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LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 494)

ACQUISITION OF BUSINESSES OF REGATTA (U.S.A.) LLC, PACIFIC ALLIANCE MANUFACTURING GROUP, LLC PACIFIC ALLIANCE MANUFACTURING, INC., P.A. GROUP LLC & DONNKENNY LLC

DISCLOSEABLE TRANSACTION

The Directors announce that the Purchaser, a wholly-owned subsidiary of the Company, has today entered into the Asset Purchase Agreement to acquire from the Sellers the Business for the Consideration of (a) an initial sum of US\$147.9 million (HK\$1,154 million) to be satisfied in cash of up to US\$129.9 million (HK\$1,013 million) and by the issue of the Consideration Shares credited as fully paid at the issue price of HK\$28.07 per share to be held by an escrow agent and (b) a final sum of up to US\$152.1 million (HK\$1,186 million) to be satisfied in cash. In any event, the total consideration will not exceed US\$300 million (HK\$2,340 million).

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular of the Company, providing further details of the Acquisition, will be despatched to the shareholders as soon as practicable.

THE ACQUISITION

The Purchaser, a wholly-owned subsidiary of the Company, has today entered into the Asset Purchase Agreement to acquire from the Sellers the Business for the Consideration of (a) an initial sum of US\$147.9 million (HK\$1,154 million) to be satisfied in cash of up to US\$129.9 million (HK\$1,013 million) and by the issue of the Consideration Shares credited as fully paid at the issue price of HK\$28.07 per share to be held by an escrow agent and (b) a final sum of up to US\$152.1 million (HK\$1,186 million) to be satisfied in cash. In any event, the total consideration will not exceed US\$300 million (HK\$2,340 million). The obligations of the Purchaser under the Asset Purchase Agreement will be guaranteed by a subsidiary of the Company. Completion of the Acquisition is expected to take place on or before 30 September 2007.

To the best of knowledge, information and belief of the Directors of the Company, the Sellers and their ultimate beneficial owners are third parties independent of the Company and any connected persons of the Company (as defined in the Listing Rules).

THE CONSIDERATION

The Consideration was arrived at after arm's length negotiation between the parties with reference to the unaudited annual net income (after adjustment of non-recurring items) of the Business for the year ended 31 December 2006 prepared in accordance with US GAAP in the amount of US\$33.5 million (HK\$261 million) before deducting net interest expense, depreciation, amortization and provision for income taxes.

The Consideration shall be satisfied in the following manner:-

- (i) US\$75 million (HK\$585 million) in cash to the Sellers at Completion;
- (ii) US\$72.9 million (HK\$569 million) of which US\$54.9 million (HK\$428 million) in cash and the balance by the allotment and issue of the Consideration Shares credited as fully paid at the issue price of HK\$28.07 per share to be held by an escrow agent at Completion. Both of the cash payment and the Consideration Shares will be subject to the pro-rata downward adjustment (as stated below) at the same time and will be released to the Sellers in three equal annual installments from 2009; and
- (iii) the balance of the Consideration of up to US\$152.1 million (HK\$1,186 million) in cash to the Sellers on or before 30 April 2012.

The Consideration to be paid in cash will be financed from the Company's internal cash reserves. Items (ii) and (iii) will be subject to a pro-rata downward adjustment if profits before interest and tax for each of the years ending 31 December 2008 to 2011 is below the respective agreed thresholds.

The issue price of HK\$28.07 per share represents:-

- (a) a premium of 12.51% to the closing price of the Shares of the Company on the Stock Exchange on 15 August 2007 of HK\$24.95; and
- (b) a premium of 5.88% to the average closing price of HK\$26.51 per share for the last five trading days prior to 15 August 2007.

The Consideration Shares represent a market value of HK\$125 million based on the closing price of HK\$24.95 of the Shares of the Company on the Stock Exchange on 15 August 2007.

The Consideration Shares, when issued upon Completion, will rank pari passu in all respects with the then existing shares in issue. While the Consideration Shares are held in escrow, the Sellers are not entitled to any voting rights relating to those Consideration Shares. The Consideration Shares represent approximately 0.14% of the existing issued capital of the Company and also 0.14% of the issued capital of the Company as enlarged by the issue of Consideration Shares.

The Consideration Shares will be issued under the general mandate granted to the Directors of the Company at the annual general meeting held on 15 May 2007.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be issued.

