
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Li & Fung Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

Nothing in this circular, nor anything communicated to holders or potential holders of shares by the Company is intended to constitute or should be construed as advice on the merits of the Bonus Issue or the exercise of any rights attached hereto for the purposes of the Financial Services (Jersey) Law 1998, as amended.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 494)

**PROPOSALS FOR
BONUS ISSUE OF SHARES
GENERAL MANDATE TO REPURCHASE SHARES
GENERAL MANDATE TO ISSUE SHARES
FINAL DIVIDEND
RE-ELECTION OF DIRECTORS
AMENDMENTS TO BYE-LAWS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the 2006 annual general meeting of Li & Fung Limited to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on 18 May 2006 at 12:00 noon is set out on pages 16 to 20 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

20 April 2006

Member of Li & Fung Group



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EXPECTED TIMETABLE

2006

Last day of trading in Shares cum entitlements to the Bonus Issue and final dividend	Monday, 8 May
First day of trading in Shares ex entitlements to the Bonus Issue and final dividend	Tuesday, 9 May
Latest time for lodging transfer forms of Shares to qualify for entitlements to the Bonus Issue and final dividend	4:00 p.m. on Wednesday, 10 May
Closure of Register of Members (both days inclusive) From	Thursday, 11 May
To	Thursday, 18 May
Latest time for lodging forms of proxy for the 2006 AGM	12:00 noon, Tuesday, 16 May
Record Date for determination of entitlements to the Bonus Issue	Thursday, 18 May
Date and time of the 2006 AGM	12:00 noon, Thursday, 18 May
Register of Members re-opens	Friday, 19 May
Despatch of share certificates for Bonus Shares	Thursday, 25 May
First day of trading in Bonus Shares on the Stock Exchange	Monday, 29 May

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“2005 AGM”	The annual general meeting of the Company held on 12 May 2005
“2006 AGM”	The 2006 annual general meeting of the Company to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on 18 May 2006 at 12:00 noon, notice of which is set out on pages 16 to 20 of this circular
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	The board of Directors or a duly authorised committee thereof
“Bonus Issue”	The issue of Bonus Shares to the Shareholders whose names appear on the Register at the close of business on the Record Date on the basis of one Bonus Shares for every ten existing Shares held on the Record Date upon and subject to the terms and conditions set out in this circular
“Bonus Share(s)”	New Share(s) to be issued pursuant to the Bonus Issue
“business day”	Any day on which the Stock Exchange is open for the business of dealing in securities
“Bye-laws”	The bye-laws of the Company
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Company”	LI & FUNG LIMITED, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Directors”	The directors of the Company
“Group”	The Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	14 April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Notice”	The notice of the 2006 AGM set out on pages 16 to 20 of this circular
“Record Date”	18 May 2006, being the record date for determining entitlements of the Shareholders to the Bonus Issue
“Register”	The register of members of the Company
“Securities and Futures Ordinance”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	Holders of Share(s) in issue
“Share(s)”	Share(s) of HK\$0.025 each in the share capital of the Company
“Share Option Scheme”	Share option scheme of the Company adopted on 12 May 2003
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$ and cents”	Hong Kong dollar and cents respectively, the lawful currency of Hong Kong
“%”	per cent

LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

Non-Executive Directors:

Victor Fung Kwok King (*Chairman*)

Paul Edward Selway-Swift*

Allan Wong Chi Yun*

Franklin Warren McFarlan*

Makoto Yasuda*

Lau Butt Farn

Leslie Boyd

(Steven Murray Small –

Alternate to Leslie Boyd)

* *independent non-executive director*

Executive Directors:

William Fung Kwok Lun

(Managing Director)

Bruce Philip Rockowitz

Henry Chan

Danny Lau Sai Wing

Annabella Leung Wai Ping

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Principal place of business:

11th Floor

LiFung Tower

888 Cheung Sha Wan Road

Kowloon

Hong Kong

20 April 2006

**Proposals for
Bonus Issue of Shares
General Mandate to Repurchase Shares
General Mandate to Issue Shares
Final Dividend
Re-election of Directors
Amendments to Bye-laws
and
Notice of Annual General Meeting**

To Shareholders,

Dear Sirs or Madam,

INTRODUCTION

The purpose of this circular is give you notice of the 2006 AGM, and information on matters to be dealt with at the 2006 AGM. They are:- (i) the Bonus Issue; (ii) grant of general mandate to repurchase Shares; (iii) grant of general mandate to issue shares; (iv) payment of final dividend; (v) re-election of Directors; and (vi) amendments to Bye-laws.

