Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

LI & FUNG LIMITED

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

ANNOUNCEMENT OF RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2010

HIGHLIGHTS

(HK$ million)	**2010**	2009	Change
Turnover	**51,792**	46,292	+12%
Core Operating Profit	**2,635**	1,697	+55%
As % of Turnover	***5.09%***	*3.67%*	
Profit attributable to shareholders of the Company	**2,171**	1,397	+55%
Earnings per Share - Basic	**57.5 HK cents**	38.3 HK cents	+50%
Dividend per Share	**38 HK cents**	26 HK cents	+46%

- Record high growth of core operating profit over a half-year period
- Record high margins due to strong onshore businesses and increasing involvement in value-added services
- Delivered strong operating leverage with continued cost savings
- Turnover modestly improved, reflecting the effects of early stage of the economic recovery together with contributions from previous acquisitions and outsourcing deals
- Entered into a landmark sourcing deal with Wal-Mart Stores, Inc., announced acquisition of 7 companies, and signed 4 licensing deals so far this year

We are pleased to announce the unaudited consolidated profit and loss account and the unaudited consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 and the consolidated balance sheet of the Group as at 30 June 2010 together with the comparative figures for 2009. The interim financial report has been reviewed by the Company's audit committee and, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Company's auditor, PricewaterhouseCoopers. The auditor based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The auditor's independent review report will be included in the interim financial report.

Consolidated Profit and Loss Account

	Note	Unaudited Six months ended 30 June **2010** **HK$'000**	 2009 HK$'000
Turnover	*2*	**51,791,920**	46,292,167
Cost of sales		**(45,065,002)**	(41,109,934)
Gross profit		**6,726,918**	5,182,233
Other income		**270,932**	213,088
Total margin		**6,997,850**	5,395,321
Selling expenses		**(999,559)**	(707,508)
Merchandising expenses		**(3,025,797)**	(2,654,853)
Administrative expenses		**(337,084)**	(336,101)
Core operating profit		**2,635,410**	1,696,859
Other non-core operating expenses		**(87,589)**	(47,929)
Operating profit	*2 & 3*	**2,547,821**	1,648,930
Interest income		**36,206**	35,620
Interest expenses		**(270,661)**	(211,651)
Share of profits less losses of associated companies		**7,439**	11,276
Profit before taxation		**2,320,805**	1,484,175
Taxation	*4*	**(150,407)**	(88,202)
Profit for the period		**2,170,398**	1,395,973
Attributable to:			
Shareholders of the Company		**2,171,295**	1,396,641
Non-controlling interests		**(897)**	(668)
		2,170,398	1,395,973
Earnings per share for profit attributable to the shareholders of the Company during the period	*5*		
- basic		**57.5 HK cents**	38.3 HK cents
- diluted		**56.9 HK cents**	38.1 HK cents
Interim dividend		**1,449,106**	978,494

Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June **2010** **HK$'000**	 2009 HK$'000
Profit for the period	**2,170,398**	1,395,973
Other comprehensive income:		
Currency translation differences	**(344,174)**	65,706
Net fair value gains/(losses) on cash flow hedges, net of tax	**31,415**	(43,434)
Net fair value (losses)/gains of available-for-sale financial assets, net of tax	**(1,542)**	2,909
Other comprehensive (expense)/income for the period, net of tax	**(314,301)**	25,181
Total comprehensive income for the period	**1,856,097**	1,421,154
Attributable to:		
Shareholders of the Company	**1,856,306**	1,421,892
Non-controlling interests	**(209)**	(738)
Total comprehensive income for the period	**1,856,097**	1,421,154

