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LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 17 November 2017, the Company entered into Renewal Agreements with FH 1937 to provide a framework of the terms for (1) the distribution and sale of goods by the Group to the FH 1937 Group and (2) the provision of logistics related services by the Group to the FH 1937 Group, all for a term of three years commencing from 1 January 2018 and ending on 31 December 2020.

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 contemplated under the Renewal Agreements 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.

THE RENEWAL DISTRIBUTION AND SALE OF GOODS AGREEMENT

Background

Reference is made to the announcement of the Company dated 5 December 2014 in connection with the Existing Distribution and Sale of Goods Agreement between the Company and FH 1937 regarding the distribution and sale of goods by the Group to the FH 1937 Group during the three years ending 31 December 2017.

In view of the forthcoming expiry of the Existing Distribution and Sale of Goods Agreement, the Directors consider that it is in the interest of the Group to continue such distribution and sale of goods arrangement and to enter into the Renewal Distribution and Sale of Goods Agreement with FH 1937 to provide a framework of the terms of the distribution and sale of goods by the Group to the FH 1937 Group for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 subject to the annual caps for the Renewal Distribution and Sale of Goods Agreement.

Date

17 November 2017

Parties

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

Transaction Nature

The Group distributes and sells consumer products, including but not limited to, softgoods and hardgoods to the FH 1937 Group.

Term

Three years from 1 January 2018 to 31 December 2020

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 at the time of entry into the relevant Subsequent Agreements for such transactions based on the applicable market practices and value.

In determining the fees for the transactions, the Group will make reference to consumer products and distribution services provided to independent third 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 independent 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) scope of services, (iv) type of products and (v) delivery schedule, 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 (2015 - 2017)

For the years ended 31 December 2015 and 2016 and the nine months ended 30 September 2017, the aggregate fees paid by the FH 1937 Group to the Group in respect of the distribution and sale of goods under the Existing Distribution and Sale of Goods Agreement are US\$28,128,000, US\$20,090,000 and US\$12,490,000 respectively, which are all within the annual caps of US\$80,000,000, US\$120,000,000 and US\$200,000,000 respectively as set out in the Existing Distribution and Sale of Goods Agreement for the three years ending 31 December 2017.

New Annual Caps (2018 - 2020)

The annual caps in respect of the transactions contemplated under the Renewal Distribution and Sale of Goods Agreement for the three financial years ending 31 December 2020 are set out below:-

2018	2019	2020
US\$70 million	US\$80 million	US\$90 million

The annual caps under the Renewal Distribution and Sale of Goods Agreement are determined with reference to the aggregate fees paid by the FH 1937 Group to the Group under the existing transactions between them, and after taking into account the historical amounts for the two years ended 31 December 2016 and the nine months ended 30 September 2017 and the growth rates for such transactions as projected by the Group.

THE RENEWAL LOGISTICS AGREEMENT

Background

Reference is made to the announcement of the Company dated 20 August 2015 in connection with the Existing Logistics Agreement between the Company and FH 1937 to provide a framework of the terms for the provision of logistics related services by the Group to the FH 1937 Group during the three years ending 31 December 2017.

In view of the forthcoming expiry of the Existing Logistics Agreement, the Directors consider that it is in the interest of the Group to continue such provision of logistics related services arrangement and to enter into the Renewal Logistics 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 2018 and ending on 31 December 2020 subject to the annual caps for the Renewal Logistics Agreement.

Date

17 November 2017

Parties

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

Transaction Nature

The transactions comprise 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 Renewal Logistics Agreement.

Term

Three years from 1 January 2018 to 31 December 2020

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 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 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 independent third 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 independent third parties.

- In relation to transportation and freight related services, the service fee shall be determined 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 independent third 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 independent 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 (2015 – 2017)

For the years ended 31 December 2015 and 2016 and the nine months ended 30 September 2017, the aggregate fees paid by the FH 1937 Group to the Group for the provision of logistics related services under the Existing Logistics Agreement are US\$10,894,000, US\$15,530,000 and US\$12,191,000 respectively, which are all within the annual caps of US\$20,000,000, US\$30,000,000 and US\$40,000,000 respectively as set out in the Existing Logistics Agreement for the three years ending 31 December 2017.

New Annual Caps (2018 – 2020)

The annual caps in respect of the transactions contemplated under the Renewal Logistics Agreement for the three financial years ending 31 December 2020 are set out below:-

2018	2019	2020
US\$40 million	US\$50 million	US\$60 million

The annual caps under the Renewal Logistics Agreement are determined with reference to the aggregate fees paid by the FH 1937 Group to the Group under the existing transactions between them, and after taking into account the historical amounts for the two years ended 31 December 2016 and the nine months ended 30 September 2017, as well as the projected growth of the business, extension of scope of services and cost increase.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group has been distributing and selling certain consumer products to the FH 1937 Group in the ordinary course of business of the Group. Such transactions enable the Group to enhance the market coverage and sales performance of these products.

The Group has also been providing the logistics related services to the FH 1937 Group in the ordinary course of business of the Group. Such transactions enable 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 Directors (including the Independent Non-executive Directors) consider that the Renewal Agreements (together with the respective annual caps for the Renewal Agreements) 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 Group, and the terms thereof (together with the respective annual caps for the Renewal Agreements) 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, both being directors of the Company and FH 1937, are considered to have a material interest in the transactions contemplated under the Renewal Agreements by virtue of their interests in FH 1937 and therefore abstained from voting on the board resolutions in respect of the Renewal Agreements. 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 Renewal Agreements. Save as disclosed above, none of the Directors have any material interest in the Renewal Agreements 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 contemplated under the Renewal Agreements 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 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.

FH 1937 is an investment holding company and focuses on four core businesses, namely, trading, logistics, distribution and retailing.

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
“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
“Existing Distribution and Sale of Goods Agreement”	the master agreement entered into between the Company and FH 1937 on 5 December 2014 in relation to distribution and sale of goods by the Group to the FH 1937 Group for a term of three years from 1 January 2015 to 31 December 2017
“Existing Logistics 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

“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 (excluding the Group) including Global Brands Group Holding Limited and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Renewal Agreements”	Renewal Distribution and Sale of Goods Agreement and Renewal Logistics Agreement collectively
“Renewal Distribution and Sale of Goods Agreement”	the master agreement entered into between the Company and FH 1937 on 17 November 2017 in relation to distribution and sale of goods by the Group to the FH 1937 Group for a term of three years from 1 January 2018 to 31 December 2020
“Renewal Logistics Agreement”	the master agreement entered into between the Company and FH 1937 on 17 November 2017 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 2018 to 31 December 2020
“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 related to distribution and sale of goods or logistics related services, as the case may be, from time to time
“US\$”	US dollar(s), the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 17 November 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, Margaret Leung Ko May Yee and Chih Tin Cheung.