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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, certified public accountant or other professional advisers.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. Neither the Registrar of Companies in Hong Kong nor the Stock Exchange nor the SFC take any responsibility as to the contents of this prospectus.

The Convertible Securities are not listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the Convertible Securities on the Stock Exchange or any other stock exchange. No application will be made for the admissibility, deposit, clearance or settlement of the Convertible Securities in CCASS. No transfer, clearing or settlement services will be provided by HKSCC in respect of the Convertible Securities. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares to be issued upon the exercise of the Conversion Rights. Subject to the granting of listing of, and permission to deal in, the Conversion Shares on the Stock Exchange, the Conversion Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Conversion Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

This prospectus does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States or other jurisdiction. The securities are being offered and sold outside the United States in reliance on Regulation S under the Securities Act and may not be offered, sold or otherwise transferred within the United States absent registration or an exemption from registration under the Securities Act. No public offering of the securities or the guarantee of the securities will be made in the United States or in any other jurisdiction where such an offering is restricted or prohibited.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, 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 prospectus.

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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)

### PROPOSED OPEN OFFER OF CONVERTIBLE SECURITIES IN THE PRINCIPAL AMOUNT OF APPROXIMATELY HK\$1,847.8 MILLION ON THE BASIS OF THE CONVERTIBLE SECURITIES IN THE PRINCIPAL AMOUNT OF HK\$3.50 FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

Underwriters to the Open Offer



Joint financial advisers to the Company



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Terms used in this cover page have the same meanings as defined in this prospectus.

The latest time for acceptance of and payment for the Convertible Securities and application for excess Convertible Securities is 4:00 p.m. on Monday, 15 April 2013. The procedure for acceptance of and payment for the Convertible Securities and application for excess Convertible Securities are set out in the paragraphs headed "Procedures for acceptance of and payment for the Convertible Securities" and "Application for excess Convertible Securities" on page 18 and pages 19 to 20 respectively of this prospectus.

The Open Offer is conditional upon, inter alia, the fulfillment and/or waiver of the conditions set out under the paragraphs headed "Conditions of the Open Offer and the Underwriting Agreements" and "Termination of the Underwriting Agreements" in this prospectus. If the Underwriters terminate the Underwriting Agreements, or if any of the conditions of the Open Offer is not fulfilled and/or waived, the Open Offer will not proceed. Any dealings in the Shares up to the date on which all conditions of the Open Offer are fulfilled (which is expected to be on Tuesday, 16 April 2013) and/or waived will accordingly bear the risk that the Underwriting Agreements may not become unconditional and the Open Offer may not proceed. Any Shareholders or other persons contemplating dealing in the Shares are recommended to consult their own professional advisers. Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Friday, 15 March 2013 and that dealings in the Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholder or other person contemplating dealing in Shares during such period are recommended to consult their own professional advisers.

27 March 2013

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## EXPECTED TIMETABLE

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Set out below is an indicative timetable for the implementation of the Open Offer. The timetable below is indicative only and is subject to change as agreed by the Company and the Underwriters pursuant to the Underwriting Agreements. The Company will notify Shareholders of any change to the expected timetable as and when appropriate.

Event	Time and date
	<b>2013</b>
Record date for entitlement to the Open Offer . . . . .	Tuesday, 19 March
Register of members re-opened . . . . .	Thursday, 21 March
Prospectus Documents despatched on . . . . .	Wednesday, 27 March
Acceptance period of the Open Offer commences . . . . .	Thursday, 28 March
Latest time for acceptance of and payment for the Convertible Securities and application for excess Convertible Securities . . . . .	4:00 p.m. on Monday, 15 April
Latest Time for Termination and the Open Offer becomes unconditional . . . . .	5:00 p.m. on Tuesday, 16 April
Announcement of allotment results of the Open Offer . . . . .	Thursday, 18 April
Certificates of the Convertible Securities to be posted on . . . . .	Monday, 22 April
Refund cheques in respect of wholly or partially unsuccessful application for excess Convertible Securities to be posted on or before . . . . .	Monday, 22 April

All times and dates in this prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be varied by agreement between the Company and the Underwriters. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE CONVERTIBLE SECURITIES AND APPLICATION FOR EXCESS CONVERTIBLE SECURITIES**

The latest time for acceptance of and payment for the Convertible Securities and application for excess Convertible Securities will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Convertible Securities and application for excess Convertible Securities will be extended to 5:00 p.m. on the same Business Day; and
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Convertible Securities and application for excess Convertible Securities will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Convertible Securities and application for excess Convertible Securities does not take place at 4:00 p.m. on the Final Acceptance Date, the dates in the expected timetable above may be affected. The Company will notify the Shareholders by way of an announcement on any change to the expected timetable as soon as practicable.

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## TERMINATION OF THE UNDERWRITING AGREEMENTS

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Each of the Underwriters is entitled to terminate its respective Underwriting Agreement by notice in writing given by the relevant Underwriter to the Company at any time prior to the Latest Time for Termination if the obligations of the Underwriter under the relevant Underwriting Agreement have not ceased and there has developed, occurred, existed or come into effect:

- (a) any moratorium, suspension of or material restriction on trading in securities generally on the Stock Exchange, the New York Exchange or NASDAQ; or
- (b) there is any suspension in trading of the Shares on the Stock Exchange for a continuous period of 10 business days (other than suspension resulting from the Open Offer or the transactions contemplated under the Underwriting Agreements); or
- (c) permission to deal in and listing of the Conversion Shares has been withdrawn by the Stock Exchange; or
- (d) the Company is in breach of any of its obligations under each of the Underwriting Agreements which is material in the context of the Open Offer.

Upon termination of the Underwriting Agreements, all obligations and liabilities of the Underwriters under the Underwriting Agreements shall cease, and no party to the Underwriting Agreements shall have any claim against the other party in respect of anything arising out of or in connection with Underwriting Agreements, subject to certain limitations as set out in the Underwriting Agreements.

**If any of the Underwriting Agreements is terminated by the relevant Underwriter on or before the Latest Time for Termination or does not become unconditional, the Open Offer will not proceed. The obligations of the Underwriters thereunder shall terminate forthwith and no party will have any claim against any other for costs, damages, compensation or otherwise.**

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## FORWARD-LOOKING STATEMENTS

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All statements in this Prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this Prospectus include, without limitation, statements in respect of the Group’s business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this Prospectus are based on management’s present expectations about future events. Management’s present expectations reflect numerous assumptions regarding the Group’s strategies, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group’s actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this Prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the Latest Practicable Date. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this Prospectus, be it as a result of new information, future events or otherwise.

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## DEFINITIONS

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*In this prospectus, the following expressions shall have the following meanings unless the context requires otherwise:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Affiliates”	(i) in relation to a natural person, any trust managed by such person, or any trust in which such person is beneficially interested in, or an associate (as defined in the Listing Rules) of such person, (ii) in relation to a body corporate, any subsidiary or holding company of such body corporate, any subsidiary of any such holding company for the time being and (iii) in relation to any partnership or other fund structure, any other person which through share ownership or through any other arrangement directly or indirectly controlling or controlled by or under direct or indirect common control with, such partnership or other fund structure
“Alpha Talent”	Alpha Talent Management Limited, a company incorporated in BVI and a holder of approximately 0.17% shareholding interest in the Company as at the Latest Practicable Date
“Amendment Deeds”	(i) the deed of amendment dated 23 January 2013 entered into between the Company and TPG to effect the amendments to the TPG Subscription Agreement and the TPG Convertible Bonds; and (ii) the deed of amendment dated 23 January 2013 entered into between the Company and the GIC Investor to effect the amendments to the GIC Subscription Agreement and the GIC Convertible Bonds both in relation to, among other things, reset of the initial CB Conversion Price from HK\$7.74 per CB Conversion Share to HK\$4.5 per CB Conversion Share, inclusion of an additional condition for the transfer of the Convertible Bonds or the CB Conversion Shares after the initial 6-month lock up period from 8 February 2012, removal of certain restrictions relating to fund-raising activities and connected transactions of the Company, amendment to the term relating to certain restrictions on trading activities of the Company, inclusion of an exception to certain restrictions on borrowing by the Company and removal of certain pre-emptive rights from the holders of the Convertible Bonds under the Convertible Bonds and the Subscription Agreements
“Announcement”	the announcement of the Company dated 25 January 2013 in relation to, among other things, the Open Offer
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Capital Distribution”	capital distribution, including distributions in specie, but excluding all cash distributions paid, to the Shareholders
“CB Conversion Price”	the conversion price per CB Conversion Share under the Convertible Bonds (as amended pursuant to the amendments to the terms and conditions of the GIC Subscription Agreement, the TPG Subscription Agreement and the Convertible Bonds in accordance with the Amendment Deeds)
“CB Conversion Shares”	the new Shares to be issued by the Company upon conversion of the Convertible Bonds
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Certificates”	the certificate, substantially in the form set out in the relevant Instrument, to be issued in respect of the Convertible Securities, together with the Conditions
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Conditions”	the terms and conditions to the Convertible Securities to be attached to the Certificates
“Conversion Period”	any time following the issue date of the Convertible Securities, subject to, and upon compliance with, the provisions of the Conditions
“Conversion Price”	the price at which each Conversion Share will be issued upon conversion



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## DEFINITIONS

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“Conversion Right(s)”	the right(s) of the holder(s) of the Convertible Securities to convert the Convertible Securities held by it into Conversion Shares
“Conversion Shares”	the new Shares to be issued upon the exercise of the Conversion Rights under the Convertible Securities
“Convertible Bonds”	the TPG Convertible Bonds and the GIC Convertible Bonds
“Convertible Securities”	the convertible securities to be issued by the Company under the Open Offer with an aggregate principal amount of approximately HK\$1,847.8 million
“Current Market Price”	in respect of the Shares on a particular date, the average closing price per Share quoted on the daily quotation sheets of the Stock Exchange for the five Trading Days immediately preceding such date
“Directors”	the directors of the Company
“EAF”	the form(s) of application to apply for excess Convertible Securities
“Excluded Shareholders”	the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es), as shown on such register are in the USA or at that time who are otherwise known by the Company to be resident of the USA
“Final Acceptance Date”	Monday, 15 April 2013, or such other time and date as the Company and the Underwriters may agree as the last date for acceptance of and payment for the Convertible Securities and application for excess Convertible Securities
“Fair Market Value”	with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an approved financial adviser (acting as an expert); provided that: (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such approved financial adviser) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day on which such options, warrants or other rights are publicly traded

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## DEFINITIONS

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“General Mandate”	the general mandate granted to the Directors to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on 11 May 2012, by a resolution of the Shareholders passed at the annual general meeting of the Company held on 11 May 2012 and as amended by a resolution of the Shareholders passed at the extraordinary general meeting of the Company held on 21 February 2013
“GIC”	Government of Singapore Investment Corporation Private Limited
“GIC Convertible Bonds”	the convertible bonds (as amended by the Amendment Deeds) due 2017 in the principal amount of RMB189,000,000 bearing interest at the rate of 4% per annum at the CB Conversion Price issued by the Company on 8 February 2012 pursuant to the GIC Subscription Agreement, which form part of the Convertible Bonds
“GIC Investor”	Tetrad Ventures Pte. Ltd., an investment vehicle managed by GIC Special Investments Pte. Ltd., the private equity investment arm of GIC
“GIC Irrevocable Undertaking”	the irrevocable undertaking dated 23 January 2013 given by the GIC Investor in favour of the Company and Underwriters as set out in the section headed “Irrevocable Undertakings” in the letter from the Board in this prospectus
“GIC Subscription Agreement”	the subscription agreement (as amended by the Amendment Deeds) entered into between the Company and the GIC Investor on 19 January 2012 in relation to the issue of the GIC Convertible Bonds at their face value
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Company’s branch share registrar and transfer office in Hong Kong
“Instrument”	the instrument dated 23 January 2013 executed by the Company by way of deed poll in relation to the creation of the Convertible Securities

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## DEFINITIONS

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“Irrevocable Undertakings”	the GIC Irrevocable Undertaking, the TPG Irrevocable Undertaking and the Viva China Irrevocable Undertaking
“Last Trading Day”	23 January 2013
“Latest Practicable Date”	21 March 2013, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information for inclusion in this prospectus
“Latest Time for Termination”	5:00 p.m. on Tuesday, 16 April 2013 or such date as the Company and the Underwriters may agree, being the latest time to terminate the Underwriting Agreements
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Ning, an executive Director and the executive Chairman and the controlling shareholder of Viva China, which is a substantial Shareholder
“NASDAQ”	The NASDAQ Stock Market of the United States
“Open Offer”	the proposed open offer of Convertible Securities in the principal amount of HK\$3.50 for every two existing Shares held by the Qualifying Shareholders on the Record Date, and on the terms and subject to the conditions set out in the Prospectus Documents
“Overseas Shareholder(s)”	the Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register are in place(s) outside Hong Kong or at that time who are otherwise known by the Company to be resident outside Hong Kong
“PAL”	letters issued by the Company for application by the Qualifying Shareholders for the Convertible Securities that will be provisionally allotted to the Qualifying Shareholders
“PRC”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	this prospectus
“Prospectus Documents”	the Prospectus, PAL and EAF

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## DEFINITIONS

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“Prospectus Posting Date”	Wednesday, 27 March 2013, being the date of despatch of the Prospectus Documents
“Qualifying Shareholders”	the Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Tuesday, 19 March 2013, being the date by reference to which entitlements under the Open Offer was determined
“RMB”	Renminbi, the lawful currency of the PRC
“Scrip Dividend”	a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of HK\$0.10 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 14 July 2006 and as amended on 30 April 2009 and 4 July 2012
“Share Options”	the options to subscribe for Shares granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 5 June 2004 and as amended on 15 May 2009 and 11 October 2012
“Share Purchase Options”	the options to purchase for Shares granted under the Share Purchase Scheme
“Share Purchase Scheme”	the share purchase scheme adopted by Alpha Talent on 5 June 2004
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	the GIC Subscription Agreement, the TPG Subscription Agreement and the novation agreement dated 8 February 2012 entered into between the Company, TPG L.C., Inc. and TPG Stallion Holdings, L.P. in relation to the TPG Subscription Agreement

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## DEFINITIONS

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“Subscription Price”	the subscription price of the Convertible Securities, being the face value of the Convertible Securities
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“TPG”	TPG Stallion, L.P.
“TPG Convertible Bonds”	the convertible bonds (as amended by the Amendment Deeds) due 2017 in the principal amount of RMB561,000,000 bearing interest at the rate of 4% annum at the CB Conversion Price issued by the Company on 8 February 2012 pursuant to the TPG Subscription Agreement, which form part of the Convertible Bonds
“TPG Group”	TPG and its Affiliates
“TPG Irrevocable Undertaking”	the irrevocable undertaking dated 23 January 2013 given by TPG in favour of the Company and the Underwriters (other than to itself) as set out in the section headed “Irrevocable Undertakings” in the letter from the Board in this prospectus
“TPG Subscription Agreement”	the subscription agreement (as amended by the Amendment Deeds) entered into between the Company and TPG Asia, Inc. on 19 January 2012 in relation to the issue of the TPG Convertible Bonds at their face value and the rights and obligations of TPG Asia, Inc. under the subscription agreement were subsequently novated and assumed by TPG Stallion Holdings, L.P. pursuant to a novation agreement dated 20 January 2012 entered into between the Company, TPG Asia Inc. and TPG Stallion Holdings, L.P.
“TPG Underwriting Agreement”	the underwriting agreement dated 23 January 2013 entered into between the Company and TPG in relation to the Open Offer
“Trading Day(s)”	a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“Trustee”	the trustee of the Share Award Scheme
“Underwriters”	Viva China and TPG
“Underwriting Agreement(s)”	the Viva China Underwriting Agreement and/or the TPG Underwriting Agreement, as the case may be

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## DEFINITIONS

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“Underwritten Securities”	the maximum principal amount of the Convertible Securities to be offered at the date of the Underwriting Agreements under the Open Offer of approximately HK\$1,868.6 million other than the Convertible Securities with the aggregate principal amount of approximately HK\$627.4 million undertaken to be applied for by Viva China, TPG and the GIC Investor in their capacity as Qualifying Shareholders (which do not take into account of their subscriptions in excess of their assured entitlements under the EAF) pursuant to the Open Offer in respect of their aggregate holding of 358,531,000 Shares as at the Record Date
“United States” or “USA”	the United States of America
“US\$”	United States dollars, the lawful currency of the USA
“Viva China”	Viva China Holdings Ltd, a company incorporated in BVI with limited liability, a substantial shareholder of the Company and a wholly-owned subsidiary of Viva China Holdings
“Viva China Holdings”	Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Viva China Irrevocable Undertaking”	the irrevocable undertaking dated 23 January 2013 given by Viva China in favour of the Company and the Underwriters (other than to itself) as set out in the section headed “Irrevocable Undertakings” in the letter from the Board in this prospectus
“Viva China Underwriting Agreement”	the underwriting agreement dated 23 January 2013 entered into between the Company and Viva China in relation to the Open Offer
“%”	per cent.