Consolidated Balance Sheet

	Note	**Unaudited 30 June 2010 HK$'000**	Audited 31 December 2009 HK$'000
Non-current assets			
Intangible assets		**22,516,139**	18,202,527
Property, plant and equipment		**1,366,428**	1,255,705
Prepaid premium for land leases		**2,376**	2,426
Associated companies		**34,903**	28,251
Available-for-sale financial assets		**679,039**	720,184
Deferred tax assets		**72,355**	58,180
		24,671,240	20,267,273
Current assets			
Inventories		**2,609,449**	2,382,632
Due from related companies		**110,486**	98,706
Trade and bills receivable	*6*	**13,511,403**	12,561,374
Other receivables, prepayments and deposits		**2,747,992**	2,331,847
Derivative financial instruments		**47,088**	2,620
Cash and bank balances		**5,763,666**	4,202,267
		24,790,084	21,579,446
Current liabilities			
Trade and bills payable	*7*	**13,109,333**	12,005,113
Accrued charges and sundry payables		**2,700,861**	3,120,427
Balance of purchase consideration payable for acquisitions to be settled by cash		**1,357,793**	1,138,668
Balance of purchase consideration payable for acquisitions to be settled by shares issued and held by escrow agent		**365,595**	323,700
Taxation		**570,941**	520,969
Bank advances for discounted bills	*6*	**305,366**	302,123
Bank overdrafts		**340,608**	47,315
		18,750,497	17,458,315
Net current assets		**6,039,587**	4,121,131
Total assets less current liabilities		**30,710,827**	24,388,404
Financed by:			
Share capital		**95,297**	94,403
Reserves		**17,050,779**	15,810,930
Proposed dividend		**1,449,106**	1,854,313
		18,499,885	17,665,243
Shareholders' funds attributable to the Company's shareholders		**18,595,182**	17,759,646
Non-controlling interests		**(34,587)**	(33,455)
Total equity		**18,560,595**	17,726,191
Non-current liabilities			
Long-term liabilities		**12,031,677**	6,425,251
Balance of purchase consideration payable for acquisitions to be settled by shares issued and held by escrow agent		**-**	140,350
Post-employment benefit obligations		**25,778**	25,766
Deferred tax liabilities		**92,777**	70,846
		12,150,232	6,662,213
		30,710,827	24,388,404

Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to shareholders of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2010	94,403	14,182,564	(392,609)	3,875,288	17,759,646	(33,455)	17,726,191
Comprehensive income							
Profit or loss	-	-	-	2,171,295	2,171,295	(897)	2,170,398
Other comprehensive income							
Currency translation differences	-	-	(344,862)	-	(344,862)	688	(344,174)
Net fair value losses on available-for-sale financial assets, net of tax	-	-	(1,542)	-	(1,542)	-	(1,542)
Net fair value gains on cash flow hedges, net of tax	-	-	31,415	-	31,415	-	31,415
Total other comprehensive income	-	-	(314,989)	-	(314,989)	688	(314,301)
Total comprehensive income	-	-	(314,989)	2,171,295	1,856,306	(209)	1,856,097
Transactions with owners							
Employee share option scheme:							
- value of employee services	-	-	27,257	-	27,257	-	27,257
- proceeds from share issued	894	720,329	-	-	721,223	-	721,223
- transfer to share premium	-	136,112	(136,112)	-	-	-	-
Release of shares held by escrow agent for settlement of acquisition consideration	-	-	98,455	-	98,455	-	98,455
Transfer to capital reserve	-	-	477	(477)	-	-	-
2009 final dividend paid	-	-	-	(1,867,705)	(1,867,705)	(923)	(1,868,628)
Total transactions with owners	894	856,441	(9,923)	(1,868,182)	(1,020,770)	(923)	(1,021,693)
Balance at 30 June 2010	95,297	15,039,005	(717,521)	4,178,401	18,595,182	(34,587)	18,560,595

	Unaudited						
	Attributable to shareholders of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2009	90,853	11,140,378	(506,457)	2,687,300	13,412,074	(29,720)	13,382,354
Comprehensive income							
Profit or loss	-	-	-	1,396,641	1,396,641	(668)	1,395,973
Other comprehensive income							
Currency translation differences	-	-	65,776	-	65,776	(70)	65,706
Net fair value gains on available-for-sale financial assets, net of tax	-	-	2,909	-	2,909	-	2,909
Net fair value losses on cash flow hedges, net of tax	-	-	(43,434)	-	(43,434)	-	(43,434)
Total other comprehensive income	-	-	25,251	-	25,251	(70)	25,181
Total comprehensive income	-	-	25,251	1,396,641	1,421,892	(738)	1,421,154
Transactions with owners							
Employee share option scheme:							
- value of employee services	-	-	31,960	-	31,960	-	31,960
- proceeds from share issued	174	89,192	-	-	89,366	-	89,366
- transfer to share premium	-	16,597	(16,597)	-	-	-	-
2008 final dividend paid	-	-	-	(1,199,839)	(1,199,839)	(441)	(1,200,280)
Issue of shares upon a private placing	3,007	2,678,660	-	-	2,681,667	-	2,681,667
Total transactions with owners	3,181	2,784,449	15,363	(1,199,839)	1,603,154	(441)	1,602,713
Balance at 30 June 2009	94,034	13,924,827	(465,843)	2,884,102	16,437,120	(30,899)	16,406,221

