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If you have sold or transferred all your shares in Li Ning Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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LI NING COMPANY LIMITED

(李 寧 有 限 公 司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF
57.5% EQUITY INTEREST IN
DOUBLE HAPPINESS**

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DEFINITIONS

“Acquisition”	the acquisition of an aggregate of 57.5% equity interest in Double Happiness pursuant to the terms and subject to the conditions set out in the Agreements
“Agreements”	collectively, the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement
“Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Hong Kong Stock Exchange
“connected person”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Double Happiness”	上海紅雙喜股份有限公司 (Shanghai Double Happiness Co., Ltd.), a limited liability company established in the PRC
“Double Happiness Group”	Double Happiness and its subsidiaries
“First Agreement”	the sale and purchase agreement entered into between Shanghai Yue Ao and the First Vendor on 15 November 2007 in relation to the sale and purchase of 17.5% equity interest in Double Happiness
“First Vendor”	Crown City Industrial Limited, a limited liability company incorporated in Hong Kong
“Fourth Agreement”	the sale and purchase agreement entered into between Shanghai Yue Ao and the Fourth Vendor on 15 November 2007 in relation to the sale and purchase of 10% equity interest in Double Happiness
“Fourth Vendor”	上海雙晟置業有限公司 (Shanghai Shuang Cheng Co., Ltd.), a limited liability company established in the PRC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Latest Practicable Date”	29 November 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Agreement”	the sale and purchase agreement entered into between Shanghai Yue Ao and the Second Vendor on 15 November 2007 in relation to the sale and purchase of 10% equity interest in Double Happiness
“Second Vendor”	上海科成企業發展有限公司 (Shanghai Ke Cheng Development Co., Ltd.), a limited liability company established in the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shanghai Yue Ao”	上海悅奧體育用品有限公司 (Shanghai Yue Ao Sports Goods Co., Ltd.), an indirect wholly-owned subsidiary of the Company
“Share(s)”	Share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Third Agreement”	the sale and purchase agreement entered into between Shanghai Yue Ao and the Third Vendor on 15 November 2007 in relation to the sale and purchase of 20% equity interest in Double Happiness
“Third Vendor”	上海元暉實業投資有限公司 (Shanghai Yuan Hui Investment Co., Ltd.), a limited liability company established in the PRC
“Vendors”	collectively, the First Vendor, the Second Vendor, the Third Vendor and the Fourth Vendor
“%”	per cent.

LETTER FROM THE BOARD OF DIRECTORS



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 (*Chairman*)

Mr. Zhang Zhi Yong (*Chief Executive Officer*)

Mr. Tan Wee Seng (*Chief Financial Officer*)

Non-executive Directors:

Mr. Lim Meng Ann

Mr. Stuart Schonberger

Mr. Chu Wah Hui

Mr. James Chun-Hsien Wei

Independent non-executive Directors:

Mr. Koo Fook Sun, Louis

Ms. Wang Ya Fei, Jane

Mr. Chan Chung Bun, Bunny

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business in Hong Kong:

Suites 2804-5, Shell Tower

Times Square, Causeway Bay

Hong Kong

5 December 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF
57.5% EQUITY INTEREST IN
DOUBLE HAPPINESS**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 November 2007 in relation to the Acquisition. On 15 November 2007, Shanghai Yue Ao has entered into the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement with the First Vendor, the Second Vendor, the Third Vendor and the Fourth Vendor, respectively, pursuant to which Shanghai Yue Ao agreed to acquire and the Vendors agreed to sell their 17.5%, 10%, 20% and 10% equity interest, respectively, in Double Happiness for a total consideration of RMB305,325,000 (approximately HK\$320,896,000).

LETTER FROM THE BOARD OF DIRECTORS

The Acquisition constitutes a discloseable transaction for the Company pursuant to Chapter 14 of the Listing Rules. The purpose of this circular is to provide Shareholders with information in relation to the Acquisition in compliance with the Listing Rules.