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LETTER FROM THE BOARD

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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)**

***Executive Directors***

Mr. Li Ning (*Executive Chairman*)  
Mr. Jin-Goon Kim (*Executive Vice Chairman*)  
Mr. Zhang Zhi Yong

***Non-executive Directors***

Mr. James Chun-Hsien Wei  
Mr. Chen Yue, Scott

***Independent non-executive Directors***

Mr. Koo Fook Sun, Louis  
Ms. Wang Ya Fei  
Mr. Chan Chung Bun, Bunny  
Mr. Su Jing Shyh, Samuel

***Registered office***

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

***Principal place of business  
in Hong Kong***

Suites 1, 7-15, L45  
Office Tower, Langham Place  
8 Argyle Street  
Mongkok, Kowloon  
Hong Kong

27 March 2013

*To the Qualifying Shareholders, and for information only,  
to the Excluded Shareholders,*

Dear Sir or Madam,

**PROPOSED OPEN OFFER OF CONVERTIBLE SECURITIES  
IN THE PRINCIPAL AMOUNT OF APPROXIMATELY HK\$1,847.8 MILLION  
ON THE BASIS OF THE CONVERTIBLE SECURITIES  
IN THE PRINCIPAL AMOUNT OF HK\$3.50  
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE**

**(A) INTRODUCTION**

On 25 January 2013, the Board announced that the Company was proposing to raise not less than approximately HK\$1,847.8 million but not more than approximately HK\$1,868.6 million before expenses by way of the Open Offer to the Shareholders. The Open Offer will involve the issue of the Convertible Securities on the basis of the Convertible Securities in the principal amount of HK\$3.50 for every two existing Shares held on the Record Date. There were 1,055,907,629 Shares in issue on the Record Date and therefore the principal amount of the Convertible Securities to be issued will be approximately HK\$1,847.8 million.

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## LETTER FROM THE BOARD

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The purpose of this prospectus is to provide you with further details about the Open Offer including (i) the procedures for acceptance of and payment for the Convertible Securities and application for excess Convertible Securities; (ii) certain financial information of the Group; and (iii) general information of the Group.

### (B) THE OPEN OFFER

#### Issue statistics

Basis of the Open Offer	Convertible Securities in the principal amount of HK\$3.50 for every two existing Shares held by the Qualifying Shareholders on the Record Date
Subscription Price of the Convertible Securities	At the face value of the Convertible Securities
Number of Shares in issue as at the Record Date	1,055,907,629 Shares
Principal amount of the Convertible Securities to be issued	Approximately HK\$1,847.8 million
Number of the Conversion Shares issuable based on the initial Conversion Price	527,953,814 Conversion Shares
Principal amount of the Convertible Securities undertaken to be taken up in respect of its respective assured entitlement:	
– Viva China	approximately HK\$466.2 million
– TPG	approximately HK\$92.8 million
– GIC Investor	approximately HK\$68.5 million
The Convertible Securities underwritten by:	
– Viva China	60% of all the Underwritten Securities assuming that (i) no Qualifying Shareholder (other than Viva China, TPG and the GIC Investor in respect of their applications under the Irrevocable Undertakings) will apply for any Convertible Securities under their assured entitlement; and (ii) no Qualifying Shareholder will apply for any Convertible Securities under excess application



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## LETTER FROM THE BOARD

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- TPG 40% of all the Underwritten Securities assuming that (i) no Qualifying Shareholder (other than Viva China, TPG and the GIC Investor in respect of their applications under the Irrevocable Undertakings) will apply for any Convertible Securities under their assured entitlement; and (ii) no Qualifying Shareholder will apply for any Convertible Securities under excess application

### **Conversion Shares**

The 527,953,814 Conversion Shares, to be issued upon full exercise of the Conversion Rights of the Convertible Securities at the initial Conversion Price, represent approximately 50.00% of the issued share capital of the Company as at the Latest Practicable Date and approximately 33.33% of the issued share capital as enlarged by the issue of the Conversion Shares. Such number of Conversion Shares represents an aggregate nominal value of approximately HK\$52.8 million.

### **Outstanding convertible securities of the Company**

As at the Latest Practicable Date, the Company has (i) 34,528,556 outstanding Share Options entitling the holders thereof to subscribe for a total of 34,528,556 Shares at various exercise prices ranging from HK\$4.69 per Share to HK\$21.87 per Share (subject to adjustments) (among the 34,528,556 outstanding Share Options, 11,824,852 Share Options are exercisable as at Latest Practicable Date); and (ii) the Convertible Bonds with the aggregate principal amount of RMB750,000,000 entitling TPG and the GIC Investor to convert respectively for 153,340,000 CB Conversion Shares and 51,660,000 CB Conversion Shares at the CB Conversion Price of HK\$4.50 per Share (subject to adjustment), representing respectively approximately 12.16% and 4.10% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Bonds only.

Save for the Share Options and the Convertible Bonds as disclosed above, the Company has no other share options, warrants, derivatives or other securities convertible into or exchangeable for the Shares outstanding as at the Latest Practicable Date.

### **Basis and the acceptance of the Open Offer**

Convertible Securities in the principal amount of HK\$3.50 for every two existing Shares held by the Qualifying Shareholders on the Record Date. Acceptance for all or part of a Qualifying Shareholder's assured entitlement to the Open Offer should be made by completing the PAL and lodging the same with a remittance of the Subscription Price.

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## LETTER FROM THE BOARD

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### **Rounding down of entitlements**

When the Company allocates to each Qualifying Shareholder its assured entitlement on the basis of a principal amount of Convertible Securities of HK\$3.50 for every two existing Shares, the principal amount of any fractional assured entitlements will be aggregated and made available for application by the Qualifying Shareholders who wish to apply for the Convertible Securities in excess of their own entitlements.

### **Qualifying Shareholders**

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder as at the close of business on the Record Date. The Company has sent the Prospectus Documents to the Qualifying Shareholders on 27 March 2013.

**Qualifying Shareholders who do not take up the Convertible Securities to which they are entitled should note that their shareholding in the Company will be diluted if the Convertible Securities are converted into Shares.**

Any person taking up or subscribing for the Convertible Securities will be required to represent, among others, that such person:

- (i) is not within the United States;
- (ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Convertible Securities;
- (iii) is not doing so for the account of any person who is located in the United States, unless:
  - (a) the instruction to take up was received from a person outside the United States; and
  - (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that is acquiring the Convertible Securities in an “offshore transaction” within the meaning of Regulation S; and
- (iv) is not acquiring the Convertible Securities with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Convertible Securities into the United States or any other jurisdiction referred to in (ii) above.

### **Rights of the Overseas Shareholders and the Excluded Shareholders**

The Prospectus Documents are not registered or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Open Offer as explained below.

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## LETTER FROM THE BOARD

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There were two Overseas Shareholders on the Record Date with registered addresses located in BVI and the USA, each respectively. The Directors have made enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory bodies or stock exchanges. Having made enquiries regarding the legal restrictions under the laws of BVI and the requirements of the relevant regulatory body or stock exchanges, the Directors have been advised by the Company's legal advisers that there are no specific legal restrictions and/or regulatory requirements applicable in BVI in terms of offering the Convertible Securities with respect to the Open Offer to the Overseas Shareholder with registered address in BVI. In view of this, the Directors have decided to extend the Open Offer to the Overseas Shareholder whose registered address is in BVI. Accordingly, such Overseas Shareholder together with the Shareholders with registered addresses in Hong Kong are Qualifying Shareholders.

Having made enquiries regarding the legal restrictions under the laws of the USA and the requirements of the relevant regulatory bodies or stock exchanges, the Directors are of the view that it is necessary and expedient to exclude the Overseas Shareholders in the USA and such Overseas Shareholders will be regarded as Excluded Shareholders pursuant to Rule 13.36(2)(a) of the Listing Rules as the offering of the Convertible Securities to them would, or might, in the absence of compliance with registration or other special formalities, be unlawful or impracticable and the cost to be incurred would be burdensome to outweigh the practical benefits to the relevant Overseas Shareholders and the Company, if the Convertible Securities are to be offered in the USA. The Company has sent a copy of the Prospectus to each of the Excluded Shareholders for information only, but not the PAL or the EAF.

No action has been taken to permit the offering of the Convertible Securities, or the distribution of this prospectus or the PAL or the EAF, in any territory or jurisdiction outside Hong Kong. Accordingly, no person receiving a copy of the Prospectus or the PAL or the EAF in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Convertible Securities, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements.

It is the responsibility of any person (including but without limitation to nominee, agent, custodian and trustee) receiving a copy of the Prospectus or the PAL or the EAF outside Hong Kong and wishing to take up the Convertible Securities to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. The Company will not be responsible for verifying the legal qualification of such Overseas Shareholders and/or residents in such territory or jurisdiction, thus, should the Company suffer any losses or damages due to non-compliance with the relevant laws of such territory or jurisdiction by any such Overseas Shareholders and/or residents, the Overseas Shareholders and/or residents shall be responsible to compensate the Company for the same. The Company shall not be obliged to issue the Convertible Securities to any such Overseas Shareholders and/or residents, if at the Company's absolute discretion issuing the Convertible Securities to them does not comply with the relevant laws of such territory or jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person

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## LETTER FROM THE BOARD

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to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional advisers. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

Any Convertible Securities which would otherwise have comprised the assured entitlement of the Excluded Shareholders will be available for application by the Qualifying Shareholders who wish to apply for the Convertible Securities in excess of their own assured entitlements.

### **Procedures for acceptance of and payment for the Convertible Securities**

For each Qualifying Shareholder, a PAL is enclosed with this prospectus which entitles Qualifying Shareholders to subscribe for the amount of the Convertible Securities shown therein. If Qualifying Shareholders wish to exercise their rights to subscribe for all the Convertible Securities specified in the enclosed PALs, Qualifying Shareholders must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 15 April 2013. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**Li Ning Company Limited – Open Offer Account**" and crossed "**Account Payee Only**".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Hong Kong Share Registrar by not later than 4:00 p.m. on Monday, 15 April 2013 by the relevant Qualifying Shareholder, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The PAL is for use only by the person(s) to whom it is addressed and is not transferrable. The PAL contains the full information regarding the procedures to be followed if the Qualifying Shareholders wish to accept only part of their provisional allotment.

All cheques and banker's cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies, if any, will be retained for the benefit of the Company. Completion and return of the PAL together with a cheque or banker's cashier order in payment for the Convertible Securities accepted will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. If any cheque or banker's cashier order is dishonoured on first presentation, the PAL is liable to be rejected, and in such event the provisional allotment and all rights given pursuant to it will be deemed to have been declined and will be cancelled. No receipt will be issued in respect of any application received.

If the conditions of the Open Offer are not fulfilled by the Latest Time for Termination, the Open Offer will not proceed and the application monies, without interest, will be returned to the applicants by means of cheques crossed "Account Payee Only" to be despatched by ordinary post to their registered addresses and, in the case of joint applicants, to the registered address of the applicant whose name first appears on the register of members of the Company at the risk of such applicants on or before Monday, 22 April 2013.

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## LETTER FROM THE BOARD

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### Application for excess Convertible Securities

Qualifying Shareholders will have the right to apply for the Convertible Securities in excess of their own assured entitlement. Any Convertible Securities (i) not taken up by the Qualifying Shareholders in accordance with their proportional allocation; (ii) to which the Excluded Shareholders would otherwise have been entitled; and (iii) created by adding together the principal amount of the Convertible Securities of any fractional assured entitlements, will be made available for excess applications by the Qualifying Shareholders. Application for excess Convertible Securities may be made by completing the EAF and lodging the same with a separate remittance for the excess Convertible Securities being applied for.

Qualifying Shareholders who have applied for Convertible Securities in excess of their own assured entitlement are not assured of being allocated any Convertible Securities in excess of their assured entitlement. The Directors will allocate the Convertible Securities in excess of assured entitlement at their discretion, but on a fair and equitable basis, to Qualifying Shareholders who have applied for excess Convertible Securities on a pro-rata basis with reference to the amount of excess Convertible Securities applied for by the relevant Qualifying Shareholders. For the avoidance of doubt, the allocation of the Convertible Securities in excess of assured entitlement will not be based on the number of the Shares held by the relevant Qualifying Shareholders and no preference will be given to topping-up odd lots to whole board lots.

Qualifying Shareholders with their Shares held by a nominee (or which are held in CCASS) should note that the Directors will regard the nominee (including HKSCC) as a single Shareholder according to the register of members of the Company.

Application for excess Convertible Securities may be made by completing and signing the enclosed EAF in accordance with the instructions printed thereon and lodging it, together with a separate remittance for the full amount payable on application in respect of the excess Convertible Securities applied for, with the Hong Kong Share Registrar by not later than 4:00 p.m. on Monday, 15 April 2013. All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier orders must be issued by, a licensed bank in Hong Kong and made payable to **“Li Ning Company Limited – Excess Application Account” and crossed “Account Payee Only”**.

If no excess Convertible Securities are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be refunded to such Qualifying Shareholders in full by ordinary post at their own risk to their registered addresses on or before Monday, 22 April 2013. If the amount of excess Convertible Securities allotted to the Qualifying Shareholders is less than that applied for, the surplus application money is also expected to be refunded to such Qualifying Shareholders by ordinary post at their own risk to their registered addresses on or before Monday, 22 April 2013. All cheques or cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or cashier order in payment for the excess Convertible Securities applied for will constitute a warranty by the applicant that the cheque or cashier order will be honoured on first presentation. If any cheque or cashier order is dishonoured on first presentation, the application for excess Convertible Securities is liable to be rejected.

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## LETTER FROM THE BOARD

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The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Hong Kong Share Registrar. If any of the conditions of the Open Offer mentioned in the paragraph headed “Conditions of the Open Offer and the Underwriting Agreements” are not fulfilled and/or waived, the Open Offer will not proceed and the application monies received in respect of application for excess Convertible Securities will be refunded to the applicants by means of cheques to be despatched by ordinary post to their registered addresses at their own risk on or before Monday, 22 April 2013.

### **Certificates of the Convertible Securities and refund cheques**

Subject to the fulfilment of the conditions of the Open Offer, certificates of the Convertible Securities and refund cheques in respect of wholly or partially unsuccessful applications for the Convertible Securities in excess of assured entitlement are expected to be posted on or before Monday, 22 April 2013 by ordinary post to the applicants at their own risk.

### **Conditions of the Open Offer**

The Open Offer is conditional upon the Underwriting Agreements having become unconditional. The conditions to the Underwriting Agreements are set out in the paragraph headed “Conditions of the Open Offer and the Underwriting Agreements” below.

**If the conditions of the Underwriting Agreements are not fulfilled and/or waived, the Open Offer will not proceed.**

### **Application for listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon full exercise of the Conversion Rights. None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought. No application will be made for the listing of, and permission to deal in, the Convertible Securities on the Stock Exchange or any other stock exchanges.

### **The Convertible Securities will not be eligible for admission into CCASS**

The Convertible Securities are not listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the Convertible Securities on the Stock Exchange or any other stock exchange. No application will be made for the admissibility, deposit, clearance or settlement of the Convertible Securities in CCASS. No transfer, clearing or settlement services will be provided by HKSCC in respect of the Convertible Securities. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights. Subject to the granting of listing of, and permission to deal in, the Conversion Shares on the Stock Exchange, the Conversion Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Conversion Shares or such other date as may be

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## LETTER FROM THE BOARD

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determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

### **Taxation**

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealings in the Convertible Securities or the Conversion Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Open Offer accepts responsibility for any tax effects or liabilities of holders of the Convertible Securities or the Conversion Shares resulting from the purchase, holding or disposal of, or dealing in the Convertible Securities or the Conversion Shares.