LETTER FROM THE CHAIRMAN

BONUS ISSUE OF SHARES

Subject to the conditions set out below, the Directors propose to make a Bonus Issue to the Shareholders whose names appear on the Register on the Record Date on the basis of one new Share, credited as fully paid, for every ten Shares then held. The Bonus Shares credited as fully paid will rank pari passu in all respects with the existing issued Shares except that they will not rank for the Bonus Issue and the proposed final dividend for the year ended 31 December 2005.

The exact total number of Bonus Shares to be issued under the Bonus Issue will not be capable of determination until the Record Date. As at the Latest Practicable Date, there were an aggregate of 2,939,231,351 Shares in issue, and assuming that no further Shares are or will be issued or repurchased prior to the Record Date, on which basis 293,923,135 Bonus Shares will be issued under the Bonus Issue. It is proposed that the Directors be authorized to capitalise the sum of HK\$7,348,078 being part of the amount standing to the credit of the share premium account of the Company and apply such sum in paying up in full at par the Bonus Shares. The total number of Shares in issue will then be increased to 3,233,154,486.

No fractional shares shall be issued and Shares representing fractions shall be aggregated and sold for the benefit of the Company.

Certificates in respect of the Bonus Shares will be sent to the persons entitled thereto at their respective addresses shown in the Register or, in the case of joint holders, to the address of the joint holder whose name stands first in the Register in respect of the joint holding. All such share certificates will be sent on 25 May 2006 at the risk of the persons entitled thereto and neither the Company nor the Registrar will be responsible for any loss or delay in transmission.

Dealings in the Bonus Shares on the Stock Exchange are expected to commence on 29 May 2006 and will be subject to Hong Kong stamp duty.

The Register of the Company will be closed from 11 May 2006 to 18 May 2006 (both dates inclusive) in order to determine Shareholders' entitlements to the Bonus Issue, during which period no transfer of Shares will be registered. The last day for dealing in Shares cum entitlements to the Bonus Issue will be 8 May 2006.

To qualify for the Bonus Issue, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch registrars, Abacus Share Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 10 May 2006.

EFFECT OF BONUS ISSUE ON OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, options relating to 99,423,000 shares remain outstanding under the Share Option Scheme. In accordance with the Share Option Scheme, the Company's auditors will certify whether alterations shall be made as to (i) the number or nominal amount of Shares subject to the options so far as unexercised; and/or (ii) the

LETTER FROM THE CHAIRMAN

subscription price; and/or (iii) the maximum number of shares available under the Share Option Scheme either generally or as regards as particular holder of options as the Company's auditors consider fair and reasonable, and in accordance with the terms of the Share Option Scheme. The certification of the Company's auditors, in the absence of manifest error, is final and binding on the Company and the holders of options. As at the Latest Practicable Date, adjustments (if any) to the outstanding options are yet to be determined. However, any adjustment required under Rule 17.03(13) of the Listing Rules must give a holder of options the same proportion of the equity capital as that to which that person was previously entitled, but no such adjustment may be made to the extent that a share would be issued at less than its nominal value.

CONDITIONS OF THE BONUS ISSUE

The proposed Bonus Issue is conditional on:

- (i) the passing by the Shareholders at the 2006 AGM of ordinary resolutions approving the Bonus Issue and the increase in the authorised share capital of the Company (as described below);
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares; and
- (iii) if necessary, the Bermuda Monetary Authority granting its permission for the issue of the Bonus Shares.

