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LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

CONTINUING CONNECTED TRANSACTION

BUYING AGENCY AGREEMENT

The Board announces that on 7 June 2017, Li & Fung (Trading) Limited, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with certain subsidiaries of Trinity for a term from 1 June 2017 to 31 December 2019 subject to the Annual Caps.

Trinity is an associate of FH 1937, a substantial shareholder of the Company. Accordingly, Trinity Group is a connected person of the Company. Accordingly, the Transaction contemplated under the Agreement constitutes a continuing connected transaction for the Company under the Listing Rules. As the highest of the applicable percentage ratios calculated with reference to the Annual Caps for the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 7 June 2017, Li & Fung (Trading) Limited, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with certain subsidiaries of Trinity, details of which are set out below.

BUYING AGENCY AGREEMENT

Date

7 June 2017

Parties

- (1) Li & Fung (Trading) Limited, an indirect wholly-owned subsidiary of the Company
- (2) Trinity International Brands Limited, Trinity Brands UK Limited, Gieves Limited and Cerruti 1881 SAS, all being indirect wholly-owned subsidiaries of Trinity

Transaction Nature

The Group acts as exclusive buying agent of Trinity Group for the provision of sourcing and related services in respect of those products bearing the brand names of Kent & Curwen, Cerruti 1881, Gieves & Hawkes (excluding bespoke products and products which are developed, manufactured or sourced by Trinity Group's licencees), such services including (i) providing product samples and price quotations from potential suppliers; (ii) assisting in the negotiation of pricing and commercial terms with suppliers; (iii) liaising with suppliers at all stages of the production process; (iv) carrying out quality assurance and quality control inspections on suppliers; (v) facilitating import and customs documentation for finished products; (vi) handling product delivery and relevant processes in the system of Trinity Group; and (vii) following up shipment shortage or overage and product claims for quality issues or late shipment, by members of the Group to Trinity Group from time to time, on all products and components sourced through the Group.

Term

From 1 June 2017 to 31 December 2019

Pricing Basis

Trinity Group shall pay the Group a commission up to 10% of the FOB value of all the products which are sourced through the Group plus a fixed annual fee of HK\$8,000,000 (fixed fee for the First Contract Year shall be HK\$6,000,000), provided that for the First Contract Year, if the aggregate purchase price of the ordered products is below HK\$345,000,000, Trinity Group shall pay to the Group a minimum commission of HK\$34,500,000 (in addition to the fixed fee payable for the First Contract Year).

When determining the terms of the Transaction(s), the Group has taken 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 has benchmarked these factors with independent third parties so as to ensure that the terms are fair and reasonable.

HISTORICAL FIGURES

Aggregate amounts paid by Trinity Group to the Group for provision of sourcing services for the two years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 were as follows:

Year ended 31 December 2015	Year ended 31 December 2016	Five months ended 31 May 2017
HK\$2,752,000	HK\$722,000	HK\$276,000

As the amounts paid by Trinity Group to the Group are less 0.1% of each of the applicable percentage ratios on an annual basis, such transactions for the two years ended 31 December 2015 and 2016 and the five months ended 31 May 2017 are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

ANNUAL CAPS

Annual Caps for the commission and the fixed annual fee payable for the Transaction for each of the seven months ending 31 December 2017 and the two years ending 31 December 2018 and 2019 are as follows:

<i>seven months ending 31 December 2017</i>	<i>Year ending 31 December 2018</i>	<i>Year ending 31 December 2019</i>
HK\$43,000,000	HK\$43,000,000	HK\$43,000,000

The Annual Cap for the seven months ending 31 December 2017 are inclusive of the aggregate amounts paid by Trinity Group to the Group for provision of sourcing services for the five months ended 31 May 2017.

The Annual Caps have been determined with reference to the expected future annual purchase volume as well as the estimated future growth in volume requirement for all the brands under Trinity Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group has been providing sourcing services to Trinity Group. By entering into the Agreement, the Group can expand the sourcing and related services to Trinity Group, thereby enhancing the utilisation of the Group's current resources and sourcing expertise. The minimum commission payable by Trinity Group also allows the Group to maintain a high level of services and dedicated resources to Trinity Group and therefore it is an arrangement that is commercially beneficial and in the interests of the Group.

The Directors (including the Independent Non-executive Directors) consider that the Agreement (together with the Annual Caps) has 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 Group, and the terms thereof (together with the Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun being directors of the Company, Trinity and FH 1937, are considered to have a material interest in the Transaction contemplated under the Agreement, and therefore abstained from voting on the board resolutions in respect of the Agreement and determination of Annual Caps under the Agreement. Mr. Spencer Theodore Fung, being a director of the Company and the son of Dr. Victor Fung Kwok King, also abstained from voting on the board resolutions in respect of the Agreement and determination of Annual Caps under the Agreement.

INFORMATION ON THE PARTIES

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

Trinity Group is principally engaged in the retailing and wholesale of premium menswear in Greater China, Singapore and Europe, as well as licensing its fully owned brands globally.

LISTING RULES IMPLICATIONS

Trinity is an associate of FH 1937, a substantial shareholder of the Company. Accordingly, Trinity Group is a connected person of the Company. Accordingly, the Transaction contemplated under the Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the highest of the applicable percentage ratios calculated with reference to the Annual Caps for the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules

DEFINITIONS

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

"Agreement"	The buying agency agreement dated 7 June 2017 between Trinity International Brands Limited, Trinity Brands UK Limited, Gieves Limited and Cerruti 1881 SAS, all being indirect wholly-owned subsidiaries of Trinity, and Li & Fung (Trading) Limited, an indirect wholly-owned subsidiary of the Company
"Annual Caps"	maximum aggregate annual value of the Transaction projected for each of the seven months ending 31 December 2017 and the two years ending 31 December 2018 and 2019 respectively
"associate(s)", "connected person(s)", "percentage ratio(s)", "substantial shareholder(s)"	each has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors 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
"First Contract Year"	seven months period ending 31 December 2017

“FH 1937”	Fung Holdings (1937) Limited, a company incorporated in Hong Kong, which is a substantial shareholder of the Company
“FOB”	Free On Board, an Incoterm which means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the Agreement
“Trinity”	Trinity Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Trinity Group”	Trinity and its subsidiaries
“%”	per cent.

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

Hong Kong, 7 June 2017

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 Allan Wong Chi Yun, Martin Tang Yue Nien and Margaret Leung Ko May Yee.