in manufacturing, sale, import and export of table tennis equipment.

Ma Li is principally engaged in production and sale of oil for water colour paintings and oil paintings and other painting materials.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Completion Date”	21 July 2008, being the date on which the Group completed the acquisition of 57.5% equity interest in Double Happiness
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Comprehensive Products Framework Agreements”	collectively, the three comprehensive products framework agreements entered into by Double Happiness with each of DHSG, Hwa Hing and Nittaku which are all dated 13 March 2009 and each a “Comprehensive Products Framework Agreement”

“Director(s)”	the directors of the Company
“Double Happiness”	上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.), a limited liability company established in the PRC and a 57.5%-owned subsidiary of the Group
“Double Happiness Group”	Double Happiness and its subsidiaries
“DHSG”	上海紅雙喜（集團）有限公司 (Shanghai Double Happiness (Group) Co., Ltd.), a limited liability company established in the PRC which holds 33% equity interest in Double Happiness
“DHSG Group”	DHSG, Hwa Hing and Nittaku, each a “DHSG Group Member”
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee dated 22 July 2008 provided by Double Happiness in respect of Ma Li’s obligations under the banking facility as more particularly described under the paragraph headed “Connected Transaction – Provision of Guarantee” above
“Hwa Hing”	上海華興體育器材有限公司 (Shanghai Hwa Hing Sport Product Co., Ltd.), a limited liability company established in the PRC whose 50% equity interest is held by DHSG
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ma Li”	上海實業馬利畫材有限公司 (Shanghai SIIC Marie Painting Materials Co., Ltd.), a limited liability company established in the PRC whose 49% equity interest is held by DHSG
“Nittaku”	上海雙喜日卓兵兵器材有限公司 (Shanghai Double Happiness Nittaku Table Tennis Equipment Co., Ltd.), a limited liability company established in the PRC whose 50% equity interest is held by DHSG
“PRC”	the People’s Republic of China
“Purchase Transactions”	collectively, the purchase transactions entered into between Double Happiness, as purchaser, and Hwa Hing, Nittaku and DHSG, each as a supplier, and more particularly described under the paragraph headed “Purchase Transactions” above
“RMB”	Renminbi yuan, the lawful currency of the PRC

“Sale Transactions” collectively, the sale transactions entered into between Double Happiness, as supplier, and Hwa Hing and Nittaku, each as a purchaser, and more particularly described under the paragraph headed “Sale Transactions” above

“Shareholders” the shareholders of the Company

“subsidiaries” has the meaning ascribed to it under the Listing Rules

“%” per cent

By order of the board of directors of
Li Ning Company Limited
Li Ning
Chairman

Hong Kong, 13 March 2009

As at the date of this announcement, the executive directors of the Company are Mr. Li Ning, Mr. Zhang Zhi Yong and Mr. Chong Yik Kay. 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 and Mr. Chan Chung Bun, Bunny.