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bonus Shares. It is expected that certificates for the Bonus Shares will be posted to Shareholders on or about 25 May 2006 at the risk of the persons entitled thereto. The issued Shares are listed and dealt on the Stock Exchange. Save as disclosed herein, no part of the share capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Upon the granting of the listing of, and permission to deal in, the Bonus Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Bonus Shares will become eligible securities for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Shares on the Stock Exchange or such other date as 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 day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE CHAIRMAN

REASONS FOR THE BONUS ISSUE

The Bonus Issue will allow Shareholders to participate in the business growth of the Company. In addition, it will provide the Company with a wider capital base and therefore increase the marketability of the Shares.

INCREASE IN AUTHORISED SHARE CAPITAL

An ordinary resolution set out as ordinary resolution 5 in the Notice of the 2006 AGM will be proposed at the 2006 AGM to increase the Company's authorized share capital from HK\$80,000,000 to HK\$100,000,000 by the creation of an additional 800,000,000 Shares in order to facilitate the Bonus Issue.

GENERAL MANDATE TO REPURCHASE SHARES

At the 2005 AGM, a general and unconditional mandate was given to the Directors to repurchase Shares of the Company on the Stock Exchange of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at that date. A further general mandate was also given to the Directors to allot and issue Shares repurchased by the Company pursuant to such repurchase mandate. No Shares have been repurchased pursuant to such repurchase mandate.

Under the terms of the repurchase mandate and the Listing Rules, such repurchase mandate will lapse at (i) the conclusion of the 2006 AGM; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; or (iii) the revocation by ordinary resolution of Shareholders in general meeting, whichever is the earliest, unless renewed at the 2006 AGM.

The Directors believe that a renewal of such repurchase mandate is in the interest of the Company and Shareholders. Accordingly, an ordinary resolution will be proposed at the 2006 AGM which will give the Directors a general and unconditional mandate to exercise the powers of the Company to repurchase Shares at any time until the next annual general meeting of the Company following the passing of such resolution or such earlier period as stated in the ordinary resolution up to a maximum of 10% of the aggregate of (i) the nominal amount of the issued share capital of the Company at the date of passing such resolution and (ii) the nominal amount of the share capital of the Company which may be issued pursuant to the Bonus Issue if it is approved by the Shareholders (the "Repurchase Mandate"). The explanatory statement required under Rule 10.06(1)(b) of the Listing Rules to provide Shareholders with all the information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution approving the Repurchase Mandate is set out in Appendix I to this circular.

The full text of the ordinary resolution to be proposed at the 2006 AGM in relation to the Repurchase Mandate is set out in resolution 7 in the Notice set out on pages 16 to 20 of this circular.

LETTER FROM THE CHAIRMAN

GENERAL MANDATE TO ISSUE SHARES

At the 2005 AGM, a general and unconditional mandate was also given to the Directors to allot, issue and deal with additional Shares of the Company up to a limit of 20% of the aggregate nominal amount of the issued share capital of the Company as at that date. Such general mandate will cease to be effective at the conclusion of the 2006 AGM unless renewed at that meeting.

The Directors are aware of investor concerns on possible dilution of shareholders' value resulting from the exercise of the general mandate to issue Shares. Further, the Company is fully committed to adopt a high standard of corporate governance. Accordingly, in conjunction with the renewal of the general mandate to issue and allot Shares at the 2006 AGM, the Directors propose to restrict the general mandate to 10% (as opposed to 20%) of the Company's aggregate of (i) the nominal amount of the issued share capital as at the date of passing such resolution and (ii) the nominal amount of the share capital of the Company which may be issued pursuant to the Bonus Issue if it is approved by the Shareholders, if the Shares are issued solely for cash and unrelated to any asset acquisition but otherwise, the general mandate will remain 20% (the "Issue Mandate").

The full text of the ordinary resolutions to be proposed at the 2006 AGM in relation to the Issue Mandate are set out in resolutions 8 and 9 in the Notice set out on pages 16 to 20 of this circular.