### **(C) SUMMARY OF THE PRINCIPAL TERMS OF THE CONVERTIBLE SECURITIES**

A summary of the principal terms of the Convertible Securities is set out below.

Principal amount	Approximately HK\$1,847.8 million.
Interest	Nil.
Distribution	Whenever the Company declares and pays a dividend (other than a Scrip Dividend) or a Capital Distribution in respect of the issued Shares, all Convertible Securities which remain outstanding on the record date of such dividend or Capital Distribution declaration (for the avoidance of doubt, this includes any Convertible Securities subject to a conversion notice completed, executed and deposited on or before the record date of such dividend (other than a Scrip Dividend) or Capital Distribution declaration which precedes the date on which such note is registered in the Company's register of members) shall be entitled to a distribution calculated on the basis of the same amount of such dividend or Capital Distribution per Share multiplied by the number of Conversion Shares into which the outstanding Convertible Securities could be fully converted at the Conversion Price prevailing at the record date of such dividend or Capital Distribution declaration. The distribution shall be paid on the third Business Day after the payment of the relevant dividends or Capital Distribution to the Shareholders.

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## LETTER FROM THE BOARD

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### The Conversion Price

The initial Conversion Price (subject to adjustments) shall be HK\$3.50 per Conversion Share, which represents:

- (i) a discount of approximately 43.64% to the closing price of HK\$6.21 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 46.73% to the average closing price of the Shares of approximately HK\$6.57 per Share as quoted on the Stock Exchange over the last five Trading Days up to and including the Last Trading Day;
- (iii) a discount of approximately 45.31% to the average closing price of the Shares of approximately HK\$6.40 per Share as quoted on the Stock Exchange over the last ten Trading Days up to and including the Last Trading Day;
- (iv) a discount of approximately 19.0% to the closing price of the Shares of HK\$4.32 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 86.2% over the audited consolidated net assets of the Group attributable to the Shareholders as at 31 December 2012 of approximately HK\$1.88 per Share in issue as at the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiations among the Company and the Underwriters having regard to the prevailing market price of the Shares prior to the date of the Announcement and the business performance of the Group under the then prevailing market conditions.

### Conversion

Subject to, and upon compliance with, the provisions of the Conditions, the Conversion Rights may be exercised during the Conversion Period. The number of Conversion Shares to be issued equals to the whole or such part of the principal amount of the Convertible Securities to be converted divided by the initial Conversion Price (subject to adjustments).



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Assuming full conversion of the Convertible Securities at the initial Conversion Price, the Convertible Securities will be converted into 527,953,814 Conversion Shares, representing approximately 50.00% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 33.33% of the issued share capital of the Company as enlarged by the issue of such number of the Conversion Shares.

Fractions of Conversion Shares will not be issued on conversion and no cash adjustment will be made in respect thereof.

There are no restrictions on any subsequent sale of the Conversion Shares.

### Adjustment to the Conversion Price

The Conversion Price will be subject to adjustment in certain events, including: consolidation, subdivision or reclassification (meaning that existing issued Shares are reclassified into new classes of Shares), capitalisation of profits or reserves, rights issues of Shares or options over Shares (at less than 95% of the Current Market Price on the last Trading Day preceding the date of the announcement of the terms of such issue or grant), rights issues of other securities; issues of Shares at less than 95% of the Current Market Price; other issues of securities at less than 95% of the Current Market Price, modification of rights of conversion, etc. Further information on adjustments to the Conversion price is set out in the section headed “13. Adjustments to the Conversion Price” in appendix III to this prospectus.

### Ranking of the Conversion Shares

The Conversion Shares shall be duly and validly issued, fully paid and registered, and free from encumbrances and all such Conversion Shares shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant date of registration of the Conversion Shares on the Company’s register of members (after issue of the Conversion Shares upon conversion of the Convertible Securities) (the “**Registration Date**”) and shall accordingly entitle the holders thereof to participate in full in all dividends or other distributions the record date for which falls on a date on or after the relevant Registration Date.

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## LETTER FROM THE BOARD

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### Pre-emption right

Where a holder of the Convertible Securities intends to transfer any Convertible Securities, the holder shall first offer such Convertible Securities to the Company. The Company shall have the pre-emption right (but shall not be obliged) to redeem (or procure the purchase of) all or part of the principal amount of the Convertible Securities, at the same price and on the same terms as set out in the transfer intention notice given by the holder of the Convertible Securities or its attorney.

Please note that any transfer from HKSCC Nominees Limited to any person is exempted from the Company's pre-emption right if there has not been any change to the beneficial ownership in the relevant amount of Convertible Securities.

The Company includes the pre-emption right in the Convertible Securities because it is the intention of the Company to accrue the benefits of the fund raising exercise to its existing Shareholders instead of providing an opportunity for outside investors to speculate the Convertible Securities. The holders of the Convertible Securities may convert the Convertible Securities, anytime during the Conversion Period, into Shares which are listed and freely transferable.

### Register of holders

The Company will or will procure its principal share registrar and transfer office in the Cayman Islands to maintain and keep the principal register and the Hong Kong Share Registrar to maintain and keep the branch register (the "**Registers of Holders**") on which the names and addresses of the holders of the Convertible Securities, the principal outstanding amounts of the Convertible Securities, the dates of the issue of the certificates of the Convertible Securities, the dates of all transfers and the names and addresses of all transferees, particulars of all conversions and redemptions of the Convertible Securities, and particulars of all cancellations and replacements of certificates of the Convertible Securities are entered.

The registration of transfers may be suspended and the Registers of Holders may be closed at such times and for such periods as the Board may from time to time direct, provided that the same shall not be closed for a period in aggregate more than thirty (30) Business Days in any one year. Any transfer of Convertible Securities or exercise of the Conversion Rights while the Registers of Holders are so

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## LETTER FROM THE BOARD

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closed shall, as between the Company and the person claiming under the relevant transfer of Convertible Securities or, as the case may be, as between the Company and the holders of the Convertible Securities who have so exercised their respective Conversion Rights (but not otherwise), be considered as made immediately after the re-opening of the Registers of Holders.

### Transferability

- (1) Subject to, among others, the Company's exercise of the pre-emption right and during the closure of the Registers of Holders as stated above and (2) and (3) below, Convertible Securities may be transferred or transmitted by operation of law in whole or in part at any time.

No transfer of title to Convertible Securities will be valid unless and until entered on either of the Registers of Holders.

- (2) Subject to, among others, the Company's exercise of the pre-emption right, the Convertible Securities may only be transferred or transmitted by operation of law if:
  - (a) such transfer shall be in compliance with the terms and conditions of the Instrument and the Conditions, and such transferee takes the Convertible Securities with the benefit and subject to the restrictions in the Conditions; and
  - (b) such transfer shall be further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under: (i) the Listing Rules; (ii) the Takeovers Code; and (iii) all applicable laws and regulations.
- (3) No holder of the Convertible Securities may require the transfer of any Convertible Securities to be registered (i) after a conversion notice to notify the Company of the exercise of the Conversion Right has been delivered pursuant to the Conditions; (ii) during the period of seven (7) Business Days ending on (and including) any payment day in respect of any payment of distribution on the Convertible Securities; (iii) where the holder of the Convertible Securities has not performed its

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obligations under the Conditions; or (iv) if the Company has delivered a pre-emption notice to the holder of the Convertible Securities and the holder of the Convertible Securities has performed its obligations but the deadline for payment has not lapsed.

Voting	The holders of the Convertible Securities shall not be entitled to receive notices of, attend or vote at any general meetings of the Company or any meetings of any class of the Company's shares, by reason only of it being a holder of Convertible Securities. The holders of the Convertible Securities shall be entitled to receive notices of, attend or vote at meetings of the holders of the Convertible Securities.
Application for listing	<p>The Convertible Securities are not listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the Convertible Securities on the Stock Exchange or any other stock exchange. No application will be made for the admissibility, deposit, clearance or settlement of the Convertible Securities in CCASS. No transfer, clearing or settlement services will be provided by HKSCC in respect of the Convertible Securities.</p> <p>An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights.</p>
Redemption	The Convertible Securities shall be non-redeemable unless the Company exercises its pre-emption right to redeem.
Maturity date	There is no maturity date in respect of any Convertible Securities.
Status of the Convertible Securities	The Convertible Securities constitute direct, unsecured and subordinated obligations of the Company and shall at all times rank <i>pari passu</i> without any preference among themselves. In the event of the dissolution, liquidation or winding up of the Company, the rights and claims of a holder of the Convertible Securities shall (a) rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares, if any) of the Company and (b) at all times rank <i>pari passu</i> with the Company's other

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## LETTER FROM THE BOARD

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present and future unsecured and subordinated obligations, but (c) shall be subordinated in right of payment to the claims of all present and future senior and unsubordinated creditors of the Company.

No breach of Listing Rules or  
Takeovers Code

The Company is not obliged to adjust the Conversion Price or issue Conversion Shares in satisfaction of the Conversion Rights in breach of its obligations under the Listing Rules or the Takeovers Code.

In particular, no Conversion Right may be exercised by any holder of the Convertible Securities when the Company has clear evidence that immediately following the issue of the Conversion Shares upon exercise of their Conversion Right, it would be unable to meet the public float requirement under the Listing Rules.

Undertakings

The Company has undertaken, among others, that, for so long as and only when any Convertible Securities remains outstanding:

- (a) the Company shall from time to time keep available for issue, free from pre-emptive rights, out of its authorised but unissued capital, sufficient Shares to satisfy in full the allotment and issuance of the Conversion Shares and shall ensure that all Shares delivered on conversion of the Convertible Securities will be duly and validly issued as fully-paid and non-assessable;
- (b) to the extent permitted by applicable law, the Company shall not modify the rights attaching to the Shares with respect to voting, dividends or liquidation but this shall not prevent (i) a consolidation or subdivision of the Shares or the conversion of any Shares into stock or vice versa, (ii) a modification to the rights attaching to the Shares which is not materially prejudicial to the interests of the holders of the Convertible Securities (in determining whether any proposed modifications of such rights may be "materially prejudicial" to the interests of the holders of the Convertible Securities, the Board would take into account the interests of all holders of the Convertible Securities as a whole and may seek professional advices from the Company's financial advisor or legal advisor as appropriate), (iii) the

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amendment of the Articles of Association to enable title to securities of the Company (including Shares) to be evidenced and transferred without a written instrument, (iv) any other alteration to the Articles of Association made in connection with the matters described in (a) to (g) herein or which are supplemental or incidental to any of the foregoing (including amendments made to enable or facilitate procedures relating to such matters and amendments dealing with the rights and obligations of holders of securities (including Shares) dealt with under such procedures) or (v) any issue of equity share capital or corporate action which results in an adjustment of the Conversion Price;

- (c) the Company shall use its best endeavours to (i) maintain a listing for all the issued Shares on the Stock Exchange; and (ii) obtain a listing on the Stock Exchange for all the Conversion Shares, and if the Company is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an alternative stock exchange as the Company may from time to time determine and will forthwith give notice to the holders of the Convertible Securities of the delisting of the Shares on the Stock Exchange and the listing of the Shares on any such alternative stock exchange;
- (d) it will pay the expenses of the issue and delivery of, and all expenses of obtaining and maintaining the listing for, Conversion Shares arising on conversion of the Convertible Securities;
- (e) the Company shall ensure that all Conversion Shares shall be duly and validly issued, fully paid and registered, and free from encumbrances and all such Shares shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant Registration Date and shall accordingly entitle the holders thereof to participate in full in all dividends or other distributions the record date for which falls on a date on or after the relevant Registration Date;
- (f) as soon as possible after the announcement of the full terms of any event which give rise to adjustments of the Conversion Price pursuant to the Conditions (or, if

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later, as soon as the relevant adjustment thereunder can reasonably be determined), give notice to the holders of the Convertible Securities advising them of the date on which the relevant adjustment of the Conversion Price is to become effective, the size of adjustment on the Conversion Price and the effect (if any) on the rights of the holder of the Convertible Securities to exercise its Conversion Right therein; and

- (g) the Company shall comply with and procure the compliance of all conditions imposed by the Stock Exchange for approval of the issue of the Convertible Securities or for the listing of and permission to deal in the Conversion Shares and ensure the continued compliance thereof.

If an offer is made to all holders of the Shares (or such holders other than the offeror and/or any Company controlled by the offeror and/or persons associated or acting in concert with the offeror) to acquire all or a portion of the Shares or if any person proposes a scheme with regard to such acquisition, it shall forthwith give notice of such offer or scheme to the holders of the Convertible Securities at the same time as any notice thereof is sent to its Shareholders (or as soon as practicable thereafter) stating that details concerning such offer or scheme may be obtained from the specified office of the Company and, where such an offer or scheme has been recommended by the Board or where such an offer has become or been declared unconditional in all respects, use its best endeavours to procure that a like offer or scheme is extended in accordance with the Takeovers Code to the holders of the Convertible Securities and the holders of any Conversion Shares issued during the period of the offer or scheme.

Procedures for conversion of the  
Convertible Securities

If the Shareholder owns interest in the Shares that are deposited in CCASS and wishes to convert the Convertible Securities into Conversion Shares at any time after such Shareholder has been allocated with the Convertible Securities, firstly such Shareholder has to require such Shareholder's CCASS clearing participant to transfer such Shareholder's principal amount of Convertible Securities from HKSCC Nominees Limited to such Shareholder or such Shareholder's designated CCASS participant or intermediary.

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## LETTER FROM THE BOARD

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Please note that any transfer from HKSCC Nominees Limited to any person is exempted from the Company's pre-emption right if there has not been any change to the beneficial ownership in the relevant amount of Convertible Securities.

Then, the Shareholder must complete, execute and deposit at the Hong Kong Share Registrar a conversion notice. The certificate of the Convertible Securities should also be delivered to the Hong Kong Share Registrar at the same time. The Company will register such Shareholder as holder of the relevant number of Shares in the Company's register of members and the Hong Kong Share Registrar will make such share certificate available for collection at its office by the 10th Business Days after such Shareholder surrenders the certificate of the Convertible Securities and delivers the duly executed conversion notice.

### Procedures for transfer of the Convertible Securities

If the Shareholder owns interest in the Shares that are deposited in CCASS and wishes to transfer the Convertible Securities at any time after such Shareholder has been allocated with the Convertible Securities, firstly such Shareholder has to require such Shareholder's CCASS clearing participant to transfer such Shareholder's principal amount of Convertible Securities from HKSCC Nominees Limited to such Shareholder or such Shareholder's designated CCASS participant or intermediary. Please note that any transfer from HKSCC Nominees Limited to any person is exempted from the Company's pre-emption right if there has not been any change to the beneficial ownership in the relevant amount of Convertible Securities.

The logistics of any transfer are set out below:

1. If any Shareholder intends to transfer any Convertible Securities, such Shareholder must first offer such Convertible Securities to the Company by delivering to the Hong Kong Share Registrar a transfer intention notice (the "**Transfer Intention Notice**") duly completed and signed by such Shareholder or such Shareholder's attorney duly authorised by the proposed transferee, together with such evidence as the Company may reasonably require to prove the authority of the individual(s) who have executed the Transfer Intention Notice and, if applicable, that there is no change in the beneficial ownership in the Convertible Securities.



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## LETTER FROM THE BOARD

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2. The Company will have the pre-emption right (but shall not be obliged) to redeem (or procure the purchase of) all or part of the principal amount of such Shareholder's Convertible Securities, at the same price and on the same terms, set out in the Transfer Intention Notice.
3. Where the Company wishes to exercise such pre-emption right, it will provide such Shareholder and the Hong Kong Share Registrar with a pre-emption notice (the "**Pre-emption Notice**") specifying the principal amount of Convertible Securities which it commits to purchase (or procure the purchase thereof), within 15 Business Days (or within 3 months where the exercise or non-exercise by the Company of the pre-emption right would require prior approval of Shareholders under the Listing Rules, the Takeovers Code or other applicable laws or regulations) of the receipt by the Hong Kong Share Registrar of such Shareholder's Transfer Intention Notice. The Company may specify in the Pre-emption Notice all or part of the principal amount of such Shareholder's Convertible Securities as set out in the Transfer Intention Notice.
4. Where the Company does not wish to exercise such pre-emption right, it will notify such Shareholder in writing (with a copy to the Hong Kong Share Registrar) that it does not wish to exercise the pre-emption right, within 15 Business Days (or within 3 months where the exercise or non-exercise by the Company of the pre-emption right would require prior approval of Shareholders under the Listing Rules, the Takeovers Code or other applicable laws or regulations) of the receipt by the Hong Kong Share Registrar of such Shareholder's Transfer Intention Notice.
5. Within 5 Business Days from the date of the Pre-emption Notice, such Shareholder must deliver the Certificate of the Convertible Securities to be transferred to the Hong Kong Share Registrar.