Selected Notes to the Condensed Interim Financial Report

1. Basis of preparation and accounting policies

This interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA. This interim financial report should be read in conjunction with the annual accounts for the year ended 31 December 2009, which had been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those of the annual accounts for the year ended 31 December 2009, as described in those annual accounts.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Revised and amended standards mandatory for the first time for the financial year beginning 1 January 2010 adopted by the Group

HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit and loss account. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

(b) Amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners'
- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1)
- HKAS 39 (Amendment), 'Eligible hedged items'
- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction'
- First improvements to Hong Kong Financial Reporting Standards (2008)
- Second improvements to Hong Kong Financial Reporting Standards (2009)

1. Basis of preparation and accounting policies (Continued)

(c) The following are new standards, new interpretations and amendments to standards and interpretations relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact. The Group has not yet decided when to adopt HKFRS 9.

- HKAS 24 (Revised) 'Related party disclosures' supersedes HKAS 24 'Related party disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011.

- Under 'Classification of rights issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010.

- Amendments to HK(IFRIC)-Int-14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of HK(IFRIC) Int-14, HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC)-Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

1. Basis of preparation and accounting policies (Continued)

(c) The following are new standards, new interpretations and amendments to standards and interpretations relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted: (Continued)

- HK(IFRIC)-Int 19, ‘Extinguishing financial liabilities with equity instruments’ clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010, by HKICPA. All improvements are effective in the financial year of 2011.

2. Segment information

The Group is principally engaged in export trading of consumer products. The Group operates globally and has a sourcing network composing over 80 offices in more than 40 economies. Turnover represents revenue generated from sales at invoiced value to customers outside the Group less discounts and returns.

The Company is domiciled in Bermuda. The Group’s management considers the business principally from a geographical perspective. Business reportable operating segments identified are geographical areas where the customers are located such as United States of America, Europe, Canada, Australasia, Central and Latin America and Rest of the world.

The Group’s management assesses the performance of the operating segments based on a measure of operating profit. This measurement basis includes profit of the operating segments before share of results of associated companies, interest income, interest expenses and tax, but excludes material gain or loss which is of capital nature or non recurring nature such as gain or loss on disposal or impairment provision on property, plant and equipment, investments, goodwill or other assets. Other information provided to the Group’s management is measured in a manner consistent with that in this interim financial report.

Selected Notes to the Condensed Interim Financial Report (Continued)

2. Segment information (Continued)

	Turnover		Operating profit		Depreciation & amortization		Non-current assets (other than available-for-sale financial assets and deferred tax assets)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30		30 June	31 December
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Principal markets:								
United States of America	**34,548,222**	28,385,749	**2,109,793**	1,251,518	**446,753**	188,458	**15,215,286**	13,861,401
Europe	**13,023,152**	13,678,224	**372,832**	304,418	**52,932**	45,280	**7,733,329**	4,705,639
Canada	**1,407,519**	1,484,453	**50,048**	53,844	**3,643**	3,381	**276,176**	273,559
Australasia	**1,334,394**	1,236,828	**50,992**	42,537	**3,292**	2,799	**167,488**	139,355
Central and Latin America	**560,947**	609,506	**21,327**	22,017	**1,657**	1,395	**100,662**	139,392
Rest of the world	**917,686**	897,407	**30,418**	22,525	**2,629**	1,953	**426,905**	369,563
	51,791,920	46,292,167	**2,635,410**	1,696,859	**510,906**	243,266	**23,919,846**	19,488,909
Other non-core operating expenses net of income			**(87,589)**	(47,929)				
			2,547,821	1,648,930				
Interest income			**36,206**	35,620				
Interest expenses			**(270,661)**	(211,651)				
Share of profits less losses of association			**7,439**	11,276				
Profit before taxation			**2,320,805**	1,484,175				
Taxation			**(150,407)**	(88,202)				
Profit for the period			**2,170,398**	1,395,973				

Turnover consists of sales of softgoods and hardgoods as follows:

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Softgoods	**37,648,557**	32,835,790
Hardgoods	**14,143,363**	13,456,377
	51,791,920	46,292,167

For the six months ended 30 June 2010, approximately 12% (2009: 12%) of the Group's turnover is derived from a single external customer. This turnover is attributable to the United States of America segment.