FINAL DIVIDEND

The Board has recommended a final dividend of 35.5 HK cents per share subject to Shareholders' approval at the 2006 AGM.

The Register will be closed from 11 May 2006 to 18 May 2006 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Abacus Share Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 10 May 2006.

RE-ELECTION OF DIRECTORS

According to Bye-law 110(A) of the Bye-laws, at each annual general meeting one-third of the Directors, including the Chairman and Managing Director, are subject to retirement by rotation. Further, the Listing Rules provides that every director should be subject to retirement by rotation at least once every three years.

Accordingly, Mr Henry Chan, Mr Danny Lau Sai Wing, Professor Franklin Warren McFarlan and Mr Leslie Boyd will retire at the 2006 AGM by rotation. With the exception of Mr Leslie Boyd, all the retiring directors, being eligible, will offer themselves for re-election. Their requisite details are set out in Appendix II of this circular.

Under resolution 3, the re-election of Directors will be individually voted on by Shareholders.

LETTER FROM THE CHAIRMAN

AMENDMENTS TO BYE-LAWS

In view of the recent minor amendments to the Listing Rules which came in effect on 1 March 2006, the Directors wish to seek the approval of Shareholders at the 2006 AGM for the proposed amendments to the Bye-laws which will provide that a director may be removed by an ordinary resolution in general meeting instead of a special resolution.

The proposed amendments to the Bye-laws are set out in resolution 10 in the Notice set out on pages 16 to 20 of this circular.

RIGHT TO DEMAND A POLL

Pursuant to Bye-law 78 of the Bye-laws, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded by:-

- (a) the Chairman of the meeting; or
- (b) at least three members present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (c) any member(s) present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) member(s) present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

In order to enhance shareholders' rights, the Chairman will demand a poll, pursuant to Bye-law 78, on each of the questions submitted for determination at the 2006 AGM. The results of the poll will be published in the local newspapers and on the Company's and the Stock Exchange's websites on the business day following the 2006 AGM.

LETTER FROM THE CHAIRMAN

NOTICE OF ANNUAL GENERAL MEETING

The Notice is set out on pages 16 to 20 of this circular.

There is enclosed a form of proxy for use at the 2006 AGM. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. Whether or not you intend to be present at the 2006 AGM, you are requested to complete the form of proxy and return it to the principal place of business of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the 2006 AGM. Such form of proxy for use at the 2006 AGM is also published on the Company's and the Stock Exchange's websites. Completion and return of the form of proxy will not prevent you from attending and voting in person at the 2006 AGM should you so wish.

RECOMMENDATION

The Directors believe that the proposals mentioned above, including the proposals for the Bonus Issue, the grant of the Repurchase Mandate and the grant of the Issue Mandate, are in the interests of the Company and the Shareholders. Accordingly, the Board recommends the Shareholders to vote in favour of all of these resolutions to be proposed at the 2006 AGM.

Yours faithfully,
Victor Fung Kwok King
Chairman

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,939,231,351 Shares. Subject to the passing of resolution 7 approving the Repurchase Mandate as set out in the Notice appearing on pages 16 to 20 of this circular and on the basis that no further Shares are issued or repurchased prior to the 2006 AGM, the total number of Bonus Shares to be issued will be 293,923,135 Shares and the total number of Shares in issue after the Bonus Issue will be 3,233,154,486 Shares. Accordingly, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 323,315,448 Shares until (i) the conclusion of the next annual general meeting; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; or (iii) the revocation by ordinary resolution of Shareholders in general meeting, whichever is the earliest.

REASONS FOR REPURCHASE

A repurchase of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per share and will only be made when the Directors believe that such purchase will be to the benefit of the Company and its shareholders.

FUNDING OF REPURCHASES

The Directors propose that repurchases of Shares under the Repurchase Mandate will be financed from the Company's distributable profits or proceeds of a new issue of Shares made for such purpose. In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-laws and the laws of Bermuda.

