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LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 494)

ACQUISITION OF BUSINESS OF WEAR ME APPAREL, LLC

DISCLOSEABLE TRANSACTION

The Directors announce that on 19 October 2009, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Asset Purchase Agreement to acquire from the Seller the Business for a cash consideration of (a) a fixed amount of US\$101.8 million (HK\$794 million) and (b) a performance based, contingent sum of up to US\$300 million (HK\$2,340 million). In any event, the total consideration will not exceed US\$401.8 million (HK\$3,134 million).

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

THE ACQUISITION

On 19 October 2009, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Asset Purchase Agreement with the Seller, the Members and the Managers to acquire from the Seller the Business for a cash consideration of (a) a fixed amount of US\$101.8 million (HK\$794 million) and (b) a performance based, contingent sum of up to US\$300 million (HK\$2,340 million). In any event, the total consideration will not exceed US\$401.8 million (HK\$3,134 million).

To the best of knowledge, information and belief of the Directors of the Company, the Seller, the Members and the Managers 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, to be financed from the Company's internal cash reserves, was determined after arm's length negotiation with the Seller and based upon various factors including addition of a strong portfolio of licensed national brands, proprietary brands, private labels and character licenses to the Group's existing portfolio and expansion into new markets and categories including those for young men and junior.

The Consideration payable by the Purchaser comprises:-

- (i) a fixed amount of US\$101.8 million (HK\$794 million), which represents the value of net assets attributable to the Business to be delivered at Completion (after taking into account the assumption of certain liabilities including an outstanding bank loan of up to US\$110 million (HK\$858 million)) plus a premium, payable at Completion; and
- (ii) a performance based, contingent sum of up to US\$300 million (HK\$2,340 million) payable in five annual installments for each of the years ending 31 December 2010-2014 if certain agreed thresholds of the compounded year-over-year growth of the EBT are achieved.

In any event, the total consideration will not exceed US\$401.8 million (HK\$3,134 million).

COMPLETION AND CONDITIONS

The Completion is subject to the satisfaction of certain conditions, including, inter alia:-

- (i) certain consents required for the transfer of the Business having been obtained;
- (ii) the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 having expired or been terminated; and
- (iii) the agreement for the purchase by the Group of certain assets in connection with the Avirex brand and the Irreverent brand having been executed. The Company will comply with the applicable Listing Rules if and when required.

The Completion of the Acquisition is expected to take place on or about 6 November 2009 or such other date as the parties agree in writing.

INFORMATION ON THE BUSINESS AND WEAR ME GROUP

Wear Me Group is a leading designer, marketer and seller of young men's and children's apparel in the US and manages a portfolio of licensed national brands, proprietary brands, private labels and character licenses, including Calvin Klein, Ecko, Timberland, Hurley, Rocawear, US Polo Association, Disney, Marvel, Nickelodeon, Warner Brothers and Hasbro, with a distribution channel from traditional and mid-tier department stores to mass merchants including Macy's, Kohl's and Wal-Mart. The Business has been operated by the Managers from the Seller's head office in New York with staff of approximately 520 based in the US and approximately 220 based in Hong Kong, China, Philippines, Thailand, India and Bangladesh.

Pursuant to the Asset Purchase Agreement, the Purchaser will enter into employment agreements with each of the Managers.

The profits before and after tax and extraordinary items attributable to the Business for the year ended 31 December 2008 based on management accounts (after adjustments for non-recurring items) were approximately US\$18.3 million (HK\$143 million) and US\$11.9 million (HK\$93 million) respectively. The corresponding figures for the year ended 31 December 2007 were approximately US\$20.7 million (HK\$161 million) and US\$13.4 million (HK\$105 million) respectively. The net sales attributable to the Business for the year ended 31 December 2008 and 2007 were approximately US\$700 million (HK\$5,460 million) and US\$746 million (HK\$5,819 million) respectively. The profit before tax attributable to the Business for the six months ended 30 June 2009 and 2008 were approximately US\$4 million (HK\$31 million) and US\$0.1 million (HK\$1 million) respectively. The above accounts were prepared in accordance with US GAAP. The value of net assets attributable to the Business to be delivered at Completion is US\$80 million (HK\$624 million).

REASONS FOR THE ACQUISITION

The Group including the Purchaser is the world's leading consumer goods supply chain management company, managing the supply chain for retailers and brands worldwide. The Directors, including the independent non-executive Directors, 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 enable the Group to expand into new markets and categories including those for young men and junior and benefit the Group's entire portfolio of brands and private label businesses.

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

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 19 October 2009 between the Purchaser, the Seller, the Members and the Managers as described in this announcement
“Board”	the board of Directors

“Business”	the Seller’s business of designing, sourcing, licensing, marketing, and selling of children’s apparel and accessories related to children’s apparel and young men’s/men’s apparel, and certain intellectual property rights and other assets relating to such business, but excluding the Seller’s retail business and operations as held and operated by its subsidiary, Kids Supercenter, LLC
“Company”	Li & Fung Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance of the terms and conditions of the Asset Purchase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	a sum up to US\$401.8 million (HK\$3,134 million) to be payable in cash
“Directors”	the directors of the Company
“EBT”	earnings before tax prepared in accordance with US GAAP
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Managers”	Arthur Rabin and Jason Rabin
“Members”	Wear Me Holdings Corp., a Delaware corporation, and Wear Me Investors LLC, a Delaware limited liability company, the unit-holders of membership interest of the Seller
“Purchaser”	LF USA Inc., a Delaware corporation and a wholly-owned subsidiary of the Company
“Seller”	Wear Me Apparel, LLC, a Delaware limited liability company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wear Me Group”	Seller and Members
“US”	the United States
“US GAAP”	the United States generally accepted accounting principles

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*
Martin Tang Yue Nien*

Executive Directors:-

William Fung Kwok Lun (*Managing Director*)
Bruce Philip Rockowitz
Annabella Leung Wai Ping
Spencer Theodore Fung

** Independent Non-executive Directors*

Unless otherwise stated, all references in this Announcement to HK\$ stated in brackets are for illustration 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 amount in US\$ had 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, 19 October 2009

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