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**Incorporated in Bermuda with limited liability  
Stock Code: 494**

## **(1) COMPLETION OF INVESTMENT OF 21.7% STAKE IN LF LOGISTICS BY TEMASEK**

## **(2) CONTINUING CONNECTED TRANSACTIONS**

The Board is pleased to announce that Completion of the Investment took place on 8 August 2019 in accordance with the terms of the Subscription Agreement. On the same day, the Company entered into a shareholders' agreement with LF Logistics and the Investor in respect of LF Logistics, pursuant to which the Investor is granted certain governance and exit rights.

In addition, on 8 August 2019, LF Logistics entered into the Master Logistics Services Agreement and the Master Property Agreement with FH (1937).

### **LISTING RULES IMPLICATIONS**

FH (1937), as a substantial shareholder of the Company, is a connected person of the Company. Accordingly, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the highest relevant percentage ratios in respect of the transactions contemplated under the Agreements are more than 0.1% but less than 5%, such transactions will be subject to the reporting and announcement requirements, but will be exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 28 June 2019 in relation to the Investment of 21.7% stake in LF Logistics by Temasek through the Investor. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

### **1. COMPLETION OF THE INVESTMENT**

The Board is pleased to announce that all of the Conditions as set out in the Subscription Agreement were satisfied and Completion took place on 8 August 2019 in accordance with the terms of the Subscription Agreement. On the same day, the Company entered into a shareholders' agreement with LF Logistics and the Investor in respect of LF Logistics, pursuant to which the Investor is granted certain governance and exit rights.

The Initial Consideration of US\$300 million was paid in cash by the Investor to LF Logistics, subject to adjustment for the Net Debt Adjustment Amount payable on the Post-Completion Payment Date.

## **2. THE CONTINUING CONNECTED TRANSACTIONS**

On 8 August 2019, LF Logistics and FH (1937) entered into the following continuing connected transactions.

### **(a) Master Logistics Services Agreement**

#### *Date*

8 August 2019

#### *Parties*

- (i) FH (1937)
- (ii) LF Logistics

#### *Services to be provided*

Pursuant to the Master Logistics Services Agreement and in the ordinary and usual course of business, LF Logistics will provide logistics and freight forwarding services to members of the FH (1937) Group on normal commercial terms negotiated on an arm's length basis and with reference to market rates or at rates no less favourable to LF Logistics than those available to any other independent parties.

#### *Term*

The term commences on 8 August 2019 and will expire on 31 December 2021.

#### *Service fee and annual caps*

The service fees, excluding the passed-through costs for direct freight forwarding, payable by the FH (1937) Group to the LF Logistics Group for logistics services are not expected to exceed US\$19 million, US\$20 million and US\$21 million for each of 2019, 2020 and 2021.

In arriving at the annual caps, the parties have considered the pricing of each of the transactions under the Master Logistics Services Agreement, which will be determined by the relevant members of the FH (1937) Group and the relevant members of the LF Logistics Group at the time of entry into the relevant transactions based on the applicable market practices and value. In particular:

- in relation to in-country logistics services, the service fee shall be determined by the parties at the time of entry into the relevant subsequent agreements with reference to the types of services the LF Logistics Group provides, the costs the LF Logistics Group incurs in providing those services, the geographies in which the LF Logistics Group provides those services and the competitive landscape. The LF Logistics Group will make reference to services provided to independent third parties in similar scope to ensure that the fees and terms offered by the LF Logistics Group to the FH (1937) Group are fair and reasonable and comparable to those offered to independent third parties; and
- in relation to global freight management 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 types of services the LF Logistics Group provides, the costs the LF Logistics Group incurs in providing those services, the geographies in which the LF Logistics Group provides those services and the competitive landscape. The LF Logistics Group will make reference to services provided to independent third parties in similar scope to ensure that the fees and terms offered by the LF Logistics 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 transactions, the LF Logistics Group will take into account a number of factors including but not limited to the complexity of the services and service level, and will benchmark these factors with independent third party customers so as to ensure that the terms offered by the LF Logistics Group to the FH (1937) Group are fair and reasonable, on normal commercial terms or better and in the ordinary course of business.

*Historical transaction amounts*

For each of 2016, 2017 and 2018, the aggregate service fees, excluding the passed-through costs for direct freight forwarding, paid to the LF Logistics Group by the FH (1937) Group in respect of logistics services were approximately US\$14.9 million, US\$16.6 million and US\$18.0 million, respectively.