It is envisaged that a repurchase of Shares pursuant to the Repurchase Mandate (including repurchase of the maximum number of Shares under such mandate effected in full at any time during the period of the mandate) may have a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2005 but the Directors do not intend to make repurchases pursuant to the Repurchase Mandate to such an extent.

DISCLOSURE OF INTERESTS

None of the Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates of Directors have a present intention, in the event that the proposed Repurchase Mandate is approved by shareholders, to sell Shares to the Company.

No connected persons of the Company have notified the Company of a present intention to sell Shares to the Company and no such persons have undertaken not to sell any Shares to the Company in the event that the Repurchase Mandate is exercised.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

SHARE PRICE

The highest and lowest prices at which Shares were traded on the Stock Exchange in each of the twelve months prior to the Latest Practicable Date were as follows:

	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2005		
April	15.20	13.65
May	15.30	13.85
June	16.25	14.10
July	16.95	15.70
August	17.35	15.20
September	18.45	15.70
October	18.00	15.85
November	17.50	15.50
December	16.05	14.75
2006		
January	15.75	14.25
February	16.25	14.45
March	17.90	14.95

TAKEOVERS CODE

If as a result of a share repurchase a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, King Lun Holdings Limited is interested in (directly and indirectly) approximately 35.59% of the Company's issued share capital and is one of the substantial shareholders (as defined in Rule 1.01 of the Listing Rules) of the Company. Based on the said interests of King Lun Holdings Limited in the issued share capital of the

Company as at the Latest Practicable Date and assuming that such percentage shareholding remains the same after the Bonus Issue, in the event that the Directors exercise in full the power to repurchase Shares of the Company in accordance with the terms of the resolution to be proposed at the 2006 AGM, the interests of King Lun Holdings Limited (direct and indirect) in the issued share capital of the Company will be increased from approximately 35.59% to approximately 39.54% and they would be obliged to make a mandatory general offer under Rule 26 of the Takeover Code as a result of such increase. The Directors have no intention to exercise the Repurchase Mandate to such extent that would give rise to an obligation on the part of King Lun Holdings Limited to make a mandatory general offer under Rule 26 of the Takeover Code.

SHARE REPURCHASE MADE BY THE COMPANY

No purchase has been made by the Company of its Shares (on the Stock Exchange or otherwise) in the six months prior to the date of this circular.

The followings are the details of Mr Henry Chan, Mr Danny Lau Sai Wing and Professor Franklin Warren McFarlan, all of whom will retire at the 2006 AGM in accordance with Bye-law 110(A) of the Bye-laws and the Listing Rules and being eligible, offer themselves for re-election.

Henry Chan, aged 55, is an Executive Director since 1992 and is in charge of the LF One business stream focusing on hardlines world-wide. He joined the Group since 1972. He has solid experience in the hardgoods area. Mr Chan graduated from the University of Hong Kong with a Bachelor of Social Science degree. He holds an MBA degree from the Chinese University of Hong Kong. He is currently a member of The Hong Kong Institute of Directors.

Under the service contract with Mr Chan, there is no fixed period of director's service but his directorship is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-laws. The basic salary of Mr Chan is annually reviewed and approved by the Group Managing Director in accordance with the Group's remuneration policy. He is also entitled to discretionary bonus (without capping), the computation of which is based on measurable performance contribution of business units headed by him. The amount of emoluments paid for the financial year ended 31 December 2005 to Mr Chan is set out in note 11 to the accounts in the Company's 2005 Annual Report.

As at the Latest Practicable Date, within the meaning of Part XV of the Securities and Futures Ordinance, Mr Chan is taken to be interested in 4,560,000 Shares and 1,600,000 underlying Shares in respect of share options granted under the Share Option Scheme of the Company. Details of his interests are provided in the sections of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" under the "Report of the Directors" in the 2005 Annual Report of the Company.