THE AGREEMENTS

Date

15 November 2007

PARTIES

- First Vendor: Crown City Industrial Limited, a limited liability company incorporated in Hong Kong, holding 17.5% equity interest in Double Happiness (“Crown City”);
- Second Vendor: 上海科成企業發展有限公司 (Shanghai Ke Cheng Development Co., Ltd.), a limited liability company established in the PRC, holding 10% equity interest in Double Happiness (“Ke Cheng”);
- Third Vendor: 上海元暉實業投資有限公司 (Shanghai Yuan Hui Investment Co., Ltd.), a limited liability company established in the PRC, holding 20% equity interest in Double Happiness (“Yuan Hui”);
- Fourth Vendor: 上海雙晟置業有限公司 (Shanghai Shuang Cheng Co., Ltd.), a limited liability company established in the PRC, holding 10% equity interest in Double Happiness (“Shuang Cheng”); and
- Purchaser: Shanghai Yue Ao, a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company.

Pursuant to the Agreements, Shanghai Yue Ao has agreed to purchase and the Vendors have agreed to sell an aggregate of 57.5% equity interest in Double Happiness.

Consideration

The aggregate consideration payable by Shanghai Yue Ao to the Vendors for the Acquisition is RMB305,325,000 (approximately HK\$320,896,000), which will be satisfied by way of cash from internal resources of the Group. The consideration of the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement are RMB92,925,000 (approximately HK\$97,664,000), RMB53,100,000 (approximately HK\$55,808,000), RMB106,200,000 (approximately HK\$111,616,000) and RMB53,100,000 (approximately HK\$55,808,000), respectively.

LETTER FROM THE BOARD OF DIRECTORS

The consideration was determined after arm's length negotiations between the parties to the Agreements taking into account the audited net asset value of Double Happiness attributable to the 57.5% equity interest as at 31 December 2006 after deduction of profit distribution for 2006 which amounts to approximately RMB17,600,000 (approximately HK\$18,498,000) and the goodwill and brand value of “紅雙喜 (Double Happiness)” owned by Double Happiness.

Completion of the Agreements shall take place upon compliance with the applicable transfer and registration procedures under the PRC law to enable the 57.5% equity interest in Double Happiness to be transferred to Shanghai Yue Ao.

Double Happiness will become an indirect non-wholly owned subsidiary of the Company upon completion of the Agreements.

INFORMATION OF THE COMPANY, THE VENDORS AND DOUBLE HAPPINESS

Company

The Company is one of the leading sports brand enterprises in the PRC. It has its own branding, research and development, design, manufacturing, distribution and retail capabilities. The Group's products include footwear, apparel and accessories for sports and leisure use which are primarily sold under its own LI-NING brand and Z-DO brand. The Group also manufactures, markets, distributes and sells outdoor sports products which bear the AIGLE trademarks in the PRC.

Crown City

Crown City is incorporated in Hong Kong with limited liability and is principally engaged in business of general trading.

Ke Cheng

Ke Cheng is established in the PRC as a limited liability company which is principally engaged in processing, manufacturing and sale of metallic products, car accessories and apparel products in the PRC.

Yuan Hui

Yuan Hui is established in the PRC as a limited liability company which is principally engaged in industrial investment and enterprise asset trust management in the PRC.

Shuang Cheng

Shuang Cheng is established in the PRC as a limited liability company which is principally engaged in real estate development in the PRC.

To the best of the Directors' knowledge, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

LETTER FROM THE BOARD OF DIRECTORS

Double Happiness

Double Happiness is established in the PRC as a limited liability company as to 57.5% owned by the Vendors collectively and 42.5% owned by two other shareholders before the Acquisition. The other two shareholders and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company. Upon completion of the Acquisition, Double Happiness will be held as to 57.5% by Shanghai Yue Ao and 42.5% by the other two shareholders.

Double Happiness Group is principally engaged in research and development, manufacturing, promotion and distribution of table tennis and badminton equipments under its own “紅雙喜 (Double Happiness)” brand, a leading table tennis brand. It is the largest manufacturer of table tennis equipments in the PRC and a sponsor of many international tournaments and world class athletes in the table tennis sector in the PRC.

Based on the financial statements of Double Happiness Group which were prepared in accordance with the accounting principles generally accepted in the PRC, the audited profits before taxation for the years ended 31 December 2005 and 2006 were approximately RMB22,100,000 (approximately HK\$23,227,000) and RMB38,483,000 (approximately HK\$40,446,000), respectively, whereas the audited profits after taxation for the same periods were approximately RMB18,842,000 (approximately HK\$19,803,000) and RMB25,052,000 (approximately HK\$26,330,000), respectively.