3. Operating profit

Operating profit is stated after charging the following:

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Amortization of computer software and system development costs	**20,106**	4,715
Amortization of brand licenses	**255,970**	56,476
Amortization of other intangible assets arising from business combinations	**87,589**	47,929
Depreciation of property, plant and equipment	**147,241**	134,146
Loss on disposal of property, plant and equipment	**19,873**	6,035
Staff costs including directors' emoluments	**2,492,876**	2,164,948

4. Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Current taxation		
- Hong Kong profits tax	**22,916**	33,784
- Overseas taxation	**119,878**	61,792
Deferred taxation	**7,613**	(7,374)
	150,407	88,202

5. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$2,171,295,000 (2009: HK$1,396,641,000) and on the weighted average number of 3,773,915,000 (2009: 3,650,964,000) shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of 3,773,915,000 (2009: 3,650,964,000) ordinary shares in issue by 40,358,000 (2009: 12,983,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's Option Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

6. Trade and bills receivable

The ageing analysis of trade and bills receivable based on invoice date is as follows:

	Current to 90 days HK$'000	**91 to 180 days** HK$'000	**181 to 360 days** HK$'000	**Over 360 days** HK$'000	**Total** HK$'000
Balance at 30 June 2010 (unaudited)	**13,161,205**	**294,140**	**33,391**	**22,667**	**13,511,403**
Balance at 31 December 2009 (audited)	12,095,108	377,931	71,239	17,096	12,561,374

All trade and bills receivable are either repayable within one year or on demand. Accordingly, the fair values of the Group's trade and bills receivables are approximately the same as their carrying values.

A significant portion of the Group's business are on sight letter of credit, usance letter of credit up to a tenor of 120 days, documents against payment or customers' letter of credit to suppliers. The balance of the business are on open account terms which is often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

Certain subsidiaries of the Group discounted bills receivable balances amounting to HK$305,366,000 (31 December 2009: HK$302,123,000) to banks in exchange for cash as at 30 June 2010. The transactions have been accounted for as collateralized bank advances.

As at 30 June 2010, trade receivables of HK$149,165,000 (31 December 2009: HK$106,773,000) were pledged as security for the Group's borrowings.

7. Trade and bills payable

The ageing analysis of trade and bills payable based on invoice date is as follows:

	Current to 90 days HK$'000	**91 to 180 days** HK$'000	**181 to 360 days** HK$'000	**Over 360 days** HK$'000	**Total** HK$'000
Balance at 30 June 2010 (unaudited)	**12,678,676**	**300,880**	**34,064**	**95,713**	**13,109,333**
Balance at 31 December 2009 (audited)	11,744,955	109,297	44,873	105,988	12,005,113

The fair values of the Group's trade and bills payable are approximately the same as their carrying values.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

The Group's turnover in the first half of 2010 increased by 12% to US$6,640 million (approximately HK$52 billion), reflecting the effects of nascent economic recovery in the United States together with contributions from previous acquisitions and outsourcing deals.

The continued growth of our higher-margin onshore business in the United States and Europe, disciplined cost control and an increased number of value-added services helped deliver solid operating leverage, which resulted in the highest core operating profit growth over a half-year period.

- Total Margin increased by 30%, increasing as a percentage of turnover from 11.65% to 13.51%
- Core Operating Profit increased by 55%; Core Operating Profit Margin increased to 5.09% from 3.67%
- Profit Attributable to shareholders reached HK$2,171 million, representing an increase of 55% over the same period in 2009

So far 2010 has been very eventful for the Group. It entered into a landmark sourcing arrangement with Wal-Mart Stores, Inc. in January and continued to expand market share via its acquisition strategy, announced two large acquisitions for Visage Group Limited and Jimlar Corporation, as well as five small roll-up acquisitions with Heusel Textilhandelsgesellschaft mbH, Jackel Group, HTP Group, Cipriani Accessories Inc. and Kenas Furniture Group. Also, LF USA, a subsidiary of Li & Fung Limited, signed four important licensing deals during the period under review.

In May 2010 the Group successfully issued a US$400 million bond that was very well received by fixed income investors. This issue was subsequently increased by US$350 million to a total of US$750 million in July. The net proceeds will be applied primarily toward further business development and acquisitions.