INFORMATION ON THE SELLERS

The Sellers are leading apparel and brand management companies with a variety of well known proprietary brands and private label product offerings. The Sellers' strategy is to deliver superior products to major retailers at price/value points that outperform competitors, execute beyond customer expectations and create a cost effective infrastructure to support various lines of business. The Sellers have developed long-term relationships to manage, distribute and/or sell proprietary brands or private label products to a large number of retailers in the US. The Business involves in designing, sourcing and marketing prominent apparel brands and other proprietary label brands in the US. It is operated by the Sellers from its head office in New York with over 240 staff worldwide.

The profits before and after tax and extraordinary items attributable to the Business for the year ended 31 December 2006 based on unaudited accounts (after adjustment of non-recurring items) were approximately US\$27.9 million (HK\$218 million) and US\$18.1 million (HK\$141 million) respectively. The corresponding figures for the year ended 31 December 2005 were approximately US\$4.7 million (HK\$37 million) and US\$3.1 million (HK\$24 million) respectively. The unaudited value of the net asset attributable to the Business as at 31 December 2006 was approximately US\$11 million (HK\$86 million). The above unaudited accounts are prepared in accordance with US GAAP.

REASONS FOR THE ACQUISITION

The Group is the world's leading buying agency for consumer goods, managing the supply chain for retailers and brands worldwide. The Directors, including independent non-executive directors, of the Company consider that the terms of the Acquisition are fair and reasonable and are in the interests of the Group and the shareholders of the Company as a whole. The Acquisition will help establish the Group as the leader in design and marketing of proprietary brands and further expand the Group's in-house brand management and marketing capabilities to enhance existing and future proprietary brands and private label product offerings.

GENERAL

The acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. A circular, providing further details of the Acquisition, will be dispatched to the shareholders of the Company as soon as practicable.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises the following:-

Non-Executive Directors:-

Victor Fung Kwok King (*Chairman*)
Paul Edward Selway-Swift*
Allan Wong Chi Yun*
Franklin Warren McFarlan*
Makoto Yasuda*
Lau Butt Farn

Executive Directors:-

William Fung Kwok Lun (*Managing Director*)
Bruce Philip Rockowitz
Henry Chan
Danny Lau Sai Wing
Annabella Leung Wai Ping

* *Independent Non-executive Directors*

DEFINITIONS

In this announcement, the following expressions have the meanings set out below, unless the context otherwise requires:

“Acquisition”	The acquisition of the Business under the Asset Purchase Agreement
“Asset Purchase Agreement”	the asset purchase agreement dated 15 August 2007 between the Sellers and the Purchaser as described in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business”	the Sellers’ business of designing, arranging for the manufacture of, importing, marketing and selling of women’s apparel and related accessories, and providing brand management services in connection therewith, and substantially all of the assets of such business
“Completion”	completion of the Acquisition in accordance of the terms and conditions of the Asset Purchase Agreement
“Company”	Li & Fung Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Consideration”	A sum up to US\$300 million (HK\$2,340 million)
“Consideration Shares”	5 million new Shares to be allotted and issued to the Sellers to satisfy part of the Consideration
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	The Millwork Trading Co., Ltd., a Delaware corporation and a wholly-owned subsidiary of the Company
“Sellers”	<ol style="list-style-type: none"> (1) Regatta (U.S.A.) LLC, a New York limited liability company, (2) Pacific Alliance Manufacturing Group, LLC, a Delaware limited liability company, (3) Pacific Alliance Manufacturing, Inc., a Delaware corporation, (4) P.A. Group LLC, a New York limited liability company, and (5) Donnkenny LLC, a Delaware limited liability company
“Share(s)”	Share(s) of HK\$0.025 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US GAAP”	United States generally accepted accounting principles

Unless otherwise stated, all references in this Announcement to HK\$ stated in brackets are for information only and are referenced to Hong Kong Dollars based on an approximate exchange rate of US\$1 = HK\$7.8. No representation is made that any amounts in US\$ has been or could be converted at the above rate or at any other rate or at all.



 By Order of the Board
Victor FUNG Kwok King
 Chairman

 Member of the Li & Fung Group

Hong Kong, 15 August 2007

Websites: www.lifung.com
www.irasia.com/listco/hk/lifung