The audited net asset value of Double Happiness as at 31 December 2006 amounted to approximately RMB134,088,000 (approximately HK\$140,926,000).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider that the Acquisition can strengthen the Group's position in the fast growing table tennis and badminton business sector in the PRC. It is a step forward in enhancing the professional image of the LI-NING brand and in realizing the Group's strategic goal of becoming a multi-brand operator. The Directors are of the view that the Agreements and the transactions contemplated therein are on normal commercial terms and such terms (including the consideration) are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, Double Happiness will be effectively owned as to 57.5% by the Group. The assets and liabilities and financial results of Double Happiness will be consolidated in the next consolidated accounts of the Group. As a result, there will be an increase in both assets and liabilities of the Group after completion of the Acquisition and it is expected that the Acquisition will have positive effect on the earnings of the Group.

GENERAL

The Acquisition constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules and is subject to the announcement and circular requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

Your attention is drawn to the general information regarding the Company which is required to be included in this circular under the Listing Rules as set out in the appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

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 or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies of the Listing Rules, are as follows:

Name of Director	Number of Shares/ underlying Shares held	Note	Capacity	% of issued share capital*
Li Ning	365,407,250 (long position)	1	Interests of controlled corporations	35.228
	10,226,400 (short position)	1(c)	Interests of controlled corporation	0.986
Zhang Zhi Yong	6,963,200 (long position)	2	Personal	0.671
Tan Wee Seng	1,770,300 (long position)	3	Personal	0.171
Lim Meng Ann	84,000 (long position)	4	Personal	0.008
Stuart Schonberger	354,000 (long position)	5	Personal	0.034
Chu Wah Hui	30,000 (long position)		Family	0.003
Koo Fook Sun, Louis	272,000 (long position)	6	Personal	0.026
Wang Ya Fei, Jane	272,000 (long position)	7	Personal	0.026
Chan Chung Bun, Bunny	108,000 (long position)	8	Personal	0.010

* The percentage has been calculated based on 1,037,278,302 Shares in issue as at the Latest Practicable Date.

Notes:

1. Mr. Li Ning is deemed to be interested in an aggregate of 365,407,250 Shares held by Victory Mind Assets Limited (“Victory Mind”), Dragon City Management Limited (“Dragon City”) and Alpha Talent Management Limited (“Alpha Talent”), respectively, as follows:
 - (a) 203,374,000 Shares are held by Victory Mind in which 57% is owned by Ace Leader Holdings Limited (“Ace Leader”) and 38% is owned by Jumbo Top Group Limited (“Jumbo Top”). All shares of Ace Leader are held by Equity Trust Company (Cayman) Ltd. in its capacity as trustee of the Jun Tai Trust, the beneficiaries of which include the respective family members of Mr. Li Ning. Mr. Li Ning is the settlor of the Jun Tai Trust and therefore is deemed to be interested in the 203,374,000 Shares held by Victory Mind. Mr. Li Ning is also a director of Victory Mind and a beneficiary of the Jun Tai Trust;
 - (b) 150,000,000 Shares are held by Dragon City in its capacity as trustee of the Three-River Unit Trust, which is a unit trust, the units of which are owned as to 60% by Cititrust (Cayman) Limited as trustee of the Palm Trust and as to 40% by Cititrust (Cayman) Limited as trustee of the Ginkgo Trust. Both of the Palm Trust and the Ginkgo Trust are irrevocable discretionary trusts, the beneficiaries of which include the respective family members of Mr. Li Ning and his brother, Mr. Li Chun. Mr. Li Ning is the settlor of the Palm Trust and therefore is deemed to be interested in the 150,000,000 Shares held by Dragon City. Mr. Li Ning is a director of Dragon City; and
 - (c) 12,033,250 Shares are held by Alpha Talent, which is established and solely owned by Mr. Li Ning for the purpose of holding the relevant Shares under the Share Purchase Scheme of Alpha Talent. Mr. Li Ning is deemed to be interested in the 12,033,250 Shares held by Alpha Talent. Mr. Li Ning is a director of Alpha Talent.

