



LI NING COMPANY LIMITED

(李 寧 有 限 公 司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

THE LI NING COMPANY LIMITED RESTRICTED SHARE AWARD SCHEME

The Board has adopted the Scheme which shall have a duration of 10 years. Pursuant to the Scheme, the Company shall transfer cash to the Trustee from time to time for it to acquire Shares to be held upon trust for the benefits of Selected Participants. Shares granted to the Selected Participants shall be Restricted Shares which shall become unrestricted upon vesting at the end of each vesting period. No Shares shall be granted under the Scheme if the number of Shares granted at any time during the Scheme Period has exceeded 2 per cent of the issued share capital of the Company as at the Adoption Date. 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 Board has adopted the Scheme on the Adoption Date. As at the date hereof, the Company has, in addition to the Scheme, the Pre-IPO Scheme and the Post-IPO Scheme which are share option schemes. As no further grant would be permitted under the Pre-IPO Scheme since the listing of the Company's shares, the Post-IPO Scheme is effectively the only share option scheme under which the Company may continue to grant options to eligible participants. The Company believes that being able to attract to and retain talented resources within the Company is vital to its success and it will not be possible to do so without having a competitive and attractive remuneration package in place. The introduction of the Scheme will facilitate the Company's objectives of attracting new and motivating existing talents and retaining both in the Company.

A summary of the Scheme Rules is set out below:

Purposes, Duration and Administration

The purposes of the Scheme are to encourage and retain Selected Participants, including the Directors, to work with the Company and to provide incentive for them to achieve performance goals with a view to achieving the objectives of increasing the value of the Company and aligning the interests of Selected Participants directly to the shareholders of the Company through ownership of Shares.

Subject to any early termination of the Scheme and without prejudicing the subsisting rights of any Selected Participant, the Scheme shall be valid for the Scheme Period.

The Scheme shall be administered by the Administration Committee and the Trustee in accordance with the Scheme Rules.

Maximum Limit

The maximum number of Shares administered under the Scheme shall not exceed in total 2 per cent (i.e. 20,555,900 Shares) of the Company's issued share capital as at the Adoption Date (i.e. 1,027,795,001 Shares). The maximum number of Restricted Shares that may be granted to a Selected Participant may not exceed 1 per cent (i.e. 10,277,950 Shares) of the Company's issued share capital as at the Adoption Date.

Restrictions

No grant of Restricted Shares shall be made to any Selected Participant after (i) a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until such price sensitive information has been published in the newspapers; (ii) within the period commencing one month immediately preceding the earlier of: (a) the date of a meeting of the Board (as such date is first notified to the Hong Kong Stock Exchange) for the approval of the Company's interim or annual results for any Financial Period; and (b) the deadline for the Company to publish its interim or annual results announcement for any Financial Period under the Listing Rules, and ending on the date of such announcement; and (iii) in any circumstances which are prohibited under the Listing Rules or where the requisite approval from any applicable regulatory authorities has not been granted.

No payment shall be made to the Trustee and no instructions to purchase Shares shall be given to the Trustee where any Director is in possession of unpublished price sensitive information in relation to the Company or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Operation

Subject to the Scheme Rules, the Administration Committee shall select the Selected Participants and determine the number of Restricted Shares to be granted. Where any grant is proposed to be made to any Selected Participant who is a Director (including the INED) or a member of the Administration Committee, such grant must first be approved by all INED and in each case excluding any INED who is the proposed Selected Participant.

The Administration Committee shall cause to be paid to the Trustee the purchase price and the related expenses from the Company's resources. The Trustee shall purchase from the market the relevant number of Shares granted and shall hold such Shares upon trust for the benefits of the Selected Participants until they are vested in accordance with the Scheme Rules. The Trustee is an independent third party within the definition of the Listing Rules. The grant of Restricted Shares is subject to acceptance by the Selected Participants. Restricted Shares granted to but not accepted by the Selected Participants shall become Unaccepted Shares.