Segmental Analysis

In the first half of 2010, softgoods and hardgoods accounted for 73% and 27% of turnover respectively. **Softgoods** turnover grew 15%, which was largely due to organic growth by some existing customers, together with contributions from previous acquisitions like Wear Me Apparel, LLC and Visage Group Limited, as well as outsourcing deals like Liz Claiborne Inc. and The Talbots, Inc..

Turnover from the **hardgoods** business increased by 5%, reflecting improving market sentiment resulting in solid organic growth.

Geographically, the **US** continued to be the Group’s key export market, representing 67% of total turnover during the period under review, an increase from 61% over the same period in 2009. This was again due to recent acquisitions like Wear Me Apparel, LLC in the US and outsourcing deals like The Talbots, Inc. as well as solid organic growth. Turnover increased by 22%, reflecting slightly more positive consumer sentiment overall. Operating profit grew by 69%, which was largely attributed to contributions from our higher margin US onshore business as it continues to grow and perform well.

Europe accounted for 25% of turnover, reflecting a drop of 5%. This was due to the impact of customers facing insolvency (e.g. Arcandor and Deutsche Woolworth) and weaker sentiment overall in Europe. On the other hand, operating profit increased significantly by 22%, driven mainly by cost control in our sourcing operations and contributions from the European onshore business.

Turnover in **Canada, Central & Latin America**, and **Australasia** accounted for 3%, 1% and 3% of the Group's total respectively, representing declines of 5% and 8% and growth of 8% from those geographies' previous performances. Operating profit declined by 7% and 3% respectively in Canada, Central & Latin America, while Australasia's operating profit grew 20%. **Japan** and the rest of the world represented a 2% share of Group turnover, an increase of 2%. This was coupled with an increase of 35% in operating profit due to organic growth in the South African market.

Acquisitions

The Group announced total of two large acquisitions (Visage Group Limited and Jimlar Corporation) and five roll-up acquisitions (Heusel Textilhandelsgesellschaft mbH, Jackel Group, HTP Group, Cipriani Accessories Inc. and Kenas Furniture Group) so far this year.

Large acquisitions:

Over the past few years, the Group has set goals to rapidly expand its European onshore businesses by acquisitions. In February 2010, Li & Fung acquired Visage Group Limited, a leading private-label apparel supplier to high street and mass retailers in the UK. The acquisition adds substantial scale to Li & Fung's existing operation and furthers the objective of developing a significant European onshore presence. In addition, it has now developed relationships with most of the leading UK retailers, thus increasing the Group's overall market share and providing an excellent platform for future growth.

In August, Li & Fung acquired U.S.-based Jimlar Corporation. Jimlar Corporation is a leading designer, distributor and supplier of footwear in the U.S. and internationally, producing footwear under license for Coach and Calvin Klein as well as for its own brands Frye, Mountrek and RJ Colt. The acquisition is a significant step in expanding the Group's onshore presence in the U.S. as well as its capabilities in the footwear business. It should also provide further footwear sourcing capabilities for the Group as a whole.

Small roll-up acquisitions:

In February 2010, Li & Fung acquired Heusel Textilhandelsgesellschaft mbH, a well established player in the children's apparel market in Germany that has solid business relationships with a number of key retailers there.

In May, Li & Fung acquired the Hong Kong-based Jackel Group, servicing the beauty industry in the areas of primary packaging, fragrance and personal care. The acquisition creates significant synergies with the Group's existing health, beauty and cosmetics ("HBC") business and dramatically strengthen its HBC platform as it continues to grow in this new segment.

In addition, Li & Fung acquired the Hong Kong-based HTP Group, a design-driven jeanswear specialist in June. The deal further strengthens the Group's capabilities in denim, and it is expected to create many synergies with its existing customers in this important product category.

In the same month, the Group entered into an agreement to acquire substantially all of the assets of Cipriani Accessories Inc. and its affiliate, The Max Leather Group. Cipriani Accessories Inc. is a leading designer, distributor and importer of men’s and women’s accessories in the US, Mexico and Canada. The acquisition further strengthens the market position and capabilities in the fashion accessories business of LF USA, a subsidiary of Li & Fung Limited.

In August, Li & Fung acquired one of China's leading furniture export trading companies, Kenas Furniture Group, which sells furniture to premier retailers and lifestyle brands overseas.

