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# **LI & FUNG LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 494)**

## **PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES**

### **Placing Agents**



**Citigroup Global Markets Asia  
Limited**

**Goldman  
Sachs**

**Goldman Sachs (Asia) L.L.C.**

**(In alphabetical order)**

On 5 May 2009, (a) Li & Fung (1937) Limited, as vendor and owner of about 30.13 % of the issued share capital of Li & Fung Limited; and (b) Citigroup Global Markets Asia Limited and Goldman Sachs (Asia) L.L.C., as placing agents, have entered into a Placing Agreement with (c) Li & Fung Limited, under which Li & Fung (1937) Limited will sell or procure the sale of, and Citigroup Global Markets Asia Limited and Goldman Sachs (Asia) L.L.C. will procure investors to purchase or themselves purchase, a total of 120,290,000 existing Shares in Li & Fung Limited at a Placing Price of HK\$22.55 per Share. The 120,290,000 existing Shares will be sold to not less than 6 independent professional, institutional and/or individual investors to be procured by Citigroup Global Markets Asia Limited and Goldman Sachs (Asia) L.L.C.

On the same date, Li & Fung (1937) Limited has also entered into the Subscription Agreement with Li & Fung Limited under which Li & Fung (1937) Limited will subscribe for or procure the subscription of 120,290,000 new Shares in Li & Fung Limited at the same price of HK\$22.55 per Share

The net proceeds to Li & Fung Limited under the Subscription will be approximately HK\$2,682 million. Li & Fung Limited intends to apply the net proceeds as general working capital of the Group which may include funding future business development and acquisitions by the Group from time to time.

### **PLACING AGREEMENT DATED 5 MAY 2009**

#### **Parties**

- (i) Li & Fung (1937) Limited, the controlling shareholder interested in about 30.13% of the issued share capital of the Company, as vendor;
- (ii) the Company; and

- (iii) Citigroup Global Markets Asia Limited and Goldman Sachs (Asia) L.L.C., as placing agents.

### **Number of Shares to be placed**

120,290,000 existing Shares representing about 3.31% of the existing Shares in issue, and about 3.20% of the Shares in issue as enlarged by the Subscription.

### **The placees**

Not less than 6 independent professional, institutional and/or individual investors to be procured by the Placing Agents. The placees are independent third parties and are not connected persons of the Company (as defined in the Listing Rules). No placee will become a substantial shareholder of the Company upon completion of the Placing. None of the placees is acting in concert with the Vendor (or parties acting in concert with the Vendor) or its associates.

### **Conditions of Placing**

The Placing is conditional upon:

- (1) the Subscription Agreement having been entered into by the parties thereto;
- (2) the Placing Agents having received (i) certified board resolutions of the Vendor and the Company approving the Placing and the entering into of the Placing Agreement; (ii) the Bermuda, Hong Kong and United States legal opinions; and (iii) the Lock-up Deeds of Undertaking (as defined below);
- (3) there not having come to the attention of the Placing Agents prior to completion of the Placing (i) any material breach of representations, warranties or undertakings in the Placing Agreement or any breach of obligations of the Company or the Vendor to be performed by completion of the Placing; or (ii) any change in local or international financial, political, military, economic or market conditions or exchange rates or controls; or (iii) any suspension of dealings in, or cancellation of the listing of, the Shares, other than as a result of the Placing, or (iv) any adverse announcement or ruling of any governmental or regulatory body which would be likely to prejudice materially the success of the Placing; and
- (4) there not having been imposed any moratorium, suspension or material restriction or trading in shares or securities generally on the Stock Exchange prior to completion of the Placing.

### **Placing Price**

HK\$22.55 per Share (exclusive of Hong Kong stamp duty, Stock Exchange trading fees and SFC transaction levy). The Placing Price represents:

1. a discount of about 6.04% to the closing price of HK\$24.00 per Share quoted on the Stock Exchange on 4 May 2009, the trading date immediately before the issue of this announcement;

2. a premium of about 5.78% over the average closing price of about HK\$21.32 per Share as quoted on the Stock Exchange from 27 April 2009 to 4 May 2009, both dates inclusive, being the last five trading days immediately prior to the issuance of this announcement; and
3. a premium of about 9.86% over the average closing price of about HK\$20.53 per Share as quoted on the Stock Exchange from 20 April 2009 to 4 May 2009, both dates inclusive, being the last ten trading days immediately prior to the issuance of this announcement.

The Placing Price was determined on an arm's length basis. The Directors are of the opinion that the Placing Price is fair and reasonable.

