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

CONTINUING CONNECTED TRANSACTIONS

**RENEWAL OF
DISTRIBUTION AND SALE OF GOODS AGREEMENT**

The Board announces that on 5 December 2014, the Company entered into the Renewal Distribution and Sale of Goods Agreement with FH 1937 to provide a framework of the terms for the distribution and sale of goods 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 its associates (other than the Group) are connected persons of the Company. Accordingly, the transactions contemplated under the Renewal Distribution and Sale of Goods Agreement 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.

BACKGROUND

Reference is made to the announcement of the Company dated 19 January 2012 in connection with, among others, 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 period from 1 January 2012 to 31 December 2014.

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 2015 and ending on 31 December 2017 subject to the Annual Caps.

THE RENEWAL DISTRIBUTION AND SALE OF GOODS AGREEMENT

Date

5 December 2014

Parties

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

Transaction Nature

The Group distributes and sells consumer products, healthcare products and apparel products to the FH 1937 Group.

Term

Three years from 1 January 2015 to 31 December 2017.

Pricing and Other Terms

All such transactions shall be on normal commercial terms and in the ordinary and usual course of business of the Group within the limit of the Annual Caps.

The fees payable by the FH 1937 Group to the Group shall be either at market rates or at rates similar to those offered to any other third party customers. The Group shall not be obliged to accept any terms and conditions (including pricing terms) for each of the transactions which are less favourable than those agreed between any member of the Group and its independent third party customers.

For determination of the fees under the transactions, reference will be made to comparable transactions at the relevant time provided to independent third party customers to ensure that the fees under the transactions are not less favourable than those of comparable transactions provided to independent third party customers at the relevant time.

HISTORICAL FIGURES

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 for the two years ended 31 December 2013 and the six months ended 30 June 2014 are as follows:-

Year ended	Year ended	Six months ended
31 December 2012	31 December 2013	30 June 2014
US\$27.4 million	US\$60.9 million	US\$14.2 million

The above aggregate fees paid by the FH 1937 Group are within the annual caps for the Existing Distribution and Sale of Goods Agreement as disclosed in the Company's announcement dated 19 January 2012.

ANNUAL CAPS FOR THE EXISTING DISTRIBUTION AND SALE OF GOODS AGREEMENT AND THE RENEWAL DISTRIBUTION AND SALE OF GOODS AGREEMENT

The annual caps in respect of the transactions contemplated under the Existing Distribution and Sale of Goods Agreement for the three financial years ending 31 December 2014 and under the Renewal Distribution and Sale of Goods Agreement for the three financial years ending 31 December 2017 are set out below:-

	Year	Annual Cap
Existing Distribution and Sale of Goods Agreement	2012	US\$80 million <i>(approximately HK\$624 million)</i>
	2013	US\$120 million <i>(approximately HK\$936 million)</i>
	2014	US\$200 million <i>(approximately HK\$1,560 million)</i>
Renewal Distribution and Sale of Goods Agreement	2015	US\$80 million <i>(approximately HK\$624 million)</i>
	2016	US\$120 million <i>(approximately HK\$936 million)</i>
	2017	US\$200 million <i>(approximately HK\$1,560 million)</i>

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 2013 and the six months ended 30 June 2014 and the growth rates for such transactions as projected by the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group has been distributing and selling certain consumer products, healthcare products and apparel products to the FH 1937 Group. Such transactions enable the Group to enhance the market coverage and sales performance of these products.

The Directors (including the Independent Non-executive Directors) consider that the Renewal Distribution and Sale of Goods 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, both being directors of the Company and FH 1937, are considered to have a material interest in the transactions contemplated under the Renewal Distribution and Sale of Goods Agreement by virtue of their interests in FH 1937. Dr. Victor Fung Kwok King abstained from voting on the board resolutions and Dr. William Fung Kwok Lun did not participate and vote at the board meeting in respect of the Renewal Distribution and Sale of Goods 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 Renewal Distribution and Sale of Goods Agreement. Mr. Paul Edward Selway-Swift, being a director of the Company and Global Brands Group Holding Limited, an associate of FH 1937, is considered to have a potential conflict of interest in the Renewal Distribution and Sale of Goods 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 Renewal Distribution and Sale of Goods Agreement.

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 Distribution and Sale of Goods Agreement 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 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:

“Annual Caps”	the annual aggregate maximum amounts of the fees payable by the FH 1937 Group to the Group for the three years ending 31 December 2015, 2016 and 2017 under the Renewal Distribution and Sale of Goods Agreement
“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 19 January 2012 in relation to distribution and sale of goods by the Group to the FH 1937 Group
“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)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“Renewal 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollar(s), the lawful currency of the United States of America

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



Hong Kong, 5 December 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.