Mr. Li Ning is deemed to have a short position in 10,226,400 Shares, among the total of 12,033,250 Shares held by Alpha Talent. When the Share Purchase Scheme of Alpha Talent was first set up in June 2004, 35,250,000 Shares were held by Alpha Talent. As at the Latest Practicable Date, Alpha Talent had granted options to purchase 34,851,900 Shares pursuant to the Share Purchase Scheme, among which options to purchase for 1,408,750 Shares have been lapsed due to resignation of employees and options to purchase 23,216,750 Shares have been exercised. The total number of outstanding options as at the Latest Practicable Date is 10,226,400 Shares.

2. The Director is interested in 110,000 Shares and is taken to be interested as a grantee of options to purchase 4,575,000 Shares at an exercise price of HK\$0.43 per Share under the Share Purchase Scheme of Alpha Talent; options to subscribe for 1,193,000 Shares at an exercise price of HK\$1.8275 per Share under the Company’s Pre-IPO Share Option Scheme; options to subscribe for 730,000 Shares at an exercise price of HK\$3.685 per Share and 292,000 Shares at an exercise price of HK\$8.83 per Share under the Company’s Post-IPO Share Option Scheme; and of 63,200 restricted shares granted under the Company’s Restricted Share Award Scheme.
3. The Director is interested in 393,000 Shares and is taken to be interested as a grantee of options to purchase 200,000 Shares at an exercise price of HK\$0.86 per Share under the Share Purchase Scheme of Alpha Talent; options to subscribe for 229,000 Shares at an exercise price of HK\$1.8275 per Share under the Company’s Pre-IPO Share Option Scheme; options to subscribe for 728,000 Shares at an exercise price of HK\$3.685 per Share and 172,000 Shares at an exercise price of HK\$8.83 per Share under the Company’s Post-IPO Share Option Scheme; and of 48,300 restricted shares granted under the Company’s Restricted Share Award Scheme.
4. The Director is taken to be interested as a grantee of 84,000 restricted shares granted under the Company’s Restricted Share Award Scheme.
5. The Director is taken to be interested as a grantee of options to subscribe for 246,000 Shares at an exercise price of HK\$3.685 per Share and 90,000 Shares at an exercise price of HK\$8.83 per Share under the Company’s Post-IPO Share Option Scheme; and of 18,000 restricted shares granted under the Company’s Restricted Share Award Scheme.
6. The Director is interested in 112,000 Shares and is taken to be interested as a grantee of options to subscribe for 82,000 Shares at an exercise price of HK\$3.685 per Share and 60,000 Shares at an exercise price of HK\$8.83 per Share under the Company’s Post-IPO Share Option Scheme; and of 18,000 restricted shares granted under the Company’s Restricted Share Award Scheme.
7. The Director is taken to be interested as a grantee of options to subscribe for 164,000 Shares at an exercise price of HK\$3.685 per Share and 90,000 Shares at an exercise price of HK\$8.83 per Share under the Company’s Post-IPO Share Option Scheme; and of 18,000 restricted shares granted under the Company’s Restricted Share Award Scheme.

8. The Director is taken to be interested as a grantee of options to subscribe for 90,000 Shares at an exercise price of HK\$8.83 per Share under the Company's Post-IPO Share Option Scheme and of 18,000 restricted shares granted under the Company's Restricted Share Award Scheme.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of his/her associates (as such term is defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company (excluding contracts expiring or terminable by the employer within a year without payment of any compensation other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, as far as the Directors are aware, no member of the Group was engaged in any litigation or claims of material importance which will have a material adverse impact on the Group and, as far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of the Group which will have a material adverse impact on the Group.

6. GENERAL

- (a) The Secretary of the Company is Mr. Tan Wee Seng, who is also the Qualified Accountant of the Company. Mr. Tan is a fellow member of the Chartered Institute of Management Accountants in the United Kingdom.
- (b) The Company's branch share registrar is Computershare Hong Kong Investors Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (d) In this circular, the exchange rate of RMB1.00 to HK\$1.051 has been used for conversion into the relevant currency for indication only.
- (e) In the event of inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese version shall prevail.