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## LETTER FROM THE BOARD

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6. Where the Company exercises the pre-emption right, it will make payment by cheque (by ordinary post) within 5 Business Days from the receipt by the Hong Kong Share Registrar of such Shareholder's Certificate.
  
7. Where (a) the Company notifies such Shareholder (with a copy to the Hong Kong Share Registrar) that it does not wish to exercise the pre-emption right, (b) it does not give such Shareholder any notice by the deadline set out in step 3, (c) it has given such Shareholder the Pre-emption Notice and such Shareholder have complied with such Shareholder's obligation to deliver such Shareholder's certificate in step 5 but the Company fails to make (or fails to arrange to make) the payment by the deadline set out in step 6, or (d) it specifies in the Pre-emption Notice a principal amount lower than that set out in the Transfer Intention Notice, then such Shareholder may proceed to transfer the Convertible Securities (or the remaining part thereof in the event (d)) in accordance with and subject to the conditions of the Convertible Securities, within 3 months from:
  - i. in respect of the aforesaid event (a), the date of the Company's notice setting out that it does not wish to exercise the pre-emption right;
  - ii. in respect of the aforesaid event (b), the expiry of the deadline for the Company to give a notice to such Shareholder;
  - iii. in respect of the aforesaid event (c), the expiry of the deadline for the Company to make (or to arrange to make) the payment; or
  - iv. in respect of the aforesaid event (d), the date on which such Shareholder deliver the Certificate to the Hong Kong Share Registrar under step 5,

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## LETTER FROM THE BOARD

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provided that (A) such Shareholder delivers the Certificate in respect of the Convertible Securities to be transferred to the Hong Kong Share Registrar by the applicable deadline above and (B) such transfer is made to the person set out in the Transfer Intention Notice and is not conducted on terms more favourable to the transferee compared with those set out in the Transfer Intention Notice.

8. Each new Certificate to be issued upon a transfer of Convertible Securities will be made available for collection at the Hong Kong Share Registrar, within 10 Business Days from:
  - i. where the Company procures the purchase of the Convertible Securities, the payment made under step 6 by the purchaser so procured by the Company; or
  - ii. where any of the events set out in step 7 applies, such Shareholder's compliance of the obligation to deliver the Certificate by the relevant deadline under (A) and provision of evidence (such as a copy of the duly executed Transfer Intention Notice in respect of the transfer of the Convertible Securities from such Shareholder to the transferee) of such Shareholder's fulfilment of the condition set out in (B) in step 7.

For the avoidance of doubt, all Convertible Securities which are redeemed by the Company upon its exercise of the pre-emption right will be cancelled, and no Certificate shall be issued therefor.

### **(D) IRREVOCABLE UNDERTAKINGS**

Pursuant to the Viva China Irrevocable Undertaking, Viva China has irrevocably undertaken to the Company and TPG, conditional upon the obtaining of the Viva China Shareholders Approval (as defined below) (which has been obtained on 13 March 2013), that (i) Viva China would beneficially own an aggregate of 266,374,000 Shares (representing approximately 25.23% of the issued share capital of the Company as at the Latest Practicable Date) on the Record Date; and (ii) it shall take up, or procure to be taken up, all Convertible Securities which will be issued to it and/or its nominee(s) as its assured entitlement under the Open Offer upon and subject to the terms and conditions therein stated; but (iii) it shall not subscribe for the Convertible Securities for a principal amount of more than approximately HK\$744.7 million under the EAF.

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## LETTER FROM THE BOARD

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Pursuant to the TPG Irrevocable Undertaking, TPG has irrevocably undertaken in favour of the Company and Viva China that (i) the Shares comprising its then shareholding in the Company as at the date of the TPG Irrevocable Undertaking would remain to be beneficially and directly owned by it on the Record Date; (ii) it would not transfer any of the TPG Convertible Bonds or exercise any conversion rights attaching to the TPG Convertible Bonds on or prior to the Record Date without the consent from the Company; and (iii) it shall take up, or procure to be taken up, all Convertible Securities which will be issued to it and/or its nominee(s) as its assured entitlement under the Open Offer upon and subject to the terms and conditions therein stated; but (iv) it shall not subscribe for the Convertible Securities for a principal amount of more than approximately HK\$496.5 million under the EAF.

Pursuant to the GIC Irrevocable Undertaking, the GIC Investor has irrevocably undertaken in favour of the Company and the Underwriters that (i) the Shares comprising its then shareholding in the Company as at the date of the GIC Irrevocable Undertaking would remain to be beneficially and directly owned by it on the Record Date; (ii) it would not transfer any of the GIC Convertible Bonds or exercise any conversion rights attaching to the GIC Convertible Bonds on or prior to the Record Date without the consent from the Company; and (iii) it shall take up, or procure to be taken up, all Convertible Securities which will be issued to it and/or its nominee(s) as its assured entitlement under the Open Offer upon and subject to the terms and conditions therein stated; but (iv) it shall not subscribe for any Convertible Securities under the EAF.

### **(E) UNDERWRITING ARRANGEMENTS**

#### **Underwriting Agreements**

On 23 January 2013, the Company entered into an Underwriting Agreement, on principally the same terms (except as disclosed below in this section), with each of Viva China and TPG.

#### **The Viva China Underwriting Agreement**

Date:	23 January 2013
Parties:	(1) The Company; and (2) Viva China as an Underwriter
Convertible Securities underwritten:	Viva China will underwrite 60% of all the Underwritten Securities assuming that (i) no Qualifying Shareholder (other than Viva China, TPG and the GIC Investor in respect of their applications under the Irrevocable Undertakings) will apply for any Convertible Securities under their assured entitlement; and (ii) no Qualifying Shareholder will apply for any Convertible Securities under excess application
Underwriting commission payable to Viva China:	2.5% on the principal amount of Convertible Securities underwritten by Viva China, which is approximately HK\$18.6 million and payable in cash

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## LETTER FROM THE BOARD

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### The TPG Underwriting Agreement

Date:	23 January 2013
Parties:	(1) The Company; and (2) TPG as an Underwriter
Convertible Securities underwritten:	TPG will underwrite 40% of all the Underwritten Securities assuming that (i) no Qualifying Shareholder (other than Viva China, TPG and the GIC Investor in respect of their applications under the Irrevocable Undertakings) will apply for any Convertible Securities under their assured entitlement; and (ii) no Qualifying Shareholder will apply for any Convertible Securities under excess application
Underwriting commission payable to TPG:	2.5% on the principal amount of Convertible Securities underwritten by TPG, which is approximately HK\$12.4 million and payable in cash

The commissions payable to the Underwriters were determined after arm's length negotiations among the Company and the Underwriters with reference to prevailing market rate at the date of the Underwriting Agreements. The Directors are of the view that the underwriting commissions are in line with the market rate and that the commissions given to the Underwriters are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the Underwriting Agreements have been entered into on normal commercial terms.

### Conditions of the Open Offer and the Underwriting Agreements

The Open Offer is conditional upon the Underwriting Agreements having become unconditional. The obligations of each of the Underwriters under the respective Underwriting Agreement are conditional upon the following conditions being fulfilled:

- (a) the delivery to the Stock Exchange for authorisation, and the registration with the Registrar of Companies in Hong Kong, respectively, not later than the Prospectus Posting Date, of one copy of each of the Prospectus Documents in compliance with the Listing Rules and the Companies Ordinance;
- (b) the delivery to the Underwriters the documents as set out in the Underwriting Agreements;
- (c) the despatch of the Prospectus Documents to the Qualifying Shareholders, and the despatch of the Prospectus to the Excluded Shareholders (if and to the extent legally and practically permissible) on the Prospectus Posting Date;

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## LETTER FROM THE BOARD

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- (d) the grant (subject to allotment) by the Listing Committee of the Stock Exchange, and not having withdrawn or revoked such grant, of the listing of and permission to deal in all the Conversion Shares, either unconditionally or subject to such conditions as are accepted by the Company and the satisfaction of such conditions (if any and where relevant) on or prior to the Latest Time for Termination;
- (e) the Company having obtained approval from the Shareholders in respect of certain variations to the General Mandate to facilitate the Open Offer or a refreshed general mandate;
- (f) the delivery of the Irrevocable Undertakings to the Company and the Underwriters on the date of the Underwriting Agreements;
- (g) the Company and the Underwriters not having received any indication from the SFC that the Underwriters are subject to an obligation to make a general offer under the Takeovers Code issued by the SFC for the Shares not already owned by them as a result of the completion of the Open Offer;
- (h) none of the Underwriting Agreements having been validly terminated by the relevant Underwriter in accordance with the terms thereof; and
- (i) (in the case of the Viva China Underwriting Agreement only) Viva China Holdings having obtained approval from its shareholders for the subscription of assured entitlement, excess application under the Open Offer and the entering into of the Viva China Underwriting Agreement, including the execution and performance of the Viva China Underwriting Agreement, the Viva China Irrevocable Undertaking and the transactions contemplated under those documents (the “**Viva China Shareholders Approval**”).

The Underwriters may waive condition (b) set out above. If any of the conditions of the Open Offer are not fulfilled (or in respect of condition (b), waived by the Underwriters) on or before 31 July 2013 (or such later time and/or date as the Company and the Underwriters may determine in writing), the Underwriting Agreements shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreements prior to such termination) and neither the Company nor the Underwriters shall have any claim against the other parties for costs, damages, compensation or otherwise and the Open Offer will not proceed.

As at the Latest Practicable Date, save for conditions (e), (f) and (i), none of the conditions above were fulfilled and/or waived.

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## LETTER FROM THE BOARD

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### Termination of the Underwriting Agreements

Each of the Underwriters is entitled to terminate its respective Underwriting Agreement by notice in writing given by the relevant Underwriter to the Company at any time prior to the Latest Time for Termination if the obligations of the Underwriter under the relevant Underwriting Agreement have not ceased and there has developed, occurred, existed or come into effect:

- (a) any moratorium, suspension of or material restriction on trading in securities generally on the Stock Exchange, the New York Exchange or NASDAQ; or
- (b) there is any suspension in trading of the Shares on the Stock Exchange for a continuous period of 10 Business Days (other than suspension resulting from the Open Offer or the transactions contemplated under the Underwriting Agreements); or
- (c) permission to deal in and listing of the Conversion Shares has been withdrawn by the Stock Exchange; or
- (d) the Company is in breach of any of its obligations under each of the Underwriting Agreements which is material in the context of the Open Offer.

Upon termination of the Underwriting Agreements, all obligations and liabilities of the Underwriters under the Underwriting Agreements shall cease, and no party to the Underwriting Agreements shall have any claim against the other party in respect of anything arising out of or in connection with the Underwriting Agreements, subject to certain limitations as set out in the Underwriting Agreements.

**If any of the Underwriting Agreements is terminated by the relevant Underwriter on or before the Latest Time for Termination or does not become unconditional, the Open Offer will not proceed.**

### Information on the Underwriters

Viva China is a company incorporated in BVI with limited liability and is a wholly-owned subsidiary of Viva China Holdings, which is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange. Viva China principally engages in investment holding and its ordinary course of business does not include underwriting. Viva China Holdings principally engages in, *inter alia*, sports talent management, competition and event production and management, sports-themed community development through its subsidiaries. As at the Latest Practicable Date, Viva China, which holds approximately 25.23% equity interests in the Company, is a substantial Shareholder and thus a connected person of the Company.

TPG Group is a leading global private investment firm founded in 1992 with US\$54.5 billion of assets under management and offices in San Francisco, Fort Worth, Austin, Beijing, Chongqing, Hong Kong, London, Luxembourg, Melbourne, Moscow, Mumbai, New York, Paris, Sao Paulo, Shanghai, Singapore and Tokyo. TPG Group has extensive experience with global public and private investments

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## LETTER FROM THE BOARD

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executed through leveraged buyouts, recapitalizations, spin-outs, growth investments, joint ventures and restructurings. TPG Group investments span a variety of industries including financial services, travel and entertainment, technology, energy, industrials, retail, consumer, real estate, media and communications and healthcare. TPG Group's ordinary course of business does not include underwriting.

### **Listing Rules implications**

Viva China, who indirectly holds approximately 25.23% equity interests in the Company as at the Latest Practicable Date, is a substantial Shareholder and thus a connected person of the Company.

Accordingly, the entering into of the Viva China Underwriting Agreement constitutes a connected transaction for the Company under the Listing Rules. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, the entering into of the Viva China Underwriting Agreement by the Company is exempt from reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

The payment of the underwriting commission to Viva China pursuant to the Underwriting Agreement also constitutes a connected transaction for the Company. As the percentage ratios (other than the profits ratio) in respect of the underwriting commission payable by the Company to Viva China is more than 0.1% but less than 5%, the payment of the underwriting commission by the Company to Viva China is subject to reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules.

### **(F) WARNING OF THE RISK OF DEALING IN THE SHARES**

**The Open Offer is conditional upon, inter alia, the fulfilment and/or waiver of the conditions set out under the paragraphs headed "Conditions of the Open Offer and the Underwriting Agreements" and "Termination of the Underwriting Agreements" in this letter. If the Underwriters terminate the Underwriting Agreements, or if any of the conditions of the Open Offer is not fulfilled and/or waived, the Open Offer will not proceed.**

**Any dealing in the Shares up to the date on which all the conditions of the Open Offer are fulfilled (which is expected to be on Tuesday, 16 April 2013) and/or waived will accordingly bear the risk that the Underwriting Agreements may not become unconditional and the Open Offer may not proceed. Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers.**

### **(G) REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS**

The Group 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, equipment and accessories for sport and leisure use which are primarily sold under its own LI-NING brand.



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## LETTER FROM THE BOARD

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As set out in the announcement of the Company dated 17 December 2012, the Board notes that over-expansion has caused the building up of inventory for the Group's channel partners, which has adversely affected their store productivity and profitability and has led to a deterioration of their financial positions.

Over the past two years, problems in the Group's sales channels gradually surfaced and have impacted the Group's own financial position. Furthermore, the Group's gearing level may impact management's assessment in making optimal decisions including investments into the Group's operations. When the situation deteriorated further in 2012, the management of the Group acted quickly by devising and implementing a comprehensive transformation blueprint (the "**Transformation Plan**") as first disclosed in the announcement of the Company dated 4 July 2012 (the "**July 2012 Announcement**"). One of the key components of the Transformation Plan is to have a one-time channel revival plan (the "**Channel Revival Plan**"), which was disclosed in the announcement of the Company dated 17 December 2012.

The Group's Channel Revival Plan will include a range of initiatives focusing on support for channel partners' inventory clearance, inventory buy-back, sales network rationalization as well as customized programs to restructure the accounts receivable from individual participants. While the costs associated with the Channel Revival Plan will be mostly non-cash and take the form of accounts receivable offsets, they will reduce the outstanding accounts receivables balance as well as associated rights to cash collection from distributors.

As a key part of the Channel Revival Plan, the Group has also started replenishing channels with new inventories with more rationalized stock-keeping unit, improved pricing strategy and broader and more targeted coverage of key demographics, which the management believes will start generating healthy account receivable and cash flow in the channels. Replacing the old and stale inventories with new attractive product requires additional working capital during this period of transformation.