Outsourcing Deal

In January, the Group entered into an agreement with Wal-Mart Stores, Inc. to establish a mutually beneficial sourcing arrangement with the Wal-Mart Group. Under the sourcing arrangement, Direct Sourcing Group (“DSG”), a wholly owned subsidiary of the Group, provides buying agency services to the Wal-Mart Group globally.

Licensing Deals

LF USA signed four licensing deals in the first half of the year:

(1) a partnership with celebrity stylist and fashion visionary Rachel Zoe to create a new contemporary lifestyle collection. The collection will offer a unique selection of women’s apparel, footwear, handbags, jewelry and accessories;

(2) the expansion of its licensing agreement with TapouT, the leading marketer of mixed martial arts apparel and gear, to include men’s and junior’s sportswear. Under the terms of this new agreement, LF USA’s Wear Me Apparel division, which has made products for TapouT since 2008, will be responsible for the production and distribution of sportswear under the TapouT and PTS brands;

(3) the formation of a new company with Star Branding that will focus on creating lifestyle concepts inspired by the powerful connections between consumers and the worlds of music, entertainment and sports. The partners in Star Branding, Tommy and Andy Hilfiger along with Bernt Ullman and Joe Lamastra, will infuse the new brands with their unique sense of fashion and popular culture. The new venture, called MESH (Music Entertainment Sports Holdings), will combine LF USA’s strength in building global brands, supported by its global sourcing network and distribution resources, and Star Branding’s expertise in fashion and licensing opportunities inspired by music, entertainment and sports celebrities;

(4) a licensing agreement with “Sean John” Men’s Sportswear and Active Wear. Sean John is a contemporary lifestyle brand inspired by music mogul Sean “Diddy” Combs; the creative and design as well as distribution will be performed by LF USA.

The above deals once again demonstrate the tremendous opportunities the Group can create for various businesses and concepts by allowing them to leverage its global sourcing and network capabilities. Li & Fung’s management structure also has ample scale and resources to support these new businesses, and the Group expects more such deals in the future. In the long run, they will further solidify the Group’s market share in their respective areas and contribute positively to its bottom line.

Progress on Three-Year Plan 2008-2010

This is the final year of the current Three-Year Plan 2008-2010. The turnover target of US$20 billion and core operating profit target of US$1 billion set in 2007 is made all the more challenging due to the unexpected onset of the global financial crisis of 2008 and 2009.

In May 2010, the Group successfully issued a US$400 million bond offer, which was very well received by fixed income investors. The bond was issued at a coupon rate of 5.25% per annum for a 10-year term, due 2020. This bond was further increased by US$350 million to a total of US$750 million on the same terms. The net proceeds will be applied primarily toward business development and acquisitions.

Li & Fung has maintained strong credit ratings from Moody's and Standard & Poor's, at A3 (stable) and A- (stable) respectively. The Group continues to enjoy healthy cash flow and has strong credit ratios. For details, please refer to the following "Financial Position and Liquidity" section.

Li & Fung will also continue to monitor market conditions to ensure the continuing strength of its franchise and to meet its responsibilities to all its stakeholders, including customers, employees, vendors and shareholders.

Financial Position and Liquidity

The Group remained in a strong financial position for the year under review with cash and cash equivalents amounting to HK$5,423 million as of the end of June 2010.

Normal trading operations were well supported by more than HK$20 billion in bank trading facilities. In addition, the Group had available bank loans and overdraft facilities of HK$4,285 million, out of which HK$1,180 million was committed facilities. As of 30 June 2010, only HK$341 million of the Group's bank loan and overdraft facilities was utilized and this represented only 8% utilization of these facilities. No drawdown was made out of the committed facilities.

At balance sheet date, the Group's gearing ratio was about 8%, calculated as net debt divided by total capital. The gearing ratio increased in comparison with that of 31 December 2009 because the Group issued some additional long-term bond of US$400 million (equivalent to approximately HK$3.1 billion) in May 2010 for business development and acquisitions. Net debt of HK$1,555 million is calculated as total borrowings (i.e. the long-term bond of HK$6,978 million) less cash and cash equivalents of HK$5,423 million. Total capital is calculated as total equity of HK$18,561 million plus net debt. The current ratio was 1.3, based on current assets of HK$24,790 million and current liabilities of HK$18,750 million.

On 16 July 2010, the Group increased the bond by US$350 million to US$750 million. This added a further approximately HK$2.8 billion to our cash reserve for our further development and acquisitions.