Save as disclosed above, there is no other matter that need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Danny Lau Sai Wing, aged 54, is an Executive Director since 1992. He is in charge of the LF Ten business stream and responsible for US apparel, brands and specialty stores. Mr Lau graduated from the University of Kansas with a Bachelor of Science Degree in Business and Accounting. His first job is in garment manufacturing before joining Li & Fung in 1981. He has solid experience in the textile and clothing Supply Chain Management business. He is a director of the Clothing Technology Demonstration Centre Co Ltd. from 1995 to 2003. His past community work includes having served as a committee member of the Government's Workplace English Campaign, the Hong Kong Exporters' Association and Clothing Industry Training Authority.

Under the service contract with Mr Lau, there is no fixed period of director's service but his directorship is subject to retirement by rotation and re-election at annual general

meeting of the Company in accordance with the Bye-laws. The basic salary of Mr Lau is annually reviewed and approved by the Group Managing Director in accordance with the Group's remuneration policy. He is also entitled to discretionary bonus (without capping), the computation of which is based on measurable performance contribution of business units headed by him. The amount of emoluments paid for the financial year ended 31 December 2005 to Mr Lau is set out in note 11 to the accounts in the Company's 2005 Annual Report.

As at the Latest Practicable Date, within the meaning of Part XV of the Securities and Futures Ordinance, Mr Lau is taken to be interested in 7,480,000 Shares and 2,000,000 underlying Shares in respect of share options granted under the Share Option Scheme of the Company. Details of his interests are provided in the sections of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" under the "Report of the Directors" in the 2005 Annual Report of the Company.

Save as disclosed above, there is no other matter that need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Franklin Warren McFarlan, aged 68, is an independent non-Executive Director since 1999. Professor McFarlan is Baker Foundation Professor at Harvard University. He has been a Professor at the Harvard Graduate School of Business Administration since 1973. Formerly, Professor McFarlan was Faculty Chairman of Advanced Management Program and Chairman of Executive Education Programs. He graduated from the Harvard Business School with a doctorate. He was Senior Associate Dean from 1990-2004. He is a non-executive director of Computer Sciences Corporation and INVESTools.

There is no service contract between the Company and Professor McFarlan. Pursuant to the Company's Bye-laws, he will be subject to retirement by rotation and re-election at annual general meeting. As such, his term of appointment is not longer than three years. His director's fee is subject to annual assessment and approval of the shareholders at the annual general meeting. The amount of emoluments paid for the financial year ended 31 December 2005 to Professor McFarlan is set out in note 11 to the accounts in the Company's 2005 Annual Report.

As at the Latest Practicable Date, within the meaning of Part XV of the Securities and Futures Ordinance, Professor McFarlan is taken to be interested in 52,000 Shares of the Company. Details of his interests are provided in the sections of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" under the "Report of the Directors" in the 2005 Annual Report of the Company.

Save as disclosed above, there is no other matter that need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING

LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on 18 May 2006 at 12:00 noon for the following purposes:-

1. To receive and adopt the Audited Consolidated Accounts and the Reports of the Directors and the Auditors for the year ended 31 December 2005;
2. To declare a final dividend of 35.5 HK cents per share in respect of the year ended 31 December 2005;
3. To re-elect the following Directors:-
 - (a) Mr Henry Chan;
 - (b) Mr Danny Lau Sai Wing;
 - (c) Professor Franklin Warren McFarlan;
4. To re-appoint PricewaterhouseCoopers as Auditors and authorise the Board of Directors to fix their remuneration;
5. As special business and, if thought fit, pass the following resolution as an ordinary resolution:-

“THAT:

the authorised share capital of the Company be and is hereby increased from HK\$80,000,000 to HK\$100,000,000 by the creation of an additional 800,000,000 new shares of HK\$0.025 each in the capital of the Company.”;

6. As special business and, if thought fit, pass the following resolution as an ordinary resolution:-

“THAT:

conditional upon (i) the passing of the resolution set out as resolution 5 in the notice of this meeting in respect of the increase of the authorised capital of the Company, (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting or agreeing to grant listing of and permission to deal in the new shares of HK\$0.025 each in the capital of the Company (the “Shares”) to be