The total gross proceeds from the Open Offer will be approximately HK\$1,847.8 million. The net proceeds of the Open Offer, after deducting for expenses, are estimated to be HK\$1,804.3 million (representing a net price of HK\$3.42 per Conversion Share). The net proceeds of the Open Offer are intended to be applied by the Group towards:

- (i) funding of the overall execution of the Transformation Plan, including (a) rebuilding and revitalising the LI-NING brand, (b) investing in branding and product development, (c) building better supply chain and retail operating capabilities for the Group, (d) creating a more retail-oriented and consumer-oriented business model; and (e) optimizing the retail platform and funding future expansion;
- (ii) optimizing the Group's capital structure; and
- (iii) providing the Group with general working capital.

It is expected that approximately half of the net proceeds of the Open Offer will be used for optimizing the Group's capital structure, including but not limited to the repayment of bank loans, and the remaining half will be used for the Transformation Plan and the Group's general working capital.

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## LETTER FROM THE BOARD

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The Board believes that, with the support of the funding to be raised under the Open Offer, the Transformation Plan, including the Channel Revival Plan, will restore the healthy profitability of the Group's channel partners and create a new model that will result in profitable long-term growth for the Group's business overall.

The Board (including the independent non-executive Directors) has considered different methods of fund raising (including the rights issue of Shares or listed convertible instruments) before proposing the Open Offer. The Board considers that the Open Offer is in the interests of the Company and the Shareholders as a whole for the following reasons:

- (i) it is the intention of the Company to conduct an equity fund raising exercise as one of the reasons for the fund raising exercise is to optimize the capital structure of the Group;
- (ii) it is also the intention of the Company to gain support and participation from a broader base of existing Shareholders. It has come to the Company's knowledge that it may not be possible for Viva China to participate in the Open Offer under the Takeovers Code if it is conducted in the form of offering new Shares because it is unlikely that Viva China will be able to obtain a whitewash waiver after Viva China completed its acquisition of the Shares in December 2012;
- (iii) since the Company will release its financial results for the year ended 31 December 2012 before the close of the offer period of the Open Offer, there will be a comparatively longer time gap between the announcement and the completion of the Open Offer, the underwriting risk involved leads to higher underwriting fee based on the Company's previous communications with an investment bank. It is therefore beneficial to the Company from both the financial and the strategic perspective to engage Viva China as the major Underwriter, which hopes to increase its stake in the Company and is willing to charge a more reasonable underwriting fee. The engagement of Viva China as an Underwriter would also show the market Viva China's commitment and confidence in the long-term prospect of the Company;
- (iv) knowing that the Company's intention is to carry out an equity fund raising, Viva China agreed to act as an Underwriter if the Open Offer is to be undertaken in the form of Convertible Securities with features that are substantially the same as ordinary Shares. The Board considered the proposal acceptable and is in the interests of the Company for the above reasons;
- (v) the Open Offer provides an equitable means for the Qualifying Shareholders to participate in the future development of the Company and the opportunity to maintain their respective pro-rata shareholding interests in the Company;
- (vi) although the Convertible Securities are illiquid and their transfer will be subject to the pre-emption rights of the Company, the holders of the Convertible Securities may exercise the Conversion Rights to convert their Convertible Securities to the Conversion Shares; and
- (vii) in view of the benefits of the Open Offer of the Convertible Securities mentioned above and other terms of the Open Offer, the Board is of the view that additional time and/or costs to be required for the Qualifying Shareholders on conversion or transfer of the Convertible Securities or awaiting the decision on exercising the pre-emption right by the Company is acceptable.

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## LETTER FROM THE BOARD

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The Company chose not to conduct the fund raising through rights issue of shares or using listed convertible instruments for the following reasons:

- (i) the Company believes that it would be more beneficial to the Shareholders if they convert the Convertible Securities into ordinary Shares because the conversion will provide them additional voting rights given that the financial payout of ordinary Shares and the Convertible Securities are generally the same. Therefore, it is expected that most of the Shareholders would exercise their Conversion Rights shortly after completion of the Open Offer;
- (ii) as far as the Company is aware, there has been no open offer of listed convertible instruments for Hong Kong listed companies at least in the last 4 years;
- (iii) since it is not common for Hong Kong listed companies to conduct open offer in the form of listed convertible instruments, it would incur substantial additional cost and time for the Company to explore the structure further. Since it is expected that most Shareholders would convert the Convertible Securities shortly, the Company decided not to investigate into such possibility further;
- (iv) the Company understands that the time and procedures for conversion of the Convertible Securities would be the same whether or not they are listed;
- (v) it was the understanding of the Company that rights issue of unlisted convertible instruments is rather uncommon, as such it may result in practical difficulties in terms of settlement and trading of the nil paid rights of such unlisted convertible instruments;
- (vi) all precedential cases found in the last 4 years using convertible instruments as the issuing securities were conducted in the form of open offer;
- (vii) it is the intention of the Company to accrue the benefits of the fund raising exercise to its existing Shareholders instead of providing an opportunity for outside investors to invest or speculate the Convertible Securities at a relatively low price; and
- (viii) the terms of the Open Offer apply to all Shareholders and should be fair to all Shareholders.

## LETTER FROM THE BOARD

### (H) CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, assuming that (a) none of the outstanding Share Options are exercised; (b) none of the Convertible Bonds are converted; (c) no further Shares will be issued; and (d) no Shares will be repurchased, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Open Offer under various scenarios as set out below:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Open Offer					
	No. of Shares	%	(a) assuming all shareholders take up and convert the Convertible Securities in full		(b) assuming only Viva China, TPG and GIC Investor take up and convert the Convertible Securities in full (to the extent that no general offer obligation under the Takeovers Code is triggered)		(c) Assuming only Viva China, TPG and GIC Investor take up and convert the Convertible Securities in full	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Viva China	266,374,000	25.23%	399,561,000	25.23%	415,113,380	29.86%	608,773,989 (Note 1)	38.44%
Alpha Talent (Note 2)	1,807,850	0.17%	2,711,775	0.17%	1,807,850	0.13%	1,807,850	0.11%
Other Directors	10,168,600	0.96%	15,252,900	0.96%	10,168,600	0.73%	10,168,600	0.64%
	278,350,450	26.36%	417,525,675	26.36%	427,089,830	30.72%	620,750,439	39.19%
TPG	53,000,000	5.02%	79,500,000	5.02%	218,975,325	15.75%	218,975,325	13.83%
GIC Investor	39,157,000	3.71%	58,735,500	3.71%	58,735,500	4.23%	58,735,500	3.71%
GIC	6,156,252	0.58%	9,234,378	0.58%	6,156,252	0.44%	6,156,252	0.39%
Others (Note 3)	679,243,927	64.33%	1,018,865,890	64.33%	679,243,927	48.86%	679,243,927	42.88%
	777,557,179	73.64%	1,166,335,768	73.64%	963,111,004	69.28%	963,111,004	60.81%
<b>Total</b>	<b>1,055,907,629</b>	<b>100.00%</b>	<b>1,583,861,443</b>	<b>100.00%</b>	<b>1,390,200,834</b>	<b>100.00%</b>	<b>1,583,861,443</b>	<b>100.00%</b>

Notes:

- For illustration purposes only, the conversion of any Convertible Securities by Viva China may cause the aggregate equity interests in the Company held by Viva China and parties acting concert with it equal to or over 30% of the then outstanding issued share capital of the Company. In such case, an obligation on Viva China to make a mandatory general offer for the Shares (not already owned by it or parties acting in concert with it) may arise unless a whitewash waiver is obtained where Viva China will have to be subject to compliance of the relevant requirements under the Takeovers Code.
- The Shares are held by Alpha Talent, which is established and solely owned by Mr. Li for the purpose of holding the relevant Shares under the Share Purchase Scheme. Mr. Li is therefore deemed to be interested in the 1,807,850 Shares held by Alpha Talent. Mr. Li is a director of Alpha Talent.
- As at the Latest Practicable Date, the Trustee held 2,437,540 Shares. According to the scheme document of the Share Award Scheme and the trust deed of the Trustee, the Trustee is not allowed to accept any of its assured entitlement of Convertible Securities or apply for any excess Convertible Securities in the Open Offer.

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## LETTER FROM THE BOARD

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### (I) FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

Details of the fund raising exercise conducted by the Company by way of issue of equity securities in the past 12 months immediately preceding the date of the Announcement are set out below:

Date of the announcement	Description	Net proceeds	Intended use of net proceeds	Actual use of net proceeds
19 January 2012	Issue of the Convertible Bonds ( <i>Note</i> )	Approximately RMB745,691,000	Development of the LI-NING brand	Use as intended

*Note:*

*The issue of the Convertible Bonds was completed on 8 February 2012, in which Convertible Bonds in the principal amount of RMB561,000,000 were issued to TPG and Convertible Bonds in the principal amount of RMB189,000,000 were issued to GIC Investor.*

Save as disclosed above, there was no fund raising activities of the Company by way of issue of equity securities in the past 12 months preceding the date of the Announcement.

### (J) ADJUSTMENTS TO THE EXERCISE PRICE OF THE SHARE PURCHASE OPTIONS AND THE SHARE OPTIONS

Pursuant to the terms of the Share Purchase Scheme and the Share Option Scheme, the exercise price of the outstanding Share Purchase Options and Share Options may be adjusted in accordance with the Share Purchase Scheme and the Share Option Scheme, respectively, as a result of completion of the Open Offer. If there are any adjustments made upon completion of the Open Offer, the Company will notify the holders of the Share Purchase Options and the Share Options of such adjustments and make a further announcement in due course.

For the avoidance of doubt, the CB Conversion Price of HK\$4.50 will not be adjusted as a result of completion of the Open Offer pursuant to the Amendment Deeds, details of which are set out in the Announcement.

### (K) LATEST DEVELOPMENT OF THE GROUP

Your attention is drawn to the Group's 2012 full year financial results announcement published on 26 March 2013. Such financial information has been published on both the websites of the Company (<http://www.lining.com>, <http://www.irasia.com/listco/hk/lining> and <http://www.li-ning.com>) and the website of the Stock Exchange (<http://www.hkexnews.hk>).

The 2012 annual report of the Company, including the independent auditor's report and the audited financial statements for the year ended 31 December 2012, will be published by the Company on or around 12 April 2013 on both the websites of the Company (<http://www.lining.com>, <http://www.irasia.com/listco/hk/lining> and <http://www.li-ning.com>) and the website of the Stock Exchange (<http://www.hkexnews.hk>).

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## LETTER FROM THE BOARD

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**(L) ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this prospectus.

If any person (including agent, custodian, broker, nominee and trustee) has any questions in relation to the Open Offer, please telephone the hotline at (852) 2862 8648 during normal business hours between 9:00 a.m. and 6:00 p.m. from Monday to Friday (other than public holidays).

Yours faithfully,  
For and on behalf of the Board  
**LI NING COMPANY LIMITED**  
**Li Ning**  
*Executive Chairman*

**1. FINANCIAL SUMMARY OF THE GROUP**

The published audited consolidated financial statements of the Group for the years ended 31 December 2009, 2010 and 2011 are disclosed in the annual reports of the Company for the years ended 31 December 2009 (pages 96 to 167), 2010 (pages 111 to 177) and 2011 (pages 85 to 147). The published unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012 are disclosed in the interim report of the Company for the six months ended 30 June 2012 (pages 31 to 62). The audited financial results of the Group for the year ended 31 December 2012 has been published on 26 March 2013. The aforesaid financial information can be accessed on the websites of the Company (<http://www.lining.com>, <http://www.irasia.com/listco/hk/lining> and <http://www.li-ning.com>) and the website of the Stock Exchange (<http://www.hkexnews.hk>).

The said financial statements are hereby incorporated by reference in, and form an integral part of, this prospectus.

The 2012 annual report of the Company, including the independent auditor's report and the audited financial statements for the year ended 31 December 2012, will be published by the Company on or around 12 April 2013 on both the websites of the Company (<http://www.lining.com>, <http://www.irasia.com/listco/hk/lining> and <http://www.li-ning.com>) and the website of the Stock Exchange (<http://www.hkexnews.hk>).

**2. INDEBTEDNESS**

At the close of business on 31 January 2013, being the latest practicable date for the purpose of this indebtedness statement, the Group had total interest bearing external borrowings of RMB1,366,880,000, license fees payable of RMB261,132,449 and convertible bonds of RMB668,525,374. Except for external borrowings of RMB3,000,000 being secured by certain buildings and land use rights of a subsidiary amounting to RMB32,861,000, others are unsecured and unguaranteed.

Except for the abovementioned and apart from intra-group liabilities, the Group did not, as at the close of business on 31 January 2013, have any: (a) debt securities, whether issued and outstanding, authorized or otherwise created but unissued, or term loans; (b) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits or hire purchase commitments; (c) other mortgages or charges; or (d) other guarantees or contingent liabilities.

**3. WORKING CAPITAL**

Taking into account the financial resources available to the Group, including the internally generated funds, the bank loans available during the period, and the estimated net proceeds of the Open Offer, the directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this prospectus.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as disclosed in the Company's announcements dated (i) 11 June 2012 in relation to the Group's financial situation and planning; (ii) 4 July 2012 in relation to go forward plan and short-term initiatives; (iii) 22 August 2012 in relation to the Group's financial results for the six months ended 30 June 2012; (iv) 17 December 2012 in relation to a profit warning for the Company's annual results for the twelve months ended 31 December 2012; and (v) 25 March 2013 in relation to the Group's financial results for the year ended 31 December 2012, the Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECTS**

In the long term, the continuing rapid urbanisation process, increasing disposable income, consumers' needs for better products and brands, rising prices of consumer goods and the increasing participation in sports in China will provide China's sporting goods industry with more room to develop. The industry in China still has greater growth potential than in more developed countries due to the relatively low per capita consumption of sporting goods. At the same time, the sporting goods industry of China has seen competition intensify and increase in consumers' demand for better brand and product value as well as for better buying experience.

The Company is in the first phase of a multi-year transformation which started with the announcement of the transformation plan in July 2012. The Group has had initial successes but also continue to face challenges especially given the uncertainties in market and industry conditions as well as the evolving competitive landscape. The Company has made a conscious decision on improving sell-through first, and in the near term, the Company expects that continued reduction on sell-in will still have a net impact on revenue. However, with the recent adoption of initiatives on channel efficiency and faster replenishment, the Company will start to have healthier cash flow and a foundation for more sustainable growth. The Company will continue to push the execution of the transformation strategy, optimize resource allocation, improve the Group's execution capabilities, and build stronger competitiveness and better profitability.

In order to support the transformation strategy, the Group also announced a financing plan in January 2013, through which the Group plans to raise funds of HK\$1.85 to HK\$1.87 billion in a public offering of convertible securities, which will be used towards funding the overall transformation strategy, increasing working capital and optimizing the capital structure.

The Group expects that fundamental shifts in the business model and competitive dynamics in the sportswear industry are inevitable. While the transformation of the existing business model and resolution of channel issues built up over multiple years may take time and lead to a near-term down-sizing of the Group's business, the Group is confident that with the support of the Shareholders and other constituents, the management reform and strategic adjustments currently taking place in the Group will help the Company to strengthen the Group's capabilities and realize the Group's value and long-term growth potential as China's leading sporting goods brand.



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**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE GROUP**

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*For illustrative purposes, the financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by the completion of the Open Offer as if the Open Offer had been completed on 31 December 2012.*

**1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company which has been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the proposed Open Offer of the Convertible Securities as if it had taken place on 31 December 2012. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, may not give a true picture of the financial position of the Group had the proposed Open Offer of the Convertible Securities been completed as at 31 December 2012 or at any future date.