Credit Risk Management

Credit risk mainly arises from trade and other receivables as well as the Group's cash and bank balances.

Most of the Group's cash and bank balances are held in major global financial institutions.

The Group has stringent policies in place to manage its credit risk with trade and other receivables, which include but are not limited to the measures set out below:

(i) A significant portion of business is secured by back-to-back payment arrangement or covered by letters of credit, customers' standby letters of credit, bank guarantees or credit insurance;

(ii) Certain trade receivable balances on open account term are factored to external financial institutions without recourse;

(iii) The Group's credit control team makes ongoing assessment of each individual customer and vendor and determines the credit limits based on, among other factors, their trading and settlement history as well as their respective financial background.

Foreign Exchange Risk Management

Most of the Group's cash balances were deposits in HK$ and US$ with major global financial institutions, and most of the Group's assets, liabilities, revenues and payments were held in either HK$ or US$. Therefore, we consider that the risk exposure to foreign exchange rate fluctuations is minimal.

Foreign exchange risks arising from sales and purchases transacted in different currencies are managed by the Group treasury through the use of foreign exchange forward contracts. Pursuant to the Group policy in place, foreign exchange forward contracts, or any other financial derivatives, are entered into by the Group for hedging purposes. The Group has not entered into any financial derivatives for speculation.

Capital Commitments and Contingent Liabilities

As of the date of this announcement, the Group has disputes with Hong Kong Inland Revenue ("HKIR") involving additional tax assessments amounting to approximately HK$1,924 million on both the non-taxable claim of certain non-Hong Kong sourced income ("Offshore Claim") and the deduction claim of marketing expenses ("Deduction Claim") for the years of assessment from 1992/1993 to 2008/2009.

The Commissioner of the HKIR issued a determination on 14 June 2004 to one of its subsidiaries, Li & Fung (Trading) Limited ("LFT"), confirming additional tax assessments totalling HK$333 million relating to the years of assessment from 1992/93 to 2001/02. Under further legal advice from the Group's counsel, the directors believe that the Group has meritorious defence to appeal against the Commissioner's determination. Accordingly, LFT served a notice of appeal to the Board of Review on 13 July 2004. The appeal was heard before the Board of Review in January 2006.

The Board of Review issued its decision on 12 June 2009 ("the Board of Review Decision") and held partially in favour of LFT. It agreed that the Offshore Claim for the years of assessment from 1992/93 to 2001/02 is valid. In other words, the relevant assessments in respect of such Offshore Claim shall be annulled. On the other hand, the Board of Review disagreed with the Deduction Claim for the years of assessment from 1992/93 to 2001/02. Therefore, the relevant assessments in respect of such Deduction Claim should be confirmed.

The Group has considered the reasoning of the Board of Review Decision and, having obtained professional advice, decided to lodge an appeal against the Board of Review Decision in respect of the Deduction Claim. An application requiring the Board of Review to state a case on questions of law for the opinion of the High Court was made by LFT on 10 July 2009.

On the other hand, the HKIR also lodged an appeal against the Board of Review Decision in respect of the Offshore Claim. An application requiring the Board of Review to state a case on questions of law for the opinion of the High Court was made by the HKIR on 10 July 2009.

On 19 March 2010, the Board of Review stated a case on questions of law in respect of both LFT's appeal in respect of the Deduction Claim, and the HKIR's appeal in respect of the Offshore Claim. On 1 April 2010, both LFT and the HKIR transmitted the stated case to the High Court for determination. On 15 July 2010, the HKIR applied to the High Court to remit the stated case to the Board of Review for amendment so as to include certain evidence and additional questions of law in the stated case.

As of the date of this interim financial report, the HKIR's application to amend the stated case has been fixed to be heard before the Court of First Instance on 17 February 2011, whereas the appeal in respect of the Board of Review decision by both LFT and the HKIR has been fixed to be heard before the Court of First Instance on 6 April 2011.

The Group has also filed objections with the HKIR against the remaining additional tax assessments of HK$1,591 million. The case before the Board of Review and now the High Court only applies to the additional tax assessments in respect of LFT for the years of assessment from 1992/93 to 2001/02. Our dispute with the HKIR regarding the remaining additional tax assessments in respect of certain other subsidiaries for the years of assessment from 1992/93 to 2001/02, and in respect of the Group for the period after the 2001/02 assessment years, is ongoing and has not yet been determined. It is therefore not yet before the Board of Review, and no hearing is currently scheduled.