The Placing Price, net of placing commission (which is inclusive of seller's brokerage and sub-underwriting commission) and other expenses of the Placing, is approximately HK\$22.30 per Share.

### **Rights**

The existing Shares will be sold free and clear of all liens, charges and encumbrances, claims, options and third party rights and together with all rights attaching thereto at the date of the Placing Agreement, including the right to receive all dividends or other distributions declared, made or paid on the Placing Shares at any time after the date of the Placing Agreement, except (for the avoidance of doubt) the Final Dividend.

### **The Placing Agents**

Citigroup Global Markets Asia Limited and Goldman Sachs (Asia) L.L.C. are independent of and not connected with the director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates. Neither of the Placing Agents is acting in concert with the Vendor or parties acting in concert with the Vendor.

The obligations of the Placing Agents under the Placing Agreement (and, in particular, each of their obligations in relation to procuring the placing of the Placing Shares) shall be several only (and not jointly nor on a joint and several basis). The number of the Placing Shares for which each of the Placing Agents shall be appointed as agent to procure purchasers under the Placing Agreement shall be the following:

	<b>Number of Placing Shares</b>
Citigroup Global Markets Asia Limited	60,145,000 Shares
Goldman Sachs (Asia) L.L.C.	60,145,000 Shares

### **Completion of Placing**

It is expected that the Placing will be completed on or before 12 May 2009 or such other time or date as the Vendor and the Placing Agents shall agree.

## Lock-up

Pursuant to the Placing Agreement:

- (a) the Vendor has undertaken to the Placing Agents that (except for the sale of the Placing Shares pursuant to the Placing Agreement) in the 90 days after the date of the Placing Agreement, it will not and will procure that none of its nominees, companies controlled by it and/or trusts associated with it will (without the prior written consent of the Placing Agents) sell or otherwise transfer or dispose of any Shares or any interests therein or any securities convertible into any such Shares or interests, or enter into any swap agreement that transfers the economic risk of ownership of such Shares, or announce any intention to enter into or effect any such transaction;
- (b) the Company has also undertaken to the Placing Agents that (except for the new Shares or options to be issued pursuant to the Subscription Agreement, any existing or previous employee share option schemes of the Company, or bonus or scrip dividend arrangement in accordance with the Bye-Laws of the Company, or on the exercise of rights existing at the date of the Placing Agreement and save for any new Shares or options to be issued for non-cash consideration in connection with any acquisitions) in the 90 days after the date of the Placing Agreement, it will not (without the prior written consent of the Placing Agents) (i) allot or issue or grant any option, right or warrant to subscribe any Shares or any interests therein, or any securities convertible into any Shares or interest therein Shares, or (ii) agree to enter into or effect any such transaction with the same economic effect as any of the transaction described in (i) above, or (iii) announce any intention to enter into or effect any such transaction; and
- (c) each of Dr Victor Fung Kwok King, Dr William Fung Kwok Lun and King Lun Holdings Limited will also enter into a lock-up deed of undertaking (the **“Lock-up Deeds of Undertaking”**) to undertake to the Placing Agents that (except for the Shares held by King Lun Holdings Limited which are subject to the HMHL Options (as defined below)), in the 90 days after the date of the Placing Agreement, he/it will not (without the prior written consent of the Placing Agents) sell or otherwise transfer or dispose of any Shares or any interests therein, or any securities convertible into any Shares or interest therein Shares, or enter into any swap agreement that transfers the economic risk of ownership of such Shares, or announce any intention to enter into or effect any such transaction.

## SUBSCRIPTION AGREEMENT DATED 5 MAY 2009

### Parties

- (i) Li & Fung (1937) Limited, as subscriber; and
- (ii) the Company.

## **Number of new Shares to be subscribed**

120,290,000 new Shares, representing about 3.31% of the Company's existing Shares in issue and about 3.20% of the Shares in issue as enlarged by the Subscription.

## **Subscription price**

HK\$22.55 per Share. The total subscription monies receivable by the Company will be the subscription price per Share multiplied by the number of new Shares subscribed less the placing commission and other expenses borne or incurred by the Vendor in relation to the Placing and the Subscription. The net proceeds of the Subscription to the Company is estimated to be about HK\$2,682 million and the net subscription price per Share will be about HK\$22.30.

## **Mandate to issue new shares**

The new Shares will be issued under the general mandate granted to the Directors at the last annual general meeting held by the Company on 21 May 2008. The number of Shares that the Directors are authorised to issue under such general mandate is 691,183,517, provided that in the case of issue of Shares solely for cash and unrelated to any asset acquisition, such number is 345,591,758.

