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LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 494)

ACQUISITION OF GLOBAL SOURCING OPERATIONS OF TOMMY HILFIGER DISCLOSEABLE TRANSACTION

The Board announces that on 10 February 2007, LF Centennial Limited, a wholly-owned subsidiary of the Company, has entered into an asset purchase agreement to acquire from the Sellers the Sourcing Assets of the Sourcing Entities for a cash consideration of approximately US\$247.8 million (HK\$1,933 million).

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

THE ACQUISITION

LF Centennial Limited, a wholly-owned subsidiary of the Company, has entered into the Asset Purchase Agreement to acquire from the Sellers the Sourcing Assets of the Sourcing Entities on 10 February 2007. Completion (“Completion”) of the acquisition is expected to take place prior to 28 March 2007. The obligations of LF Centennial Limited under the Asset Purchase Agreement will be guaranteed by the Company.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiry, the Sellers and their ultimate beneficial owners are third parties independent of the Company and any connected persons of the Company.

THE CONSIDERATION

The cash consideration of approximately US\$247.8 million (HK\$1,933 million), to be financed from the Company’s internal cash reserves, was arrived at based on arm’s length negotiation between the parties and represents a price earning multiple of approximately 8 times of the adjusted earnings after tax attributable to the Sourcing Assets at US\$31 million (HK\$242 million). The amount of US\$31 million is computed based on the relevant unaudited accounts for the year ended 31 March 2006 prepared in accordance with the Hong Kong generally accepted accounting principles after including the corresponding profit for the year ended 31 March 2006 arising from other sourcing business of the Sellers to be taken over by the Group after Completion.

The cash consideration of approximately US\$247.8 million (HK\$1,933 million) will be payable to the Sellers on Completion, subject to adjustment based on a completion statement to be prepared by independent professional accountants but in any event will not exceed US\$270 million (HK\$2,106 million).

INFORMATION ON THE SELLERS & SOURCING ENTITIES

The Sourcing Entities comprise the principal global sourcing operations of the Sellers relating to Tommy Hilfiger. Tommy Hilfiger is one of the largest and most globally developed designer brands in the world and has attained a unique positioning as a premium American lifestyle brand. Tommy Hilfiger focuses on menswear, womenswear, jeanswear and childrenswear. The Sellers source the merchandise from Hong Kong, Taiwan, India, Bangladesh, Sri Lanka, Tunisia, USA and Honduras.

The profit before and after tax and extraordinary items attributable to the Sourcing Assets for the year ended 31 March 2006 based on unaudited accounts were approximately US\$27.5 million (HK\$214 million) and US\$26.2 million (HK\$204 million) respectively. The corresponding figures for the year ended 31 March 2005 were approximately US\$29.1 million (HK\$227 million) and US\$27.2 million (HK\$212 million) respectively. The net value attributable to the Sourcing Assets and to be delivered upon Completion is approximately US\$0.1 million (HK\$0.8 million).

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. It is anticipated that the acquisition will reinforce the Group's strategy in global diversification and maintain a much more balanced geographical mix of business. The acquisition will also further enhance the Group's designer brand sourcing capabilities which could be leveraged by the Group to work with other brands in the future.

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.

On Completion, Elmira 1 B.V. and the Purchaser will enter into an agency agreement which will allow the Group to carry out the bulk of the purchases of merchandise for the Sellers in relation to Tommy Hilfiger under normal commercial terms.

GENERAL

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

DEFINITIONS

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

“Asset Purchase Agreement”	the asset purchase agreement dated 10 February 2007 between the Sellers and the Purchaser as described in this announcement;
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“Board”	the board of Directors;
“Company”	Li & Fung Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“New Bauhinia”	New Bauhinia Limited, a limited company incorporated under the laws of the British Virgin Islands;
“Purchaser”	LF Centennial Limited, a limited company incorporated under the laws of the British Virgin Islands, a wholly-owned subsidiary of the Company;
“Sellers”	<ol style="list-style-type: none"> (1) Elmira 1 B.V., a limited company incorporated under the laws of the Netherlands, (2) T.H. 1 Holding (Cyprus) Ltd., a limited company incorporated under the laws of Cyprus, (3) Tommy BVI, (4) Tommy HK, (5) New Bauhinia, and (6) Wellrose;
“Sourcing Assets”	certain assets, properties, rights and claims of the Sourcing Entities in connection with the operation of the business of identifying, conducting negotiation with, and forming supply agreements with vendors for the manufacture of apparel and accessories and monitoring the quality of such production;
“Sourcing Entities”	Tommy BVI, Tommy HK, New Bauhinia and Wellrose;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tommy BVI”	Tommy Hilfiger (Eastern Hemisphere) Limited, a limited company incorporated under the laws of the British Virgin Islands;

“Tommy HK” Tommy Hilfiger (HK) Limited, a limited company incorporated under the laws of Hong Kong; and

“Wellrose” Wellrose Limited, a limited company incorporated under the laws of Hong Kong.

BOARD OF DIRECTORS

As at the date hereof, the Board of Directors of the Company comprises the following Directors:-

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*

Unless otherwise stated, all references in this Announcement to HK\$ are for information only and are referenced to Hong Kong Dollars based on an approximate exchange rate of US\$1 = HK\$7.8.

By Order of the Board
Victor FUNG Kwok King
Chairman



Member of the Li & Fung Group 

Hong Kong, 10 February 2007

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

“Please also refer to the published version of this announcement in South China Morning Post.”