Based on the assessment of the Group's legal counsel on the merits of LFT's further appeal in respect of the Deduction Claim and the HKIR's further appeal in respect of the Offshore Claim, and having taken into account the impact and ramification that the Board of Review Decision has on the tax affairs of LFT, the directors consider that no material tax liabilities will finally crystallize and sufficient tax provision has been made in the accounts in this regard.

On 11 June 2010, the Group also applied for a judicial review of the HKIR Commissioner's decision rejecting LFT's application for an unconditional holdover of tax for the year of assessment 2008/09 pending the determination of the objection lodged with the HKIR. The Group has purchased tax reserve certificates in respect of LFT for the year of assessment 2008/09 as directed by the Commissioner of the HKIR pending the decision of the judicial review application. As of the date of this interim financial report, the hearing date for the judicial review application is yet to be fixed.

Other than the above, there are no material contingent liabilities or off-balance sheet obligations.

People

As of 30 June, 2010 the Group had a total workforce of 15,113, of whom 3,003 were based in Hong Kong and 12,110 were located overseas.

The Group continues investing in people through its learning and development strategies and programs. To further strengthen our people as well as the Company's core functional and management capabilities, we have organized various practical, interactive and user-friendly programs focused on technical and management skills.

A class of 47 design associates graduated from the Design Support Program, the curriculum of which was created in collaboration with three leading design institutions, namely the Hong Kong Polytechnic University, the Fashion Institute of Technology of the United States and the Institut Français de la Mode of France. Graduates are now working on design development and technical support in different business streams. A second class comprising selected colleagues from Hong Kong, Shanghai, Istanbul and New Delhi is scheduled to start soon.

The Group is conscious of keeping its senior management team equipped with contemporary tools to manage business challenges and capture growth opportunities. In this regard the Group launched two Leadership Program classes designed in conjunction with the MIT Sloan School of Management and The University of Hong Kong. Executives spent their learning weeks at MIT in Boston and The University of Hong Kong.

Total manpower costs for the Group for the six months ending 30 June 2010 were HK$2,493 million, compared with HK$2,165 million for the same period in 2009.

CORPORATE GOVERNANCE

The Board of Directors and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasize transparency, accountability and independence.

The role of the Group Chairman is separate from that of the Group Managing Director. This is to enhance their respective independence, accountability and responsibility. Their respective responsibilities are clearly established and defined by the Board in writing.

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board has established the following committees (all chaired by Independent Non-executive Director or Non-executive Director) with defined terms of reference (available to shareholders upon request), which are on no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules:

- Nomination Committee
- Audit Committee
- Risk Management Committee
- Compensation Committee

Corporate governance practices adopted by the Company during the six-month period to 30 June 2010 are in line with those practices set out in the Company's 2009 Annual Report.

AUDIT COMMITTEE

The Audit Committee met three times to date in 2010 (with a 100% attendance rate) to review with Senior Management and the Company's internal and external auditors, the Group's significant internal controls and financial matters as set out in the Committee's written terms of reference and make relevant recommendations to the Board.

The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, goodwill assessment, listing rules and statutory compliance, connected transactions, internal controls, risk management, financial reporting matters (including the interim financial report for the six months ended 30 June 2010 for the Board's approval) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining a sound and an effective system of internal controls in Li & Fung and for reviewing its effectiveness.

Based on the respective assessments made by Senior Management, the Group's Corporate Governance Division (Internal Audit) and the external auditor, the Audit Committee considered that for the six months ended 30 June 2010:

- the internal controls and accounting systems of the Group were in place and functioning effectively and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the financial statements were reliable for publication.

- there was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from each Director to confirm compliance with the Model Code for the six months ended 30 June 2010. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the period ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its securities during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of 38 HK cents (2009: 26 HK cents) per Share for the six months ended 30 June 2010 absorbing a total of HK$1,449 million (2009: HK$978 million).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 27 August 2010 to 2 September 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 August 2010. Dividend warrants will be despatched on 3 September 2010.

PUBLICATION OF INTERIM REPORT

The 2010 interim report will be available on the Company's website at *www.lifung.com* and HKExnews website at *www.hkexnews.hk* and despatched to the shareholders on or about 23 August 2010.

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*
Martin Tang Yue Nien*

Executive Directors:
William Fung Kwok Lun *(Managing Director)*
Bruce Philip Rockowitz
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, 12 August 2010

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