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LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

CONTINUING CONNECTED TRANSACTIONS

PROVISION OF LOGISTICS RELATED SERVICES

The Board announces that on 20 August 2015, the Company entered into the Master Agreement with FH 1937 to provide a framework of the terms for the provision of logistics related services by the Group to the FH 1937 Group for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 subject to the Annual Caps.

Since FH 1937 is a substantial shareholder of the Company, FH 1937 and members of the FH 1937 Group are connected persons of the Company. Accordingly, the Transactions constitute continuing connected transactions of the Company under the Listing Rules. As the relevant applicable percentage ratios are more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 20 August 2015, the Company entered into the Master Agreement with FH 1937 to provide a framework of the terms for the provision of logistics related services by the Group to the FH 1937 Group, details of which are set out below.

MASTER AGREEMENT

Date

20 August 2015

Parties

- (1) the Company
- (2) FH 1937

Transaction Nature

The Transactions are related to the provision of logistics related services, which include warehousing, transportation, freight forwarding/shipping and other value-added services, by any member of the Group to any member of the FH 1937 Group.

The Company and FH 1937 will endeavour to procure their respective members to comply with the terms of the Master Agreement in respect of the Transactions contemplated thereunder.

Term

Three years from 1 January 2015 to 31 December 2017

Pricing Basis

The pricing of each of the Transactions will be determined by the relevant members of the FH 1937 Group and the relevant members of the Group (together, the “Parties”) at the time of entry into the relevant Subsequent Agreements for such Transactions based on the applicable market practices and value. In particular:-

- In relation to services relating to management and operation of warehouse facilities (that is, building management, leasing and licensing management, IT support, human resources, administration and related services) and other value-added services, the service fee shall be determined by the Parties at the time of entry into the relevant Subsequent Agreements with reference to the type, size and location of the premises and the relevant party/customers’ specific requirements as well as the fees charged by independent third party services suppliers. The Group will make reference to services provided to unrelated parties in similar scope to ensure that the fees and terms offered by the Group to the FH 1937 Group are fair and reasonable and comparable to those offered to unrelated third parties.
- In relation to transportation and freight related services, the service fee shall be determined by each of the Parties at the time of entry into the relevant Subsequent Agreements with reference to the weight and type of cargo, mode of shipment, freight rate of the carrier. In determining the service fee of transportation and freight related services, the Group will make reference to services provided to unrelated parties in similar scope to ensure that the fees and terms offered by the Group to the FH 1937 Group are fair and reasonable and comparable to those offered to unrelated third parties.

When determining the terms of the commercial Transaction(s), the Group will take into account a number of factors including but not limited to (i) price, (ii) payment and credit terms, (iii) complexity of the services, (iv) service level, (v) capacity, (vi) delivery schedule, (vii) compliance record, and (viii) quality control capability, and will benchmark these factors with independent third party customers so as to ensure that the terms offered by the Group to the FH 1937 Group are fair, reasonable and competitive.

Historical Figures (2012 – 2014)

Aggregate amounts paid by the FH 1937 Group to the Group for the provision of the following services for 2012 to 2014 are as follows:-

	2012	2013	2014
In-country logistics (covering warehouse operation management, transportation and other value-added services)	US\$5.1 million (approximately HK\$39.8 million)	US\$5.8 million (approximately HK\$45.2 million)	US\$8.0 million (approximately HK\$62.4 million)
Global freight management	US\$0.6 million (approximately HK\$4.7 million)	US\$0.7 million (approximately HK\$5.5 million)	US\$2.2 million (approximately HK\$17.2 million)

Annual Caps (2015 – 2017)

Annual Caps for 2015 to 2017 are as follows:-

2015	2016	2017
US\$20 million (approximately HK\$156 million)	US\$30 million (approximately HK\$234 million)	US\$40 million (approximately HK\$312 million)

The above Annual Caps have been determined with reference to the previous transactions conducted and the historical transaction amounts as set out above, as well as the projected growth of the business, extension of scope of services and cost increase.

REASONS AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Group has been providing the logistics related services to the FH 1937 Group in the ordinary course of business of the Group. By entering into the Master Agreement, the Group can continue to leverage on the logistics related services offered to the FH 1937 Group in order to enhance the Group's competitiveness as a global logistics services provider.

The terms of the Master Agreement were agreed upon after arm's length negotiations between the Group and FH 1937 Group. The Directors (including independent non-executive Directors) consider that the Master Agreement was entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the Master Agreement and the Annual Caps are fair and reasonable and the Transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun, both being directors of the Company and FH 1937, are considered to have a material interest in the Transactions by virtue of their interests in FH 1937 and therefore abstained from voting on the board resolutions in respect of the Master Agreement. Mr. Spencer Theodore Fung, being a Director and the son of Dr. Victor Fung Kwok King, also abstained from voting on the board resolutions in respect of the Master Agreement. Mr. Paul Edward Selway-Swift, being a director of the Company and Global Brands Group Holding Limited, a member of the FH 1937 Group and an associate of FH 1937, is considered to have a potential conflict of interest in the Master Agreement by virtue of his directorship with Global Brands Group Holding Limited and therefore abstained from voting on the board resolutions in respect of the Master Agreement. Save as disclosed above, none of the Directors have any material interest in the Master Agreement nor is any of them required to abstain from voting in respect of the relevant board resolutions.

LISTING RULES IMPLICATIONS

Since FH 1937 is a substantial shareholder of the Company, FH 1937 and its associates (other than the Group) are connected persons of the Company. Accordingly, the Transactions constitute continuing connected transactions of the Company under the Listing Rules. As the relevant applicable percentage ratios are more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

The Group is recognized as the world's leader in consumer goods design, development, sourcing and logistics. It specializes in responsibly managing supply chain of high-volume, time-sensitive goods for leading retailers and brands worldwide.

The Group's logistics business includes Asia-focused in-country logistics solutions and global freight management services. For in-country logistics, the Group helps its customers set up and organize their hub and warehouse base, manage inventory, complete order fulfillment and perform last-mile delivery for both brick-and-mortar retail as well as e-commerce customers. For global freight management, the Group aggregates the procurement of freight, plan and manage shipping routes, clear customs and handle all documentation requirements. The Group works closely with carriers to ensure its customers receive competitive shipping rates and quality of service for their freight forwarding needs.

FH 1937 focuses on four core businesses, namely, trading, logistics, distribution and retailing.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:-

"Annual Caps"	maximum aggregate annual value of the Transactions projected for years of 2015 to 2017 respectively
"associate(s)", "connected persons", "percentage ratios", "subsidiaries", "substantial shareholder"	each has the meaning ascribed to it by the Listing Rules
"Board"	the board of Directors
"Company"	Li & Fung Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company
"FH 1937"	Fung Holdings (1937) Limited, a company incorporated in Hong Kong with limited liability, which is a substantial shareholder of the Company

“FH 1937 Group”	FH 1937 and its associates (including Global Brands Group Holding Limited and its subsidiaries) but excluding the Group Global Brands Group Holding Limited is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement entered into between the Company and FH 1937 on 20 August 2015 in relation to the provision of logistics related services by the Group to the FH 1937 Group for a term of three years from 1 January 2015 to 31 December 2017
“Shareholder(s)”	holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Agreements”	the individual agreements to be entered into between any member of the Group and any member of the FH 1937 Group for the Transactions from time to time
“Transactions”	the provision of logistics related services, which include warehousing, transportation, freight forwarding/shipping and other value-added services, by any member of the Group to any member of the FH 1937 Group under the Master Agreement
“US\$”	US dollar(s), the lawful currency of the United States of America
“%”	per cent

For reference only, amounts in US\$ set out in this announcement have been converted into HK\$ based on an exchange rate of US\$1 = HK\$7.80. No representation is made that any amount in US\$ had been or could be converted at the above rate.

By Order of the Board
Terry WAN Mei Chow
Company Secretary, Li & Fung Limited

Hong Kong, 20 August 2015

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

As at the date of this announcement, Executive Directors of the Company are William Fung Kwok Lun (Group Chairman), Spencer Theodore Fung (Group Chief Executive Officer) and Marc Robert Compagnon; Non-executive Director is Victor Fung Kwok King (Honorary Chairman); Independent Non-executive Directors are Paul Edward Selway-Swift, Allan Wong Chi Yun, Martin Tang Yue Nien and Margaret Leung Ko May Yee.