The Trustee may use any remainder of cash and non-cash income received by the Trustee in respect of the Shares held upon trust to purchase Additional Shares after defraying all expenses incurred by the Trust prior to the purchase of Additional Shares. The Trustee shall hold the Additional Shares, Unaccepted Shares and Unvested Shares upon trust and may make any grant to existing or new Selected Participants after considering the recommendations from the Administration Committee.

The Restricted Shares shall vest in the Selected Participants and become unrestricted at the end of the vesting period. Upon confirmation received from the Administration Committee that the vesting conditions have been satisfied, the Trustee shall transfer the vested Restricted Shares to the relevant Selected Participants at no cost except that the expenses attributable or payable in respect of the vesting of such Shares shall be borne by the Selected Participants.

Vesting

Restricted Shares granted under the Scheme are subject to a vesting scale in tranches of one-third each on every anniversary date of the Grant Date starting from the first anniversary date until the third. Vesting of Restricted Shares shall be subject to the conditions that the Selected Participant shall remain as a Participant of the Company or any Subsidiary until and on each of the Vesting Dates and inform the Administration Committee of his/her securities account details no later than the Vesting Date to effect the transfer of the Restricted Shares from the Trustee.

Lapse

A grant of Restricted Shares shall automatically lapse if a Selected Participant ceases to be a Participant:

- (a) as a result of termination by the Company or any Subsidiary for cause;
- (b) if he is an Employee, by reason of redundancy, severance or dismissal or because he has tendered his resignation;
- (c) the Subsidiary by which such Selected Participant is employed or contracted with (as the case may be) ceases to be a Subsidiary;
- (d) an order for the winding up of the Company is made or a resolution is passed for the voluntary winding up of the Company; or
- (e) by reason of death.

In the event that a Selected Participant fails to return the relevant document containing his/her securities account details to the Administration Committee prior to the Vesting Date, the relevant part of the Restricted Shares granted to such Selected Participant shall also automatically lapse.

Where Shares, referable to a Selected Participant, do not vest in accordance with the Scheme Rules, the Trustee shall hold such Unvested Shares and all income derived therefrom for the benefit of all or one or more of the Participants, as the Trustee in its absolute discretion shall at any time grant, after having taken into consideration recommendations of the Administration Committee.

If an offer by way of takeover, merger, scheme of arrangement, share repurchase or otherwise is made to all the holders of Shares resulting in a change in control of the Company (as specified in the Takeover's Code), and such offer becomes or is declared unconditional prior to the vesting of Restricted Shares in the Selected Participant, then all Restricted Shares shall immediately so vest.

Limitation of Restricted Shares

A Selected Participant shall have no rights in (a) any cash and non-cash income in respect of a Share; and (b) any cash remaining in the trust fund of the Trust in respect of a Share. All restrictions and limitations on the Restricted Shares shall be removed upon vesting.

The Trustee shall not exercise any voting rights in respect of any Shares held under the Trust.

The Trustee may not subscribe for any new Shares pertaining to either (a) an open offer of new securities; or (b) bonus warrants issued in respect of any Shares held by the Trustee. In the event of a rights issue, the Trustee shall sell any nil-paid rights allotted to it. In the event of the issue of a bonus warrant,

the Trustee shall sell the bonus warrants granted to it. The net proceeds from the sale of such rights shall be held as cash income of the trust fund of the Trust and shall be applied in accordance with the Scheme Rules to purchase Additional Shares for the benefit of all or one or more of the Participants.

Termination

This Scheme shall terminate on the earlier of the 10th anniversary of the Adoption Date or such date of early termination as determined by a resolution of the Board. Any termination shall be without prejudice to any subsisting rights of any Selected Participant. Upon termination (whether due to early termination or upon expiry of the Scheme Period), no further Restricted Shares shall be granted. The Company shall notify the Trustee of such termination.