Such general mandate has not been utilized since the date of the grant, other than for the issue of 168,000,000 Shares to Dunearn Investments (Mauritius) Pte Ltd. (a wholly owned subsidiary of Temasek Holdings (Private) Limited) as announced by the Company on 7 September 2008 (the "**Temasek Subscription**"). The net proceeds of the Temasek Subscription amounted to approximately HK\$3,879 million, out of which approximately HK\$2,529 million had been used to pay the consideration for the acquisitions made by the Group in the second half of 2008 and 2009 (including, among others, acquisition of the sourcing operations of Liz Claiborne Inc. and its affiliates in Asia as announced by the Company on 23 February 2009 and acquisition of business of Van Zeeland Inc. as announced by the Company on 13 August 2008 and 3 December 2008). The un-utilized amount of approximately HK\$1,350 million is intended to be used as the general working capital of the Group which may include funding acquisitions by the Group from time to time.

## **Ranking**

The new Shares, when fully paid, will rank equally with the existing Shares of the Company in issue, and, for the avoidance of doubt, will not be entitled to the Final Dividend.

## **Conditions of Subscription**

The Subscription is conditional upon:

1. completion of the Placing pursuant to the terms of the Placing Agreement;

2. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the new Shares (and such listing and permission not subsequently revoked prior to the delivery of definite share certificate(s) representing the new Shares to be subscribed); and
3. the Executive Director of the Corporate Finance Division of the SFC waiving any obligation of the Vendor and parties acting in concert with it to make a general offer for all the issued Shares as a result of the Subscription.

The Company will apply to the Listing Committee of the Stock Exchange for listing of and permission to deal in the new Shares.

### **Completion of Subscription**

Completion of the Subscription will take place after all the conditions of the Subscription have been satisfied, and in any event no later than 7 days after the date of the Placing Agreement or such other date as the parties may agree. Should the Subscription be completed after such date, the Company will comply with all the relevant requirements of the Listing Rules and the Takeovers Code. Further announcement will be made as and when appropriate.

### **TAKEOVERS CODE IMPLICATIONS**

As at the date of this announcement, the Vendor and parties acting in concert with it are interested in 1,265,259,810 Shares, representing approximately 34.80% of the existing issued share capital of the Company. The shareholding interest of the Vendor and parties acting in concert with it will decrease to approximately 31.49% upon completion of the Placing and will then increase to approximately 33.69% upon completion of the Subscription. Accordingly, the Vendor and parties acting in concert with it will, but for the following waiver, have an obligation to make a general offer for all the Shares (other than those already held by them) pursuant to Rule 26.1 of the Takeovers Code. The Vendor will apply to the SFC for a waiver in this respect pursuant to Note 6 on dispensation from Rule 26 of the Takeovers Code.

## EFFECT OF THE PLACING AND THE SUBSCRIPTION

The shareholdings in the Company before and after the Placing and the Subscription are summarised as follows:

	At present		After completion of the Placing but before Subscription		Immediately after completion of the Placing and Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Vendor	1,095,600,000	30.13	975,310,000	26.83	1,095,600,000	29.17
<b>Parties acting in concert with the Vendor:</b>						
King Lun Holdings Limited (Note 1)	32,945,880	0.91	32,945,880	0.91	32,945,880	0.88
William Fung Kwok Lun (Note 2)	80,812,930	2.22	80,812,930	2.22	80,812,930	2.15
HSBC Trustee (C.I.) Limited (Note 3)	55,825,000	1.54	55,825,000	1.54	55,825,000	1.49
Spencer Theodore Fung (Note 4)	76,000	0.00	76,000	0.00	76,000	0.00
Subtotal:	1,265,259,810	34.80	1,144,969,810	31.49	1,265,259,810	33.69
<b>Other Directors:</b>						
Bruce Philip Rockowitz (Note 5)	23,444,310	0.64	23,444,310	0.64	23,444,310	0.62
Henry Chan	3,954,000	0.11	3,954,000	0.11	3,954,000	0.11
Danny Lau Sai Wing	7,914,000	0.22	7,914,000	0.22	7,914,000	0.21
Annabella Leung Wai Ping	4,848,000	0.13	4,848,000	0.13	4,848,000	0.13
Franklin Warren McFarlan (Note 6)	57,200	0.00	57,200	0.00	57,200	0.00
<b>Public Shareholders:</b>						
Placees	0	0.00	120,290,000	3.31	120,290,000	3.20
Other shareholders	2,330,206,666	64.09	2,330,206,666	64.09	2,330,206,666	62.04
	<u>3,635,683,986</u>	<u>100</u>	<u>3,635,683,986</u>	<u>100</u>	<u>3,755,973,986</u>	<u>100</u>

