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LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

By Fax (#2524-0149) and by Post

6 November 2007

Corporate Communications Department
Re: Consultation Paper on Periodic Financial Reporting
Hong Kong Exchanges and Clearing Limited
12/F One International Finance Centre
1 Harbour View Street
Central
HONG KONG

Dear Sir/Madam

Re: Consultation Paper on Periodic Financial Reporting

We write to express our view on the Stock Exchange's consultation paper on Periodic Financial Reporting dated August 2007 as follows.

Quality vs Quantity of Financial Information

- Companies with seasonal business pattern will see fluctuation in its quarterly results. The comparison of the quarterly results of these companies may lead to misconception to the investors and may result in unwarranted share price volatility.

- Companies with significant number of entities and operations, especially with global presence, may have difficulties in closing their books and reporting their results to the parent company for consolidation on a timely basis. The time constraint may cause errors in the quarterly reports, which may give a misleading performance status to the investors and may cause unwarranted fluctuation in the share price.

- Management relies on information in the management reports in making decisions and planning strategies. The information and format of the management report normally differs from those disclosed in the quarterly reports which are prepared in accordance with the relevant accounting standards. Therefore, quarterly reports may not provide all relevant information to the management and investors, thus reducing the usefulness of quarterly reporting.

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- In view of the current Hong Kong and international accounting standards that requires extensive use of estimates and management judgments, the quality of the quarterly reports are subject to the ability of the management to make accurate estimates and judgments each quarter, such as impairment loss, taxation, pension liability, provisions and fair values of assets and liabilities. The accounting standard requires change in accounting estimates to be adjusted in subsequent quarter, hence will further cause the comparison between each quarterly results to be less meaningful and not representative of the actual performance of the company.

Costs vs Benefits

- Should quarterly reports be made mandatory, significant management time and effort will be required to prepare the information. Also, adequate time is required for the audit committee and board to review this information before publication. Insufficient time for preparation and review may reduce the quality of information produced for public consumption.

- Also, management would be forced to allocate more time and resources out of the company's available resources on financial reporting and less on the company's business.

- It would also foster a short-termism attitude amongst the analysts, investors and management. This would cause management to plan and implement strategies to achieve short term results instead of long term value creation for shareholders.

- The audit committee may have difficulty to satisfy their terms of reference due to the time constraint for their review of the quarterly reports and especially for audit committees which are not prepared to accept quarterly reports that have not been reviewed by external auditors.

Although transparency through disclosure of information holds the vital key to good corporate governance, it is important to consider the quality of information released to our investors.

For reasons stated above, we maintain a strong view that preparation of quarterly reports should remain a voluntary effort for individual issuer to meet its shareholders' expectation.

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On the same note, we consider the proposed shortening of reporting deadlines for half-yearly and year-end announcement and reports for Main Board issuers is not appropriate as this may cause some companies, especially companies with major overseas operations publishing quality information due to complexity and diversity of their operations. The shorter reporting time frame may do more harm to the market while costing companies significant amount of time and unwarranted costs.

We are of the view that the requirement to publish annual and six-monthly results by issuers under the existing Listing Rules is adequate for investors to appreciate the issuers' financial position and performance for rational investment decisions. Also, under the existing Code of Corporate Governance, should issuers feel that quarterly reporting is beneficial to and meet the expectation of their shareholders for specific reasons, quarterly reports could then be prepared on a voluntary basis.

Yours faithfully
For and on behalf of
LI & FUNG LIMTIED

Victor K Fung
Chairman