Unadjusted audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2012 <i>(Note 1)</i> <i>RMB'000</i>	Estimated net proceeds from the proposed Open Offer of the Convertible Securities <i>(Note 2)</i> <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2012 <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>(Note 3)</i> <i>RMB</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>(Note 4)</i> <i>HK\$</i>
Based on the Convertible Securities in the principal amount of HK\$1,847,838,349 at Subscription Price of HK\$3.50 per Conversion Share	1,190,215	1,458,153	2,648,368	1.67
			1.67	2.07

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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*Notes:*

- (1) The unadjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2012 is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 December 2012 of RMB1,613,597,000 with an adjustment for the intangible assets of RMB423,382,000. The net tangible assets per Share before the completion of the Open Offer of the Convertible Securities was RMB1.13 (HK\$1.40) based on 1,055,907,629 Shares in issue as at 31 December 2012.
- (2) The estimated net proceeds from the Open Offer of the Convertible Securities are based on the Convertible Securities in the principal amount of HK\$1,847,838,349 to be issued (on the basis of the Convertible Securities in the principal amount of HK\$3.50 for every two Shares held as at the Record Date) at the Subscription price of HK\$3.50 per Conversion Share and after deduction of the estimated related expenses of approximately HK\$43,529,000.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 1,583,861,443 Shares were in issue which comprised of 1,055,907,629 Shares in issue as at 31 December 2012 (assuming no Shares was issued upon the exercise of vested Share Options, vested Share Purchase Options and the conversion of the Convertible Bonds) and 527,953,814 Conversion Shares were issued and fully converted from the Convertible Securities assuming the Open Offer of the Convertible Securities has been completed on 31 December 2012.
- (4) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the amounts stated in Renminbi are converted into Hong Kong dollars at the People's Bank of China rate of HK\$1.00 to RMB0.80815 prevailing on 21 March 2013.
- (5) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2012.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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### 2.      REPORT FROM REPORTING ACCOUNTANT

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

#### ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF LI NING COMPANY LIMITED

We report on the unaudited pro forma financial information of Li Ning Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the heading of "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix II to the Company's prospectus dated 27 March 2013 (the "Prospectus"), in connection with the proposed open offer of the convertible securities (the "Proposed Open Offer") of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Proposed Open Offer might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

#### **Respective Responsibilities of Directors of the Company and the Reporting Accountant**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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### **Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted audited net tangible assets of the Group as at 31 December 2012 with the audited financial statements of the Company for the year ended 31 December 2012, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Group as at 31 December 2012 or any future date.

### **Opinion**

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 27 March 2013

**1. RESPONSIBILITY STATEMENT**

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

**2. SHARE CAPITAL**

The share capital of the Company as at the Latest Practicable Date and following completion of the Open Offer and upon full conversion of the Convertible Securities are as follows:

<i>Authorised:</i>		<i>HK\$</i>
10,000,000,000	Shares of HK\$0.10 each in issue as at the Latest Practicable Date	1,000,000,000.00
<hr/>		<hr/>
<i>Issued and paid-up and agreed to be issued:</i>		
1,055,907,629	Shares in issue as at the Latest Practicable Date and immediately following completion of the Open Offer	105,590,762.90
527,953,814	Conversion Shares issuable upon full conversion of the Convertible Securities	52,795,381.40
<hr/>		<hr/>
<u>1,583,861,443</u>		<u>158,386,144.30</u>

All the existing issued Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital. All the new Conversion Shares, when allotted, issued and fully paid, upon completion of the Open Offer and conversion of the Convertible Securities, will rank pari passu in all respects with the Shares in issue including as regards to all rights as to dividends, voting and return of capital.

The issued Shares are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange. No application is being made or is currently proposed or sought for the Shares or the Convertible Securities or any other securities of the Company to be listed or dealt in on any other stock exchange. There is no arrangement under which future dividends are/will be waived or agreed to be waived.

**Share Purchase Scheme**

As part of the reorganisation of the Group prior to the listing of Shares on the Stock Exchange in June 2004, Mr. Li Ning, the Chairman of the Company has, through Alpha Talent, established the Share Purchase Scheme. The Share Purchase Scheme was adopted by Alpha Talent on 5 June 2004 and shall be valid and effective for a period of ten years from that date. Under the Share Purchase

Scheme, Mr. Li Ning has transferred 35,250,000 Shares beneficially owned by him to Alpha Talent. The objective of the Share Purchase Scheme is to grant rights to purchase Shares beneficially owned by Mr. Li Ning through Alpha Talent to key individuals who have contributed to the economic achievement of the Group. A committee established by the board of directors of Alpha Talent shall determine, among other things, the directors and employees of the Group who shall be selected to receive the options, the exercise price, the terms and conditions of the options. Currently, there is no option outstanding under the Share Purchase Scheme.

### **Share Option Scheme**

The Company adopted the Share Option Scheme on 5 June 2004 (the “Scheme”). The Scheme will remain in force for a period of ten years starting from 5 June 2004.

The purpose of the Scheme is to provide incentives to participants to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group. Eligible participants are directors, officers, employees, agents, consultants or representatives of any member of the Group who, as the Board may determine in its absolute discretion, have made valuable contribution to the business of the Group based on their performance and/or years of service, or are regarded as valuable human resources of the Group based on their work experience, industry knowledge and other relevant factors.

By an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 15 May 2009, the Scheme has been amended to allow the Board to determine in its absolute discretion whether the right to exercise an option is subject to or conditional upon the achievement of specified performance target relating to the Company or to the grantee and/or the satisfaction of such other conditions as the Board may in its absolute discretion determine to be appropriate. Any of the foregoing condition(s) as determined by the Board shall be set out in the grant letter as referred to in the Scheme.

The exercise periods of the options following cessation of entitlement of grantees under certain circumstances under the Scheme are revised pursuant to resolutions of the Board on 11 October 2012. Such revisions are only applicable to options granted on or after 11 October 2012.

The purpose of the amendments is to allow the Board to have more flexibility in the administration of the Scheme and to allow the Scheme to offer better long-term incentive to the grantees.

Participants of the Scheme are required to pay HK\$1 for each option granted upon acceptance of the grant. The exercise price of the option is determined by the Directors and being not less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date of grant of the option; (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the Shares.

The maximum number of Shares available for issue upon exercise of all options granted and yet to be exercised under the Scheme and other share option schemes in aggregate shall not exceed 30% of the number of issued shares of the Company from time to time. In addition, subject to the restrictions imposed by the Listing Rules, the total number of Shares which may be available for issue upon exercise of all options to be granted under the Scheme, together with all options to be granted under any other share option schemes of any member of the Group, must not represent more than 10% of the nominal amount of issued shares of the Company as at 28 June 2004, being the date of the listing of Shares on the Stock Exchange. Therefore, the Company may grant options in respect of up to 98,606,200 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 98,606,200 Shares from time to time) to eligible participants under the Scheme. As at the Latest Practicable Date, the total number of Shares available for issue under the Scheme, save for those granted and yet to be exercised, amounted to 64,077,644 Shares, representing approximately 6.07% of the issued share capital of the Company as at the Latest Practicable Date. The total number of Shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted in any 12-month period to each participant must not exceed 1% of the number of shares of the Company in issue. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board, which must not be more than ten years from the date of grant. Any Share allotted and issued on the exercise of options will rank *pari passu* with other Shares in issue on the date of allotment.

Details of the options granted under the Scheme as at the Latest Practicable Date are as follows:

Grantees	Date of grant	Exercise price per Share HK\$	Number of Shares issuable under the options as at the Latest Practicable Date	Vesting period	Exercise period
<b>Executive Directors</b>					
Jin-Goon Kim	20/12/2012	5.360	287,450	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Zhang Zhi Yong	04/07/2008	17.22	121,600	04/07/2009 – 04/07/2011	04/07/2009 – 31/12/2015
	19/01/2009	11.37	4,519,400	19/01/2010 – 19/01/2014	19/01/2010 – 31/12/2015
	15/07/2011	9.896	836,690	01/07/2012 – 04/07/2014	01/07/2012 – 31/12/2015
	04/07/2012	4.690	1,000,000	04/07/2013 – 04/07/2015	04/07/2013 – 31/12/2015
<b>Non-executive Directors</b>					
James Chun-Hsien Wei	04/07/2008	17.22	51,400	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014
	19/01/2009	11.37	263,400	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015
	15/07/2011	9.896	209,180	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017
	20/12/2012	5.360	287,450	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018
Chen Yue, Scott	20/12/2012	5.360	287,450	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018

Grantees	Date of grant	Exercise price per Share HK\$	Number of Shares issuable under the options as at the Latest Practicable		Vesting period	Exercise period
				Date		
<b>Independent non-executive Directors</b>						
Koo Fook Sun, Louis	04/07/2008	17.22	51,400	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014	
	19/01/2009	11.37	263,400	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015	
	15/07/2011	9.896	209,180	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017	
	20/12/2012	5.360	287,450	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018	
Wang Ya Fei	04/07/2008	17.22	51,400	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014	
	19/01/2009	11.37	263,400	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015	
	15/07/2011	9.896	209,180	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017	
	20/12/2012	5.360	287,450	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018	
Chan Chung Bun, Bunny	04/07/2008	17.22	51,400	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014	
	19/01/2009	11.37	263,400	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015	
	15/07/2011	9.896	209,180	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017	
	20/12/2012	5.360	287,450	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018	
Su Jing Shyh, Samuel	20/12/2012	5.360	287,450	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018	
<b>Employees of the Group</b>						
In aggregate	04/07/2008	17.22	702,367	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014	
In aggregate	05/12/2008	10.94	92,700	05/12/2009 – 05/12/2011	05/12/2009 – 05/12/2014	
In aggregate	19/01/2009	11.37	1,442,800	19/01/2010 – 19/01/2014	19/01/2010 – 19/01/2015	
In aggregate	22/10/2009	21.87	2,349,302	01/07/2010 – 01/07/2012	01/07/2010 – 22/10/2015	
In aggregate	15/07/2011	9.896	1,227,037	01/07/2012 – 01/07/2014	01/07/2012 – 15/07/2017	
In aggregate	20/12/2012	5.360	16,418,470	21/12/2013 – 21/12/2017	21/12/2013 – 31/12/2018	
<b>Other participants</b>						
In aggregate	19/07/2007	19.68	350,000	19/07/2008 – 19/07/2010	19/07/2008 – 19/07/2013	
In aggregate	04/07/2008	17.22	300,000	04/07/2009 – 04/07/2011	04/07/2009 – 04/07/2014	
In aggregate	22/10/2009	21.87	300,000	01/07/2010 – 01/07/2012	01/07/2010 – 22/10/2015	
In aggregate	01/04/2009	13.18	413,100	01/04/2010 – 01/04/2012	01/04/2010 – 31/01/2014	
In aggregate	20/12/2012	5.360	347,020	15/01/2013 – 15/01/2014	15/01/2013 – 14/01/2015	
			34,528,556			



### Restricted Share Award Scheme

On 14 July 2006 (the “**Adoption Date**”), the Board adopted a restricted share award scheme (the “**Restricted Share Award Scheme**”) which any individual being a director, employee, officer, agent or consultant of the Company or its subsidiaries is entitled to participate in. The purpose of the scheme is to facilitate the Company’s objectives of attracting new and motivating existing talents and retaining both in the Company. The scheme shall be valid for a term of ten years from the Adoption Date and is administered by the administrative committee and the trustee of the scheme.

Pursuant to the Restricted Share Award Scheme, the Company shall transfer cash to the trustee from time to time for the acquisition of Shares to be held upon trust for the benefits of the selected participants. Shares (the “**Restricted Shares**”) granted to the selected participants are subject to restrictions and limitations and will become unrestricted upon vesting at the end of each vesting period. No Restricted Shares will be granted under the scheme if the number of Restricted Shares granted at any time during the scheme period has exceeded 5% of the Company’s share capital in issue from time to time. Apart from the expenses incurred by the trustee attributable or payable in connection with the vesting of the Restricted Shares which shall be borne by the selected participants, vested shares shall be transferred at no cost to the selected participants.

The Restricted Share Award Scheme has been amended on 30 April 2009 pursuant to a Board resolution to allow the administration committee of the scheme to determine in its absolute discretion such vesting criteria or periods for the Restricted Shares to be vested, including, without limitation, the satisfaction of specified performance criteria relating generally to the Company or particularly to a selected participant or such other restrictions or conditions as the administration committee may in its discretion determine to be appropriate. Any of the foregoing vesting criteria or restrictions shall be set out in the grant letter as referred to in the scheme.

By resolutions of the Board on 4 July 2012, the Restricted Share Award Scheme has been further amended to allow purchases of Shares from the market from time to time from (instead of one-off purchase after each grant) such that sufficient amount of Shares are available for vesting of the relevant Restricted Shares. In addition, the maximum number of Restricted Shares under the Restricted Share Award Scheme has been increased from 2% of issued Shares as at the Adoption Date to 5% of Shares in issue from time to time.

The purpose of the amendments is to allow the Board to have more flexibility in the administration of the scheme and to allow the scheme to offer better long-term incentive to the grantees.

Details of the Restricted Shares under the Restricted Share Award Scheme as at Latest Practicable Date are as follows:

<b>Date of grant</b>	<b>Fair value per Restricted Share</b> <i>(Note)</i> <i>HK\$</i>	<b>Number of Restricted Shares as at the Latest Practicable Date</b>	<b>Vesting period</b>
03/09/2010	23.30	348,828	01/07/2011 – 31/08/2013
03/09/2010	23.30	780,000	01/07/2011 – 01/07/2016
30/12/2010	16.62	4,536	30/12/2011 – 28/02/2014
15/07/2011	8.96	564,010	15/07/2012 – 15/07/2014

*Note:*

The fair values of the Restricted Shares were based on the closing price per Share at the date of grant.

### **Convertible debt securities**

On 8 February 2012, the Company issued Convertible Bonds bearing interest at the rate of 4% per annum and due on 8 February 2017 (the “**Maturity Date**”), in the aggregate principal amount of RMB750,000,000 with an initial conversion price of HK\$7.74 per CB Conversion Share (subject to anti-dilutive adjustment). On 23 January 2013, the conversion price was reset to HK\$4.5 per CB Conversion Share (subject to anti-dilutive adjustment). Unless previously redeemed, converted or purchased and cancelled, these Convertible Bonds will be redeemed at the outstanding RMB principal amount with unpaid interests on the Maturity Date. The face value of outstanding Convertible Bonds as at the Latest Practicable Date amounted to RMB750,000,000. No Convertible Bonds had been converted to Shares during the period from the date of issue to up to the Latest Practicable Date.

Save as disclosed herein, the Company had no other outstanding convertible securities, options, warrants or similar rights as at Latest Practicable Date.

### **3. DIRECTORS’ INTERESTS**

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to

the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, as adjusted based on 1,055,907,629 Shares in issue as at the Latest Practicable Date, were as follows:

Name of Director	Number of Shares/ underlying Shares held	Note	Capacity	Approximate % of total issued Shares*
Li Ning	610,581,839 (Long position)	1	Interests of controlled corporations	57.83
Jin-Goon Kim	287,450 (Long position)	2	Personal	0.03
Zhang Zhi Yong	16,025,090 (Long position)	3	Personal, interest of controlled corporation	1.52
Chen Yue, Scott	287,450 (Long position)	4	Personal	0.03
James Chun-Hsien Wei	845,730 (Long position)	5	Personal	0.08
Koo Fook Sun, Louis	1,041,730 (Long position)	6	Personal	0.10
Wang Ya Fei	1,041,730 (Long position)	7	Personal	0.10
Chan Chung Bun, Bunny	937,730 (Long position)	8	Personal	0.09
Su Jing Shyh, Samuel	287,450 (Long position)	9	Personal	0.03

\* The percentage has been calculated based on 1,055,907,629 Shares in issue as at the Latest Practicable Date.

*Notes:*

1. Mr. Li is deemed to be interested in an aggregate of 268,181,850 Shares held by Viva China and Alpha Talent, and the 342,399,989 Conversion Shares convertible under the Convertible Securities pursuant to the Viva China Irrevocable Undertaking and the Viva China Underwriting Agreement respectively, as follows:
  - (a) 266,374,000 Shares are held by Viva China which is wholly owned by Viva China Holdings. Viva China Holdings is owned as to approximately 29.29% by Victory Mind Assets Limited and approximately 35.09% by Lead Ahead Limited which in turn are respectively 57% and 60% owned by Ace Leader Holdings Limited (which is 100% owned by a discretionary trust of which Mr. Li is a founder) and Mr. Li. Mr. Li is therefore deemed to be interested in the Shares held by Viva China.
  - (b) 1,807,850 Shares are held by Alpha Talent, which is established and solely owned by Mr. Li for the purpose of holding the relevant Shares under the Share Purchase Scheme. Mr. Li is therefore deemed to be interested in the 1,807,850 Shares held by Alpha Talent. Mr. Li is a director of Alpha Talent.

