

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 20% EQUITY INTEREST IN** **AN INDIRECT NON WHOLLY-OWNED SUBSIDIARY**

EQUITY TRANSFER AGREEMENT

The Board announces that on 5 November 2009, Double Happiness, an indirect non wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Daoboer, pursuant to which Double Happiness has agreed to acquire and Daoboer has agreed to sell 20% equity interest in Suzhou DHS for a consideration of RMB6,419,800. Suzhou DHS is an indirect non wholly-owned subsidiary of the Company. As at the date of this announcement, Double Happiness and Daoboer are interested in 55% and 45% of the equity interest in Suzhou DHS, respectively. Immediately following completion of the Equity Transfer Agreement, Double Happiness and Daoboer will be interested in 75% and 25% of the equity interest in Suzhou DHS, respectively.

Daoboer is a substantial shareholder of Suzhou DHS and thus a connected person of the Company under the Listing Rules. Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 0.1% but is less than 2.5%, the Acquisition constitutes a connected transaction under Rule 14A.32(1) of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under the Listing Rules.

CAPITAL INJECTION

Pursuant to the articles of association of Suzhou DHS to be amended and approved by Double Happiness and Daoboer as a result of the entering into the Equity Transfer Agreement, Double Happiness and Daoboer propose to make capital injection into Suzhou DHS by way of cash in the amount of RMB4,081,650 and RMB1,360,550, respectively, after completion of the Equity Transfer Agreement, thereby increasing the total registered capital of Suzhou DHS from RMB9,557,800 to RMB15,000,000.

Since the proposed capital injection is in proportion to the equity interest in Suzhou DHS after completion of the Equity Transfer Agreement, the proposed capital injection to be made by Daoboer is exempt from the announcement, reporting and independent shareholders' approval requirements under Rule 14A.31(3)(a) of the Listing Rules.

INTRODUCTION

On 5 November 2009, Double Happiness, an indirect non wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Daoboer, pursuant to which Double Happiness has agreed to acquire and Daoboer has agreed to sell 20% equity interest in Suzhou DHS for a consideration of RMB6,419,800.

Suzhou DHS is an indirect non wholly-owned subsidiary of the Company. As at the date of this announcement, Double Happiness and Daoboer are interested in 55% and 45% of the equity interest in Suzhou DHS, respectively. Immediately following completion of the Equity Transfer Agreement, Double Happiness and Daoboer will be interested in 75% and 25% of the equity interest in Suzhou DHS, respectively.

EQUITY TRANSFER AGREEMENT

Date

5 November 2009

Parties

- (1) Double Happiness, as purchaser; and
- (2) Daoboer, as seller

Consideration

The total consideration payable by Double Happiness to Daoboer for the Acquisition is RMB6,419,800, which will be satisfied by way of cash within 15 days after the effective date of the Equity Transfer Agreement. Double Happiness will fund the consideration by internal resources.

The consideration was determined after arm's length negotiations between Double Happiness and Daoboer by reference to the appraised net asset value of Suzhou DHS attributable to the 20% equity interest as at 30 June 2009 as shown in an asset appraisal report issued by an independent valuer in the PRC. The appraised net asset value of Suzhou DHS as at 30 June 2009 in the amount of approximately RMB32,099,000 was computed based on the market value of the assets. The unaudited book value of the net assets of Suzhou DHS as at 30 June 2009 amounted to approximately RMB14,432,000.

Completion

Daoboer will transfer its 20% equity interest in Suzhou DHS to Double Happiness upon the payment of the consideration by Double Happiness. Completion of the Equity Transfer Agreement shall take place on completion of the change of registration at the Administration of Industry and Commerce in the PRC in relation to the Acquisition.

Listing Rules Implications

Daoboer is a substantial shareholder of Suzhou DHS and thus a connected person of the Company under the Listing Rules. Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 0.1% but is less than 2.5%, the Acquisition constitutes a connected transaction under Rule 14A.32(1) of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under the Listing Rules.

CAPITAL INJECTION

Capital Injection

Pursuant to the articles of association of Suzhou DHS to be amended and approved by Double Happiness and Daoboer as a result of the entering into the Equity Transfer Agreement, Double Happiness and Daoboer propose to make capital injection into Suzhou DHS by way of cash in the amount of RMB4,081,650 and RMB1,360,550, respectively, after completion of the Equity Transfer Agreement, thereby increasing the total registered capital of Suzhou DHS from RMB9,557,800 to RMB15,000,000.

Listing Rules Implications

Since the proposed capital injection is in proportion to the equity interest in Suzhou DHS after completion of the Equity Transfer Agreement, the proposed capital injection to be made by Daoboer is exempt from the announcement, reporting and independent shareholders' approval requirements under Rule 14A.31(3)(a) of the Listing Rules.

FINANCIAL INFORMATION

The audited net profit (before and after taxation and extraordinary items) of Suzhou DHS for the financial years ended 31 December 2007 and 31 December 2008, which were prepared in accordance with generally accepted accounting principles in the PRC, are as follows:

	For the year ended 31 December 2007 (approximately RMB)	For the year ended 31 December 2008 (approximately RMB)
Audited net profit (before taxation and extraordinary items)	5,383,600	9,596,200
Audited net profit (after taxation and extraordinary items)	3,535,600	7,137,600

The audited net asset value of Suzhou DHS as at 31 December 2008 amounted to approximately RMB18,893,000.

REASONS FOR AND BENEFIT OF THE ACQUISITION AND CAPITAL INJECTION

Suzhou DHS is principally engaged in the manufacturing of table tennis equipment and related sporting goods and is the major manufacturing base of the table tennis equipment of Double Happiness brand. In light of the growing production role of Suzhou DHS to Double Happiness brand, it is in the interest of the Company's shareholders as a whole for Double Happiness to increase its equity interest in Suzhou DHS.

The proposed capital injection into Suzhou DHS to be made by Double Happiness and Daoboer is for the expansion of production capacity of Suzhou DHS.

OPINION OF THE DIRECTORS

The Board (including the independent non-executive Directors) considers the terms of the Equity Transfer Agreement to be on normal commercial terms, fair and reasonable, and in the interests of the Company's 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.

Suzhou DHS

Suzhou DHS is principally engaged in the manufacturing of table tennis equipment and related sporting goods.

Double Happiness

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

Daoboer

The principal business activity of Daoboer is investment holding.

DEFINITIONS

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

“Acquisition”	the acquisition of the 20% equity interest held by Daoboer in Suzhou DHS pursuant to the Equity Transfer Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Daoboer”	吳江道勃爾體育用品有限公司 (Wujiang Daoboer Sports Equipment Co., Ltd.), a limited liability company established in the PRC
“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
“Equity Transfer Agreement”	the equity transfer agreement entered into between Double Happiness and Daoboer on 5 November 2009 in respect of the Acquisition
“Group”	the Company and its subsidiaries

“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
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Suzhou DHS”	蘇州紅雙喜冠都體育用品有限公司 (Suzhou Double Happiness Guan Du Sports Goods Co., Ltd.), a limited liability company established in the PRC and a 55%-owned subsidiary of Double Happiness
“%”	per cent

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

Hong Kong, 5 November 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.