### Notes:

- 32,945,880 Shares are directly held by King Lun Holdings Limited ("King Lun"), a private company incorporated in the British Virgin Islands, owned as to 50% by HSBC Trustee (C.I.) Limited and 50% by Dr William Fung Kwok Lun. It also holds the entire issued share capital of the Vendor. King Lun has granted options to HMHL (as defined in note 5 below), pursuant to which HMHL has the right to acquire such Shares (as disclosed in the 2008 Annual Report of the Company) (the "HMHL Options").
- Dr William Fung Kwok Lun holds a personal interest in 68,651,330 Shares, a family interest in 4,400 Shares and a corporate interest in 12,157,200 Shares.

3. HSBC Trustee (C.I.) Limited is the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King. Each of Dr Victor Fung Kwok King and Mr Spencer Theodore Fung, the son of Dr Victor Fung Kwok King, is deemed to have interests in the Shares directly and indirectly held by HSBC Trustee (C.I.) Limited under Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).
4. 76,000 Shares are held by Mr Spencer Theodore Fung personally.
5. 2,032,800 Shares are held by Mr Bruce Philip Rockowitz personally. 21,411,510 Shares are held by Hurricane Millennium Holdings Limited ("HMHL"), a company beneficially owned by a trust which has been set up for the benefit of family members of Mr Bruce Philip Rockowitz.
6. These shares are held by a trust established for the benefit of Professor Franklin Warren McFarlan.

## **REASONS FOR THE PLACING AND THE SUBSCRIPTION**

The net proceeds to the Company under the Subscription will be approximately HK\$2,682 million. The Company intends to apply the net proceeds as general working capital of the Group which may include funding future business development and acquisitions by the Group from time to time.

The Company has not raised any funds by issuing new equity securities in the 12 months preceding this announcement, other than from the Temasek Subscription.

The Placing will enlarge the shareholder and capital base of the Company and strengthen its financial position. The Directors believe the terms of the Placing and Subscription are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

Since the completion of the Placing and the Subscription is subject to the satisfaction of a number of conditions, **shareholders and investors are advised to exercise caution when deal in the Company's securities.**

## **INFORMATION ON THE COMPANY**

The Group is the world's leading buying agency for consumer goods, managing the supply chain for retailers and brands worldwide.

### **DEFINITIONS:**

"associates"	has the meaning as ascribed to it under the Listing Rules;
"Company"	Li & Fung Limited, a company incorporated under the laws of Bermuda whose shares are listed on the Stock Exchange;
"Directors"	the directors for the time being of the Company;
"Final Dividend"	the final dividend in respect of the year ended 31 December 2008 expected to be declared at the Forthcoming AGM, which has been proposed by the Directors at a meeting held on 25 March 2009 to be 33 Hong Kong cents per Share;
"Forthcoming AGM"	the forthcoming annual general meeting of the Company to be held on 13 May 2009;

“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Placing”	the placing of 120,290,000 existing Shares by the Vendor to independent professional, institutional and/or individual investors to be procured by the Placing Agents under the Placing Agreement;
“Placing Agents”	Citigroup Global Markets Asia Limited and Goldman Sachs (Asia) L.L.C. ;
“Placing Agreement”	the conditional placing agreement dated 5 May 2009 entered into between the Vendor, the Company and the Placing Agents;
“Placing Price”	HK\$22.55 per Share;
“Placing Shares”	120,290,000 Shares to be sold by the Vendor pursuant to the Placing;
“SFC”	the Securities and Futures Commission;
“Shares”	shares of HK\$0.025 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of 120,290,000 new Shares by the Vendor under the Subscription Agreement;
“Subscription Agreement”	the conditional subscription agreement dated 5 May 2009 entered into by the Vendor and the Company;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers; and
“Vendor”	Li & Fung (1937) Limited.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in the announcement, the omission of which would make any statement in this announcement misleading.

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\*  
Martin Tang Yue Nien\*

*Executive Directors:–*

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

\* *Independent Non-executive Directors*

By Order of the Board  
**Victor FUNG Kwok King**  
*Chairman*



Member of the Li & Fung Group



Hong Kong, 5 May 2009

Website: [www.lifung.com](http://www.lifung.com)  
[www.irasia.com/listco/hk/lifung](http://www.irasia.com/listco/hk/lifung)