- (c) Pursuant to the Viva China Irrevocable Undertaking and the Viva China Underwriting Agreement, Viva China will subscribe for/underwrite up to a total of 342,399,989 Conversion Shares based on 1,055,907,629 Shares in issue as at the Latest Practicable Date.
2. Mr. Jin-Goon Kim is taken to be interested as a grantee of options to subscribe for 287,450 Shares at an exercise price of HK\$5.36 per Share under the Share Option Scheme.
3. Mr. Zhang Zhi Yong is interested in 9,547,400 Shares, among which 6,297,400 Shares are held as personal interest and 3,250,000 Shares are held by Smart Step Management Limited (“Smart Step”) which is 100% owned by Mr. Zhang. Mr. Zhang therefore is deemed to be interested in the 3,250,000 Shares held by Smart Step. Mr. Zhang is a director of Smart Step.
- Mr. Zhang is also taken to be interested as a grantee of options to subscribe for 121,600 Shares at an exercise price of HK\$17.22 per Share, 4,519,400 Shares at an exercise price of HK\$11.37 per Share, 836,690 Shares at an exercise price of HK\$9.896 per Share and 1,000,000 Shares at an exercise price of HK\$4.690 per Share under the Share Option Scheme.
4. Mr. Chen Yue, Scott is taken to be interested as a grantee of options to subscribe for 287,450 Shares at an exercise price of HK\$5.36 per Share under the Share Option Scheme.
5. Mr. James Chun-Hsien Wei is interested in 34,300 Shares and is taken to be interested as a grantee of options to subscribe for 51,400 Shares at an exercise price of HK\$17.22 per Share, 263,400 Shares at an exercise price of HK\$11.37 per Share, 209,180 Shares at an exercise price of HK\$9.896 per Share and 287,450 Shares at an exercise price of HK\$5.36 per Share under the Share Option Scheme.
6. Mr. Koo Fook Sun, Louis is interested in 230,300 Shares and is taken to be interested as a grantee of options to subscribe for 51,400 Shares at an exercise price of HK\$17.22 per Share, 263,400 Shares at an exercise price of HK\$11.37 per Share, 209,180 Shares at an exercise price of HK\$9.896 per Share and 287,450 Shares at an exercise price of HK\$5.36 per Share under the Share Option Scheme.
7. Ms. Wang Ya Fei is interested in 230,300 Shares and is taken to be interested as a grantee of options to subscribe for 51,400 Shares at an exercise price of HK\$17.22 per Share, 263,400 Shares at an exercise price of HK\$11.37 per Share, 209,180 Shares at an exercise price of HK\$9.896 per Share and 287,450 Shares at an exercise price of HK\$5.36 per Share under the Share Option Scheme.
8. Mr. Chan Chung Bun, Bunny is interested in 126,300 Shares and is taken to be interested as a grantee of options to subscribe for 51,400 Shares at an exercise price of HK\$17.22 per Share, 263,400 Shares at an exercise price of HK\$11.37 per Share, 209,180 Shares at an exercise price of HK\$9.896 per Share and 287,450 Shares at an exercise price of HK\$5.36 per Share under the Share Option Scheme.
9. Mr. Su Jing Shyh, Samuel is taken to be interested as a grantee of options to subscribe for 287,450 Shares at an exercise price of HK\$5.36 per Share under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

## 4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company and based on 1,055,907,629 Shares in issue as at the Latest Practicable Date, the following persons (other than any Director or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	No. of Shares held	Long position		Conversion Shares convertible under the Convertible Securities pursuant to the Irrevocable Undertakings and/or the Underwriting Agreements	Capacity	Approximate % of total issued Shares <sup>#</sup>
		Underlying Shares under Convertible Bonds due 2017				
Li Chun	266,374,000	-	<i>Note 1</i>	342,399,989	Interest of controlled corporations	57.65%
Viva China	266,374,000	-	<i>Note 1</i>	342,399,989	Interest of controlled corporations	57.65%
David Bonderman	53,000,000	153,340,000	<i>Note 2</i>	165,975,325	Interest of controlled corporations	35.26%
James G. Coulter	53,000,000	153,340,000	<i>Note 2</i>	165,975,325	Interest of controlled corporations	35.26%
TPG Asia Advisors V, Inc.	53,000,000	153,340,000	<i>Note 2</i>	165,975,325	Interest of controlled corporations	35.26%
TPG Stallion, L.P.	53,000,000	153,340,000	<i>Note 2</i>	165,975,325	Beneficial owner	35.26%
Minister for Finance Inc.	45,313,252	51,660,000	<i>Note 3</i>	19,578,500	Interest of controlled corporations	11.04%
Government of Singapore Investment Corporation Pte Ltd	45,313,252	51,660,000	<i>Note 3</i>	19,578,500	Interest of controlled corporations and Investment manager	11.04%
GIC Special Investments Pte Ltd	39,157,000	51,660,000	<i>Note 3</i>	19,578,500	Interest of controlled corporations	10.46%
Government of Singapore Investment Corporation (Ventures) Pte Ltd	39,157,000	51,660,000	<i>Note 3</i>	19,578,500	Interest of controlled corporations	10.46%
Tetrad Ventures Pte Ltd	39,157,000	51,660,000	<i>Note 3</i>	19,578,500	Beneficial owner	10.46%
James Christopher Kralik	52,926,000	-	<i>Note 4</i>	-	Interest of controlled corporation	5.01%
Lou Yunli	52,926,000	-	<i>Note 4</i>	-	Interest of controlled corporation	5.01%
Linden Street Capital Limited	52,926,000	-	<i>Note 4</i>	-	Interest of controlled corporation	5.01%

<sup>#</sup> The percentage is calculated based on 1,055,907,629 Shares in issue as at the Latest Practicable Date.

*Notes:*

1. Viva China is wholly owned by Viva China Holdings, which is in turn owned as to approximately 29.29% by Victory Mind Assets Limited and approximately 35.09% by Lead Ahead Limited. Victory Mind Assets Limited is 38% held by Jumbo Top Group Limited, which is owned as to 100% by a discretionary trust of which Mr. Li Chun is a founder. Lead Ahead Limited is 40% held by Mr. Li Chun. Therefore Mr. Li Chun is deemed to be interested in 266,374,000 Shares.
2. 53,000,000 Shares and the Convertible Bonds with principal amount of RMB561,000,000 entitling the conversion for a total of 153,340,000 CB Conversion Shares are directly held by TPG Stallion, L.P. which is wholly owned by TPG Asia Advisors V, Inc., in turn, it is owned as to 50% by Mr. David Bonderman and 50% by Mr. James G. Coulter.
3. 39,157,000 Shares and the Convertible Bonds with principal amount of RMB189,000,000 entitling the conversion for a total of 51,660,000 CB Conversion Shares are directly held by Tetrad Ventures Pte Ltd which is wholly owned by Government of Singapore Investment Corporation (Ventures) Pte Ltd, and, in turn, controlled by GIC Special Investments Pte Ltd. GIC Special Investments Pte Ltd is wholly owned by Government of Singapore Investment Corporation Pte Ltd ("GIC") which also directly holds 6,156,252 Shares, in turn GIC is wholly owned by Minister for Finance Inc.
4. 30,000,000 Shares are indirectly held by MCP China Strategic Holdings Limited which is wholly owned by Linden Street Capital Limited ("Linden Street") and, in turn, Linden Street is owned by a trust of which James Christopher Kralik and Lou Yunli are the trustees. Additionally, 22,926,000 Shares are indirectly owned by MCP China Investment Holdings Limited which is wholly owned by Linden Street, in turn, Linden Street is owned by a trust of which James Christopher Kralik and Lou Yunli are the trustees. Therefore, James Christopher Kralik and Lou Yunli are deemed to be interested in an aggregate of 52,926,000 Shares held by Linden Street.

Save as disclosed herein, as at the Latest Practicable Date, there was no other person so far as is known to the Directors and chief executives of the Company (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## 5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Subscription Agreements;
- (b) the Amendment Deeds;
- (c) the Underwriting Agreements; and
- (d) the Irrevocable Undertakings.

Save as the aforesaid, no material contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the date of this prospectus which are or may be material.

## **6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries.

## **7. EXPERT AND CONSENT**

The following sets out the qualification of the expert who has given opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any shareholding in any member of the Group and PricewaterhouseCoopers did not have right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either direct or indirect, in any assets which have been, since 31 December 2011 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, PricewaterhouseCoopers had given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report in the form and context in which it is included.

## 8. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Name	Address
<i>Executive Directors:</i>	
Mr. Li Ning	Apartment 11A Harston The Repulse Bay 109 Repulse Bay Road Hong Kong
Mr. Jin-Goon Kim	Flat 11E Block E 119A Repulse Bay Road Hong Kong
Mr. Zhang Zhi Yong	1-1-602 Nan Qu No. 8 West Chao Yang Gong Yuan Chao Yang District Beijing People's Republic of China
<i>Non-executive Directors:</i>	
Mr. James Chun-Hsien Wei	11th Floor, 46, Chung-Cheng Road Section 2, Tien Mu, Taipei 11147 Taiwan
Mr. Chen Yue, Scott	T9-706, MOMA No. 1 Xiangheyuan Road Dongcheng District, 100028 Beijing People's Republic of China
<i>Independent non-executive Directors:</i>	
Mr. Koo Fook Sun, Louis	Flat A, 20th Floor Block 2, Grand Garden 61 South Bay Road Hong Kong



Ms. Wang Ya Fei	18-1-202# Yilin Jiayuan Lincui Road Chaoyang District Beijing 100192 People's Republic of China
Mr. Chan Chung Bun, Bunny	25 Tung Tau Wan Road Stanley Hong Kong
Mr. Su Jing Shyh, Samuel	19A, The House, 969 Beijing Road West Shanghai 200041 People's Republic of China
<i>Senior management:</i>	
Mr. Edwin Alexander Jonkers	No. 8 Xing Guang 5th Street Opto-Mechatronics Industrial Park Zhongguancun Science & Technology Area Tongzhou District Beijing, PRC
Mr. Deng Hongbing	No. 8 Xing Guang 5th Street Opto-Mechatronics Industrial Park Zhongguancun Science & Technology Area Tongzhou District Beijing, PRC
Ms. Catherine Teng	No. 8 Xing Guang 5th Street Opto-Mechatronics Industrial Park Zhongguancun Science & Technology Area Tongzhou District Beijing, PRC

**Executive Directors*****Mr. Li***

Mr. Li Ning, aged 50, is the founder of the LI-NING brand and the Group's Executive Chairman and an executive Director of the Group. Mr. Li also serves as the Chairman of the Executive Committee and a member of the Nomination Committee. He is primarily responsible for formulating the Group's overall corporate strategies and planning.

Mr. Li is one of the most outstanding athletes in the 20th century. In the 6th World Cup Gymnastics Competition in 1982, Mr. Li unprecedentedly won six gold medals in men's artistic gymnastics events and was named the "Prince of Gymnastics" (體操王子) in the PRC. In the 23rd Los Angeles Olympic Games in 1984, Mr. Li won three gold, two silver and one bronze medals, making him the athlete winning the most medals of that Olympic Games. In 1987, Mr. Li became the only Asian member of the Athlete's Commission of the International Olympic Committee. From 1993 to 2000, Mr. Li served as a member of the Men's Artistic Gymnastics Technical Committee of the Federation Internationale De Gymnastique. He is currently an honorary member of the Federation Internationale De Gymnastique. In 1999, Mr. Li was voted one of the "World's Most Excellent Athletes in the 20th Century" by the World Sports Correspondent Association.

After retiring in 1989 from his athlete career, Mr. Li initiated the idea of LI-NING brand with the goal of creating the first national sports goods brand in the PRC. He has dedicated the past over 20 years to the development of the Group's business, making great contribution to the development of the sporting goods industry in China. Mr. Li also serves as chairman and executive director of Viva China Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Li holds a bachelor's degree in law from School of Law of Peking University (北京大學), an executive M.B.A. degree from Guanghua School of Management of Peking University (北京大學光華管理學院), a technical honorary doctorate from Loughborough University in the United Kingdom and a degree of Doctor of Humanities honoris causa of The Hong Kong Polytechnic University. In June 2010, Mr. Li was also conferred honorary fellowship from The Hong Kong University of Science and Technology.

Mr. Li has also been actively involved in charities via his "Li Ning Foundation" (李寧基金) and his genuine support to the active and retired Chinese athletes and coaches in establishing "The Chinese Athletes Educational Foundation" (中國運動員教育基金), which aims at providing subsidies for further education and trainings for athletes and to support educational development in impoverished and remote areas in China. In October 2009, Mr. Li was appointed by The United Nations World Food Programme (WFP) as China's first "WFP Goodwill Ambassador against Hunger".

***Mr. Jin-Goon Kim***

Mr. Jin-Goon Kim, aged 45, is the Executive Vice Chairman and an executive Director of the Group, leading the development of the Group's internal affairs and daily operations. Mr. Kim also serves as the Chairman of the Nomination Committee and a member of the Executive Committee. Mr. Kim became a director of the Company in April 2012. Mr. Kim is a partner of TPG and a member of TPG's Operations Group. TPG is a world's leading private equity investment firm. From December 2007 to January of 2011, he was an executive director and interim chief executive officer and he is currently the vice chairman of the board of China Grand Automotive Service Co., Ltd. (廣匯汽車服務股份公司) and built China's leading passenger car retail and service network. As a director of the board, Mr. Kim led the turnaround of UniTrust Finance & Leasing Corporation (恆信金融租賃有限公司), a leading capital equipment leasing company in China. Mr. Kim is also a non-executive director of the board of Daphne International Holdings Limited ("Daphne"), a leading ladies' shoe company in China and a company listed on the Main Board of the Stock Exchange, and has led TPG's operational initiatives to help transform Daphne's core operations and pioneer industry's first fast retail business model. Prior to joining TPG, Mr. Kim worked for Dell Inc. as the managing director of its Korea

business from 2002 to 2006. Prior to that from 2000 to 2002, Mr. Kim was vice president of Internet Business Capital Corporation in Cambridge, Massachusetts, a privately funded early-stage venture capital firm and from 1996 to 2000, he was the engagement manager at McKinsey & Company, an international management consulting firm. Mr. Kim received his undergraduate degree in Arts majored in Government and East Asian Studies from Harvard University with High Honors, conducted post graduate research in Nanjing-Hopkins Center in China, and returned to Harvard University to pursue his Master of Public Policy.

***Mr. Zhang Zhi Yong***

Mr. Zhang Zhi Yong, aged 44, is an executive Director and the chief advisor to the Executive Committee. Mr. Zhang joined the Group in October 1992 as a finance manager of Beijing Li Ning Footwear Co., Ltd. (北京李寧鞋業有限公司), became the financial controller of Beijing Li Ning Sports Goods Co., Ltd. (北京李寧體育用品有限公司) in April 1999 and was the general manager of the company from February 2001 to June 2004. Since the listing of the Company on the Stock Exchange in June 2004 to 3 July 2012, Mr. Zhang was the Company's Chief Executive Officer, responsible for the overall strategy of the Group, and promoting the development of human resources, information resources and financial resources in line with the Group's brand development. Since 1992 when he began his career in the sporting goods industry in China, Mr. Zhang has accumulated 20 years of China experience in the industry with thorough understanding of the change of the consumer market in China, the building of brand images and change management for Chinese firms. Mr. Zhang has been appointed as an independent non-executive director of C.banner International Holdings Limited, a company listed on the Main Board of the Stock Exchange, with effect from 15 October 2012. Mr. Zhang holds a bachelor's degree from Beijing College of Economics (北京經濟學院) and an executive M.B.A. degree from Guanghua School of Management of Peking University (北京大學光華管理學院).

**Non-executive Directors**

***Mr. James Chun-Hsien Wei***

Mr. James Chun-Hsien Wei, aged 55, is a non-executive Director. Mr. Wei joined the Group in September 2007. Mr. Wei has been appointed as Chief Executive Officer of KSF Foods Holding effective from 1 January 2013. KSF Foods Holding manages a few food companies that are invested by Tingyi Holding Corp. Previously, Mr. Wei was a senior advisor for CVC Capital Asia Pacific ("CVC") and Beiersdorf Aktiengesellschaft from 1 January 2012 to 31 December 2012. CVC is a world's leading private equity and investment advisory firm. Beiersdorf Aktiengesellschaft is a global skin and beauty care company listed on the German Stock Exchange, for which Mr. Wei served as an executive board member from 1 June 2009 to 31 December 2011. Prior to that, Mr. Wei was the Senior Vice President of Avon Products, Inc., Asia Pacific ("Avon") and had been responsible for Avon's operations in ten markets, including Japan, Taiwan, Australia, Philippines and India from 2003 to May 2009. Before joining Avon, Mr. Wei spent 19 years at Procter & Gamble where he rose to become the Vice President and General Manager of Procter & Gamble Greater China, overseeing the company's health and beauty care business in that region. Mr. Wei holds a B.S.E.E. degree from National Taiwan University and a M.B.A. degree from the University of Chicago in the United States.