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issued and (iii) if necessary, the Bermuda Monetary Authority granting its approval to the issue of the new Shares, pursuant to this resolution:

- (a) the amount standing to the credit of the share premium account of the Company as would be required to be applied in paying up in full at par new Shares, such Shares, credited as fully paid, to be allotted and distributed (subject as referred to in sub-paragraph (b) below) among members of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 18 May 2006 in the proportion of one new share (the "Bonus Share") for every existing ten Shares then held, be capitalised and applied in such manner and the directors of the Company be and are hereby authorised to allot and issue such Bonus Shares;
- (b) no fractional Bonus Shares shall be allotted to members of the Company and fractional entitlements will be aggregated and sold for the benefit of the Company;
- (c) the Bonus Shares to be issued pursuant to sub-paragraph (a) above shall rank pari passu in all respects with the existing issued Shares as at the date of issuing such Bonus Shares except that they will not rank for the bonus issue of shares mentioned in this resolution or for the final dividend for the year ended 31 December 2005; and
- (d) the Directors be and are hereby authorized to do all acts and things as may be necessary and expedient in connection with the issue of Bonus Shares referred to in sub-paragraph (a) of this resolution.";

7. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:-

"THAT:-

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate of (i) the nominal amount of the share capital of the Company in issue on the date of this Resolution and (ii) the nominal amount of the share capital of the Company which may be issued pursuant to the issue of bonus shares as referred to in the resolution set out as resolution 6 in the notice of this meeting if such resolution has been passed, and the said approval shall be limited accordingly; and

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(c) for the purpose of this Resolution:-

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”;

8. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:-

“THAT:

- (a) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of options granted under any share option scheme adopted by the Company or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed the aggregate of (aa) 20 per cent of the aggregate of (i) the nominal amount of the share capital of the Company in issue on the date of this Resolution and (ii) the nominal amount of the share capital of the Company which may be issued pursuant to the issue of bonus shares as referred to in the resolution set out as resolution 6 in the notice of this meeting if such resolution has been passed, provided that the aggregate nominal amount of the share capital so allotted (or so agreed conditionally or unconditionally to be allotted) pursuant to this Resolution solely for cash and unrelated to any asset acquisition shall not exceed 10 per cent of the aggregate of (1) nominal amount of the share capital of the Company

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in issue on the date of passing this Resolution and (2) the nominal amount of the share capital of the Company which may be issued pursuant to the issue of bonus shares as referred to in the resolution set out as resolution 6 in the notice of this meeting if such resolution has been passed, plus (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent of the aggregate of (i) nominal amount of the share capital of the Company in issue on the date of this Resolution and (ii) the nominal amount of the share capital of the Company which may be issued pursuant to the issue of bonus shares as referred to in the resolution set out as resolution 6 in the notice of this meeting if such resolution has been passed), and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of ordinary shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”;

9. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:–

“THAT:

the Directors of the Company be authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as resolution 8 in the notice of this meeting in respect of the share capital of the Company referred to in subparagraph (bb) of paragraph (c) of such resolution.”;

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10. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:–

“THAT:

the Bye-laws of the Company be and is hereby amended as follows:

- (a) by deleting the words “special resolution” from the first line of Bye-law 108(A)(vii) and substituting therefor the words “ordinary resolution”; and
- (b) by deleting the words “special resolution” from the first line of Bye-law 116 and substituting therefor the words “ordinary resolution”.”

By Order of the Board
Terry Wan Mei Chow
Company Secretary

Hong Kong, 20 April 2006

Notes:

- (1) A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the principal place of business of the Company at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong not less than 48 hours before the time for holding the meeting. The proxy form will be published on the website of The Stock Exchange of Hong Kong Limited and can also be downloaded from the Company’s website: *www.lifung.com*
- (3) The Register of Members will be closed from 11 May 2006 to 18 May 2006 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed Bonus Issue and final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch registrars, Abacus Share Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 10 May 2006.