Upon receipt of a termination notice from the Company, the Trustee shall vest in the Selected Participants all Restricted Shares referable to the date of termination which are not vested by transferring the same held by and in the trust fund of the Trust to the relevant Selected Participants; and sell all Unaccepted Shares, Unvested Shares, Additional Shares and non-cash income remaining in the Trust and remit the proceeds of sale of the same together with any residual cash accrued in the Trust, net of all appropriate expenses in connection with such sale in accordance with the Trust Deed, to the Company forthwith after the sale.

Definitions

In this announcement, the following words and expressions shall, unless the context otherwise requires, have the following respective meanings:

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| “Additional Shares” | additional Shares purchased by the Trustee which are funded by the cash and non-cash income received by the Trustee in respect of the Shares held upon trust; |
| “Administration Committee” | the Remuneration Committee (a sub-committee of the Board) and senior management of the Company which shall include the Chief Executive Officer and Chief Financial Officer of the Company, delegated with the power and authority by the Board to administer the Scheme; |
| “Adoption Date” | 14 July 2006 (the date on which the Scheme is adopted by the Board upon recommendation of the Remuneration Committee); |
| “Board” | the board of Directors; |
| “Company” | Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Hong Kong Stock Exchange; |

“Directors”	the directors of the Company and “Director” means any one of them;
“Employee”	an employee of the Company or any Subsidiary;
“Financial Period”	the financial accounting period of the Company;
“Grant Date”	in relation to any Restricted Share, the date on which the Restricted Share is, was or is to be granted;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“INED”	the independent non-executive Directors;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Participant”	any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any Subsidiary;
“Post-IPO Scheme”	the share option scheme of the Company implemented after the initial public offering of its shares;
“Pre-IPO Scheme”	the share option scheme of the Company implemented before the initial public offering of its shares;
“Restricted Shares”	Shares granted under this Scheme which are subject to restrictions and limitations;
“Scheme”	this restricted share award scheme in its present or any amended form;
“Scheme Period”	the period of 10 years commencing from the Adoption Date;
“Scheme Rules”	the rules relating to the Scheme adopted by the Board;
“Selected Participant”	any Participant selected by the Administration Committee in accordance with the terms of and entitled to receive a Grant under this Scheme;
“Shares”	share(s) with a par value of HK\$0.10 each (or such other nominal amount as shall result from a subdivision or a consolidation of such shares from time to time) in the capital of the Company;
“Subsidiary”	means the subsidiary of the Company; and “Subsidiaries” shall be construed accordingly;

“subsidiary”	has the meaning ascribed to such term in Section 2 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) whether incorporated in Hong Kong or elsewhere;
“Takeover’s Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchase for the time being in force and as amended from time to time;
“Trust”	the Li Ning Company Limited Restricted Share Award Scheme Trust from which Restricted Shares may be granted to a Selected Participant pursuant to this Scheme;
“Trustee”	means BOCI-Prudential Trustee Limited, being the trustee for the time being of the Trust or any additional or replacement trustee(s);
“Trust Deed”	the trust deed constituting the Trust, as restated, supplemented and amended from time to time;
“Unaccepted Shares”	such Shares which are not accepted by the Selected Participants within 28 days of the Grant Date and have been or will be dealt with in accordance with the Scheme Rules;
“Unvested Shares”	such Shares which do not vest in the Selected Participants and have been or will be forfeited in accordance with the Scheme Rules; and
“Vesting Date”	the date shares shall vest in the Selected Participants in accordance with the Scheme Rules.

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

Hong Kong, 14 July 2006

As at the date of this announcement, the executive directors of the Company are Mr. LI Ning, Mr. ZHANG Zhi Yong and Mr. TAN Wee Seng. The non-executive directors are Mr. LIM Meng Ann, Mr. Stuart SCHONBERGER and Mr. FONG Ching, Eddy. The independent non-executive directors are Mr. KOO Fook Sun, Louis, Ms. WANG Ya Fei, Jane and Mr. CHAN Chung Bun, Bunny.

Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Times.