*Mr. Chen Yue, Scott*

Mr. Chen Yue, Scott, aged 36, is a non-executive Director, a member of the Executive Committee and the Remuneration Committee. TPG Stallion L.P., which has interests in the convertible bonds and ordinary shares of the Company, is an affiliate of TPG, a world's leading private equity investment firm. Mr. Chen is a managing director of TPG. Mr. Chen focuses on investment opportunities for TPG in Greater China with an emphasis in the consumer and retail as well as technology, media, and telecom industries. Since joining TPG in 2001, Mr. Chen has been based in TPG's Singapore, Hong Kong and Beijing offices and has evaluated and executed private equity transactions across multiple industries spanning across most Asia Pacific countries. He is serving and has served on the boards of companies including UTAC Holdings Ltd. since 2007 and Taishin International Bank Co., Ltd., a Taiwanese bank, from 2008 to 2010. Prior to joining TPG, from 1999 to 2001, Mr. Chen worked as an analyst in the Technology Mergers & Acquisitions Group of Lehman Brothers Holdings Inc. in New York. Mr. Chen graduated from University of Colorado with a Bachelor Degree in Business Administration in 1999.

**Independent non-executive Directors***Mr. Koo Fook Sun, Louis*

Mr. Koo Fook Sun, Louis, aged 56, is an independent non-executive Director and Chairman of the Audit Committee. Mr. Koo joined the Group in June 2004. Mr. Koo is the managing director of Hercules Capital Limited, a corporate finance advisory firm. Prior to the founding of Hercules Capital Limited, he was the managing director and the head of corporate finance department of a major international bank, and a director and chief executive officer of a company listed on the Main Board of the Stock Exchange. Mr. Koo also serves currently as an independent non-executive director of Midland Holdings Limited, Good Friend International Holdings Inc., Xingda International Holdings Limited and Richfield Group Holdings Limited, all of which are listed on the Main Board of the Stock Exchange. From 20 October 2003 to 29 June 2012, Mr. Koo served as an independent non-executive director of Weichai Power Co., Limited (a company listed on the Main Board of the Stock Exchange). Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley in the United States and is a certified public accountant.

*Ms. Wang Ya Fei*

Ms. Wang Ya Fei, aged 57, is an independent non-executive Director, Chairman of the Remuneration Committee and a member of the Audit Committee. Ms. Wang joined the Group in January 2003. Ms. Wang has over 20 years of experience in management and corporate finance matters. Ms. Wang has been appointed as chairman of Caelum Asset Management Company with effect from September 2011. She also serves as an independent director of Xueda Education Group, listed on the New York Stock Exchange. Ms. Wang was the director and deputy general manager of Beijing Investment Consultants Inc. from 1996 to September 2011, and an associate professor in Guanghua School of Management of Peking University (北京大學光華管理學院) from 1995 to September 2011. She holds a bachelor's degree in international politics from Fudan University (復旦大學) in Shanghai and was an exchange scholar in Maryland University, College Park in the United States. Ms. Wang also holds a M.B.A. degree from University of Lancaster in the United Kingdom.

*Mr. Chan Chung Bun, Bunny*

Mr. Chan Chung Bun, Bunny, aged 55, is an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chan joined the Group in June 2004. Mr. Chan has more than 30 years of experience in the garment industry and is currently the chairman of Prosperful Holdings Ltd. Mr. Chan has also served as independent non-executive director respectively of Great Harvest Maeta Group Holdings Limited since September 2010 and of Speedy Global Holdings Limited since December 2012. Both companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Chan is active in community affairs in Hong Kong. He is currently the chairman of the Kwun Tong District Council of Hong Kong and has been appointed as the chairman of the Commission on Youth of Hong Kong from 1 April 2009. Mr. Chan was appointed as Justice of Peace in 2002 and was awarded the Bronze Bauhinia Star medal in 2004 and Silver Bauhinia Star medal in 2009 by the Hong Kong Government.

*Mr. Su Jing Shyh, Samuel*

Mr. Su Jing Shyh Samuel, aged 60, is an independent non-executive Director. Mr. Su joined the Group in July 2012. Mr. Su is the chairman and chief executive officer of the China Division of Yum! Brands, Inc. ("Yum!"), a company listed on the New York Stock Exchange. He also serves as an executive director and the vice chairman on Yum!'s board of directors. Mr. Su earned his undergraduate degree at the National Taiwan University, a M.Sc. degree of Chemical Engineering at Pennsylvania State University and an MBA at the Wharton School. Before joining Yum!, Mr. Su worked with Procter & Gamble in Germany and Taiwan. Mr. Su started his career with Yum! in 1989 as KFC International's director of marketing for the North Pacific region. In 1993, he became vice president of North Asia for both KFC and Pizza Hut. Mr. Su was named president of Greater China for Tricon Global Restaurants International upon Pepsi's spin-off of the restaurant business in 1997. Yum!'s China Division today leads the development of the KFC, Pizza Hut Dine-in Restaurants, Pizza Hut Home Service, East Dawning and Little Sheep brands in mainland China. Mr. Su was a non-executive director of Little Sheep Group Limited from 2 June 2009 to 2 February 2012, which was delisted from the Main Board of the Stock Exchange in February 2012.

Save as disclosed in this prospectus and as at the Latest Practicable Date, none of the Directors hold any position in the Company or any of its subsidiaries nor have any relationship with any other Director, senior management, substantial shareholder or controlling shareholder of the Company. Save as disclosed in this prospectus and as at the Latest Practicable Date, none of the Directors has held any directorship in other listed companies in Hong Kong or overseas in the past three years. Save as disclosed above and as at the Latest Practicable Date, none of the Directors is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**Senior management*****Mr. Edwin Alexander Jonkers***

Mr. Edwin Alexander Jonkers, aged 48, Vice President and Chief Product and Merchandising Officer of the Group, joined the Group in September 2012, and is responsible for product creation, including product marketing, design, research innovation, development and merchandising functions in footwear, apparel and hardware. Mr. Jonkers has over 20 years of experience in sporting goods and fashion industry at retail and brands in product creation and marketing roles. Prior to joining the Group, Mr. Jonkers worked in internationally renowned sports brand companies. He graduated from University of Applied Science TMO in Netherlands with a Bachelor's degree of Arts in Marketing and Business Management.

***Mr. Deng Hongbing***

Mr. Deng Hongbing, aged 41, Vice President and Chief Supply Chain Officer, joined the Group in August 2012, and is responsible for establishment and optimisation of supply chain management system. Mr. Deng has 19 years of experience in supply chain management. Prior to joining the Group, Mr. Deng worked in Dell for 14 years, holding various key management positions, including executive director for sales operations of small and medium business in Asia-Pacific and Japanese region, executive director for worldwide procurement in Dell, manufacturing operations director in Dell China, procurement and business planning director in Dell China, with senior management experience leading revolutionary transformation. Mr. Deng holds a master's degree in Business Administration from China Europe International Business School.

***Ms. Catherine Teng***

Ms. Catherine Teng, aged 44, Vice President of the Group and Chief Marketing Officer of LI-NING brand. Ms. Teng joined the Group in October 2012. She is responsible for the marketing and brand development of the Group, including strengthening brand equity, developing growth strategies and innovation pipeline, managing the sports resources. Ms. Teng comes from Taiwan with 20 years of rich experience in brand management across beauty care and food categories. Ms. Teng held key marketing positions from multinational corporations, including P&G and Johnson & Johnson Asia Pacific. Prior to joining the Group, Ms. Teng was the managing director of General Mills Taiwan. Ms. Teng graduated from the National Taiwan University with a bachelor's degree in Foreign Languages and Literatures, and holds two master degrees respectively a master in Journalism from University of Texas at Austin and an EMBA from National Taiwan University.

As at the Latest Practicable Date, none of the senior management hold any position in the Company or any of its subsidiaries nor have any relationship with any other Director, senior management, substantial shareholder or controlling shareholder of the Company. As at the Latest Practicable Date, none of the senior management has held any directorship in other listed companies in Hong Kong or overseas in the past three years. As at the Latest Practicable Date, none of the senior management is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 9. CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Suites 1, 7-15, L45 Office Tower, Langham Place 8 Argyle Street Mongkok, Kowloon Hong Kong
Operational headquarter	No. 8 Xing Guang 5th Street Opto-Mechatronics Industrial Park Zhongguancun Science & Technology Area Tongzhou District Beijing, PRC
Company secretary	Ms. Yim Wai Yin, Lisa
Authorised representatives	Mr. Li Ning Apartment 11A Harston The Repulse Bay 109 Repulse Bay Road Hong Kong  Mr. Chen Yue, Scott T9-706, MOMA No. 1 Xiangheyuan Road Dongcheng District, 100028 Beijing People's Republic of China
Legal adviser as to Hong Kong law and US law in relation to the Open Offer	Baker & McKenzie 23rd Floor, One Pacific Place 88 Queensway Hong Kong SAR
Legal adviser as to Cayman Islands law in relation to the Open Offer	Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O.Box 2681 Grand Cayman KY1-1111 Cayman Islands

Principal share registrar and transfer office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
Principal bankers	<i>Hong Kong</i>  Hang Seng Bank Limited 19/F., 83 Des Voeux Road, Central, Hong Kong  DBS Bank Ltd., Hong Kong Branch 18/F., The Center, 99 Queen's Road Central Hong Kong  Standard Chartered Bank (Hong Kong) Limited 15/F, 4-4A Des Voeux Road Central, Hong Kong  <i>PRC</i>  Industrial & Commercial Bank of China Tower B, Tianyin Mansion No. 2, Fuxingmennan Street, Xicheng District Beijing, China  China Construction Bank No. 25, Financial Street, Xicheng District Beijing 100033  Bank of China No. 2 Chaoyangmennei Street Dongcheng District Beijing China  China Merchants Bank No. 58 East Xinglong Street, Dongcheng District, Beijing, China 100062



China MinSheng Banking Corporation Limited  
No.2, Fuxingmennei Ave., Xicheng District  
Beijing 100031, P.R.China

Hang Seng Bank (China) Limited  
9th North Office Tower Beijing Kerry Center  
1 Guanghua Road Chaoyang District  
Beijing China 100020

Standard Chartered Bank (China) Limited  
12th Floor Standard Chartered Tower  
World Finance Center No.1  
East Third Ring Middle Road Chaoyang District  
Beijing 100020

DBS Bank (China) Limited  
5F Windland International Finance Center  
No.7 Financial Street Xicheng District  
Beijing, 100033, China

Auditors

PricewaterhouseCoopers  
Certified Public Accountants  
22/F, Prince's Building  
Central  
Hong Kong

## **10. LEGAL EFFECT**

This prospectus, the PAL and the EAF, and all offers, acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong.

## **11. BINDING EFFECT**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

## **12. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

A copy of each of the Prospectus Documents, together with the written consent referred to in the paragraph headed "7. Expert and consent" in this appendix, has been delivered to the Registrar of Companies in Hong Kong for registration, and has been so registered, as required by section 342C of the Companies Ordinance.

**13. ADJUSTMENTS TO THE CONVERSION PRICE**

(a) The Conversion Price shall from time to time be adjusted after the first date of issue of the Convertible Securities in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (i) to (viii) below, it shall fall within the paragraph that allows the greatest extent of adjustment to the exclusion of the remaining paragraphs:

(i) *Consolidation, subdivision or reclassification:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(ii) *Capitalisation of profits or reserves:*

a. If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (a “**Scrip Dividend**”), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

b. In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend; or by making such adjustment as the approved financial adviser (acting as an expert), shall certify to the holders of the Convertible Securities is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(iii) *Rights issues of Shares or options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95% of the Current Market Price per Share on the last Trading Day preceding the date of

the announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (iv) *Rights issues of other securities:* If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the issue or grant by the Company to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase or otherwise acquire, any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

- (v) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in (iii) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of the options granted by the Company pursuant to its employee share option schemes, or any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise than as mentioned in (iii) above and other than the options granted by the Company pursuant to its employee share option schemes) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 95% of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for such additional Shares to be issued or otherwise made available or, as the case may be, upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and
- C is the maximum number of additional Shares issued or the maximum number of Shares that may be issued upon exercise of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

- (vi) *Other issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other existing securities in accordance with the terms applicable to such existing securities, if and whenever the Company or any subsidiary of the Company (otherwise than as mentioned in (iii), (iv) or (v) above) or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity (otherwise than as mentioned in (iii), (iv) or (v) above) shall issue any securities (other than the Convertible Securities and the

options granted by the Company pursuant to its employee share option schemes) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for or purchase of, or to otherwise acquire, Shares issued or to be issued by the Company or securities which by their terms may be redesignated Shares receivable upon conversion, exchange, subscription or redesignation at a consideration per Share which is less than 95% of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue or grant (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Company for the purposes of, or in connection with, such issue, less the number of Shares so issued);
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued or otherwise made available upon conversion or exchange or on exercise of the right of subscription or purchase or acquisition attached to such securities or, as the case may be, the Shares would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued or otherwise made available upon conversion or exchange of such securities or on the exercise of such rights of subscription or purchase or acquisition attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Shares to be issued or to arise or to be made available from any such redesignation.

Such adjustment shall become effective on the date of issue of such securities.

- (vii) *Modification of rights of conversion etc:* If and whenever there is any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities as are mentioned in (vi) above (other than in accordance with the existing terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95% of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Company for the purposes of, or in connection with, such issue, less the number of Shares so issued);
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at (a) such Current Market Price per Share or (b) the existing conversion, exchange, subscription or purchase price of such securities if such price is lower than the Current Market Price per Share; and
- C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription or purchase price or rate but giving credit in such manner as an approved financial adviser (acting as an expert), considers appropriate (if at all) for any previous adjustment under this (vii) or (vi) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.

- (viii) *Other events:* If either: (A) the rights of conversion, exchange, purchase or subscription attaching to any options, rights or warrants to subscribe for or purchase Shares or any securities convertible into or exchangeable for Shares or the rights carried by such securities to subscribe for or purchase Shares are modified (other than pursuant to, and as provided in, the existing terms and conditions of such options, rights, warrants or securities); or (B) the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in any other provisions of this anti-dilution adjustment provision which in either case have or would have an effect on the position of the holders of the Convertible Securities as a class compared with the position of the holders of all the securities (and options, rights and warrants relating thereto) of the Company, taken as a class, which is analogous to any of the events referred to in (i) to (vii), then, in any such case, the Company shall at its own expense request an approved financial adviser (acting as expert) to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon

such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination provided that where the circumstances giving rise to any adjustment pursuant to this anti-dilution adjustment provision have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this anti-dilution adjustment provision as may be advised by the approved financial adviser (acting as expert) to be in their opinion appropriate to give the intended result.

**14. GENERAL**

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).
- (b) None of the Directors, proposed Directors or expert contained in this prospectus, has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries since 31 December 2011, the date to which the latest published audited consolidated financial statements of the Company were made up.
- (c) There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.
- (d) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong.
- (e) The expenses in connection with the Open Offer, including financial advisory fees, underwriting fee, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$43.5 million and are payable by the Company.
- (f) The company secretary of the Company is Ms. Yim Wai Yin, Lisa, who is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (g) The English texts of the Prospectus Documents shall prevail over their respective Chinese texts.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company, from 27 March 2013 to 15 April 2013 (both days inclusive):

- (a) the memorandum of association of the Company and the Articles of Association;



- (b) the annual reports of the Company for the two years ended 31 December 2010 and 2011 respectively;
- (c) the report from PricewaterhouseCoopers on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in appendix II to this prospectus;
- (d) the material contracts referred to in the paragraph headed “5. Material contracts” of this appendix; and
- (e) the written consent of PricewaterhouseCoopers referred to in the paragraph headed “7. Expert and consent” of this appendix.