**(b) Master Property Agreement**

*Date*

8 August 2019

*Parties*

- (i) FH (1937)
- (ii) LF Logistics

### *Services to be provided*

Pursuant to the Master Property Agreement and in the ordinary and usual course of business, members of the LF Logistics Group will lease from members of the FH (1937) Group certain office premises.

### *Term*

The term commences on 8 August 2019 and shall continue up to and including 31 December 2021. The Master Property Agreement will be automatically renewed for successive periods of three years thereafter, subject to compliance with the applicable provisions of the Listing Rules.

### *Historical transaction amounts*

For each of 2016, 2017 and 2018, the total rental expenses paid by LF Logistics to the FH (1937) Group were approximately US\$1.6 million, US\$1.4 million and US\$1.1 million, respectively.

### *Annual caps on future transaction amounts*

The total value of right-of-use assets relating to the leases entered into under the Master Property Agreement are not expected to exceed US\$7.05 million for each of 2019, 2020 and 2021.

The above 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.

## **3. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The LF Logistics Group has been providing the logistics related services to the FH (1937) Group in the ordinary course of business of the LF Logistics Group. The transactions pursuant to the Master Logistics Services Agreement enable the FH (1937) Group to leverage on the capabilities and network of the LF Logistics Group to meet its logistics requirements and enhance the efficiency of its operations.

The Master Property Agreement allows members of the LF Logistics Group to sub-lease office premises from members of the FH (1937) Group. The LF Logistics Group has been occupying certain properties that are leased by FH (1937) Group and will continue such occupancy in accordance with the asset light strategy of the LF Logistics Group.

The Directors (including the Independent Non-executive Directors) consider that the Agreements (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 Group, and the terms thereof (together with the respective annual caps) are fair and reasonable and in the interests of the Group 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 Agreements by virtue of their interests in FH (1937) and therefore abstained from voting on the board resolutions in respect of the 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 Agreements. Save as disclosed above, none of the Directors have any material interest in the Agreements nor is any of them required to abstain from voting in respect of the relevant board resolutions.

#### **4. GENERAL**

The Group is recognised 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. The Group is focused on building the supply chain of the future and accelerating the speed in the supply chain through the development of its digital platform.

LF Logistics, which is the holding company of certain subsidiaries of the Company, is a high growth pan-Asian logistics service provider focused on serving the growing consumption-led markets in the region. LF Logistics operates two distinct but integrated segments, namely the pan-Asia in-country logistics business segment and the global freight management business segment.

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

#### **5. LISTING RULES IMPLICATIONS**

FH (1937), as a substantial shareholder of the Company, is a connected person of the Company. Accordingly, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the highest relevant percentage ratios in respect of the transactions contemplated under the Agreements are more than 0.1% but less than 5%, such transactions will be subject to the reporting and announcement requirements, but will be exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

## 6. DEFINITIONS

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

“Agreements”	the Master Logistics Services Agreement and the Master Property Agreement
“Announcement”	the announcement of the Company dated 28 June 2019 in respect of the Investment
“Board”	the board of directors of the Company
“Company”	Li & Fung Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the subscription and issue of the Subscription Shares in accordance with the Subscription Agreement
“Director(s)”	director(s) of the Company
“FH (1937)”	Fung Holdings (1937) Limited, a company incorporated in Hong Kong with limited liability, and a substantial shareholder of the Company
“FH (1937) Group”	FH (1937) and its associates (excluding the LF Logistics Group)
“Investment”	the subscription of 21.7% of the enlarged issued share capital of LF Logistics by the Investor pursuant to the Subscription Agreement
“Investor”	Dahlia Investments Pte. Ltd., a company limited by shares incorporated and existing under the laws of the Republic of Singapore and an indirect wholly-owned subsidiary of Temasek
“LF Logistics”	LF Logistics Holdings Limited (利豐物流控股有限公司), an exempted company incorporated in Bermuda with limited liability and a subsidiary of the Company
“LF Logistics Group”	LF Logistics and its subsidiaries

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Logistics Services Agreement”	the master logistics services agreement entered into on 8 August 2019 by LF Logistics and FH (1937)
“Master Property Agreement”	the master property agreement entered into on 8 August 2019 by LF Logistics and FH (1937)
“Subscription Agreement”	the subscription agreement dated 28 June 2019 entered into between the Company, LF Logistics and the Investor in connection with the subscription by the Investor of the Subscription Shares
“Temasek”	Temasek Holdings (Private) Limited
“%”	per cent

By Order of the Board  
William FUNG Kwok Lun  
Group Chairman, Li & Fung Limited

Hong Kong, 8 August 2019

*As at the date of this announcement, the Executive Directors of the Company are William Fung Kwok Lun (Group Chairman), