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LI & FUNG LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 494)

CONTINUING CONNECTED TRANSACTIONS

**BUYING AGENCY AGREEMENT
MASTER PROPERTY AGREEMENT**

Following the spin-off and separate listing of Global Brands on the Stock Exchange on 9 July 2014, Global Brands has become an associate of FH 1937, a substantial shareholder of both the Company and Global Brands. Accordingly, the LF Group and the Global Brands Group are connected persons of each other. As a result, certain existing transactions with the Global Brands Group became non-fully exempt continuing connected transactions of the Company under the Listing Rules.

These transactions include provision of sourcing and supply chain management services by the LF Group to the Global Brands Group, and sub-lease and license of office, showroom and warehouse premises to and from one another.

As the relevant applicable percentage ratios are more than 0.1% but less than 5%, such 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.

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Certain existing transactions with the Global Brands Group became non-fully exempt continuing connected transactions of the Company 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. These transactions were disclosed in the listing document of Global Brands dated 26 June 2014. Details of such transactions are also set out below.

BUYING AGENCY AGREEMENT

Date

24 June 2014

Parties

- (1) LF Centennial Pte. Ltd., an indirect wholly-owned subsidiary of the Company
- (2) Millwork Pte. Ltd., an indirect wholly-owned subsidiary of Global Brands

Transaction Nature

The LF Group provides sourcing and supply chain management services to members of the Global Brands Group for no less than 50% of their total sourcing requirements for the term of the Buying Agency Agreement at a commission not exceeding 7% of the FOB price on all products and components sourced through the LF Group.

Term

Three years from 9 July 2014.

Both parties will have the right to terminate with a two-year notice period which can be given at any time after the end of the first year. The party who gives the termination notice will also have the option to bring forward the termination date by making a pro-rated payment in lieu of serving out the full notice period. The amount of the payment will depend on the number of months the payment in lieu relates and will be equal to such number of months multiplied by the average monthly commission paid or received for the 12 months preceding the date of the termination notice.

If the two-year notice period extends the agreement beyond its three-year term, the Company will set new annual caps for the remaining notice period to comply with the then applicable provisions of the Listing Rules relating to continuing connected transactions.

Prior to the expiry of the three-year term, the parties will negotiate the terms of a new agreement and set new annual caps to comply with the then applicable provisions of the Listing Rules in terms of continuing connected transactions, unless notice of termination has been served.

Historical transaction amounts

For each of 2011, 2012 and 2013, total commission paid to the LF Group by the Global Brands Group were in the range of 5% to 7% on total purchases with the assistance of the LF Group. Total purchases with the assistance of the LF Group for each of 2011, 2012 and 2013 were approximately US\$977.9 million, US\$1,056.2 million and US\$1,614.2 million, respectively.

Annual caps on future transaction amounts

In accordance with Rule 14A.53 of the Listing Rules, the annual caps for the maximum aggregate commission payable under the Buying Agency Agreement between the LF Group and the Global Brands Group are US\$125 million, US\$150 million and US\$164 million for 2014, 2015 and 2016, respectively. These annual caps have been determined with reference to (i) the historical commissions paid to the LF Group for sourcing and supply chain management services during the three years ended 31 December 2013; and (ii) the estimated future growth in Global Brands Group's volume requirements over the term of the Buying Agency Agreement; and (iii) the estimated increase in volumes as a result of acquisitions by Global Brands that may occur in the coming years.

MASTER PROPERTY AGREEMENT

Date

24 June 2014

Parties

- (1) the Company
- (2) Global Brands

Transaction Nature

The Master Property Agreement governs the terms on which members of the Global Brands Group and members of the LF Group sub-lease and license office, showroom and warehouse premises to and from one another, where the underlying leases have been entered into by the other party.

The rental or licence fee payable under each sub-lease or license is based on a proportion of the rent and other expenses (such as electricity, water, heating and real estate taxes) payable by the lessee to the third party landlord under the relevant lease that reflects the proportion of the leased floor space occupied by the relevant members of the LF Group or the Global Brands Group on a strict pass-through at cost basis.

Term

The term commenced on 9 July 2014 and will expire on 31 December 2016.

The Master Property Agreement is renewable by both parties for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules.

Historical transaction amounts

Since the Master Property Agreement and the sub-leases and licences under it are new transactions with effect from 9 July 2014, there are no historical amounts for these transactions.

Annual caps on future transaction amounts

In accordance with Rule 14A.53 of the Listing Rules, the annual caps for the maximum aggregate amount: (i) payable by the Global Brands Group; and (ii) payable to the Global Brands Group for the sub-leases and licences for 2014, 2015 and 2016 are US\$12 million, US\$14 million and US\$16 million, respectively. These annual caps have been estimated based on: (i) the incremental annual increases in the underlying lease agreements; and (ii) increases in other expenses as a result of inflation, increased business activity and an increase in the value of the properties.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

It is anticipated that the volume of transactions under the Buying Agency Agreement will result in the Global Brands Group becoming a large customer of the LF Group. The minimum volume commitment of no less than 50% of total sourcing requirements of the Global Brands Group gives sufficient certainty on volume to allow the LF Group to offer a high level of service and dedicated resources to the Global Brands Group under the Buying Agency Agreement.

The Master Property Agreement allows the LF Group to continue to use many properties it currently occupies. The LF Group has been occupying certain properties that are leased by the Global Brands Group for use as office premises, showrooms and warehouses and will continue such occupancy in the form of sub-leases and licenses in accordance with the asset light strategy of the LF Group.

The Directors (including the independent non-executive directors) consider that the Buying Agency Agreement and the Master Property Agreement (together with the respective annual caps) have been entered into on normal commercial terms after arm's length negotiations between the parties, and in the ordinary and usual course of business of the LF Group, and the terms thereof (together with the respective annual caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Dr. Victor Fung Kwok King, being a director of both the Company and FH 1937, and Dr. William Fung Kwok Lun, being a director of the Company, Global Brands and FH 1937, are considered to have a material interest in the transactions contemplated under the Buying Agency Agreement and the Master Property Agreement, and therefore abstained from voting on the board resolutions in respect of the Buying Agency Agreement and the Master Property Agreement. Mr. Spencer Theodore Fung, being a director of the Company and the son of Dr. Victor Fung Kwok King, and Mr. Paul Edward Selway-Swift, being an independent non-executive director of both the Company and Global Brands, also abstained from voting on the board resolutions in respect of the Buying Agency Agreement and the Master Property Agreement.

LISTING RULES IMPLICATIONS

Following the spin-off and separate listing of Global Brands on the Stock Exchange on 9 July 2014, Global Brands has become an associate of FH 1937, a substantial shareholder of both the Company and Global Brands. Accordingly, the LF Group and the Global Brands Group are connected persons of each other.

As a result, the transactions contemplated under the Buying Agency Agreement and the Master Property Agreement with the Global Brands Group 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%, such 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 LF 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 Global Brands Group is one of the world's leading branded apparel, footwear, fashion accessories and related lifestyle product companies. It designs, develops, markets and sells products under a diverse array of controlled and licensed brands and a wide range of product categories.

DEFINITIONS

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

“associate”, “connected person(s)”, “percentage ratio(s)”, “substantial shareholder”	each has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Buying Agency Agreement”	the buying agency agreement dated 24 June 2014 between Millwork Pte. Ltd., an indirect wholly-owned subsidiary of Global Brands and LF Centennial Pte. Ltd., an indirect wholly-owned subsidiary of the Company
“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 and Global Brands
“Global Brands”	Global Brands Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Global Brands Group”	Global Brands and its subsidiaries
“LF Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“Master Property Agreement”	the master property agreement dated 24 June 2014 between the Company and Global Brands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Terry WAN Mei Chow
 Company Secretary



Hong Kong, 21 August 2014

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, Franklin Warren McFarlan, Martin Tang Yue Nien, Fu Yuning and Margaret Leung Ko May Yee.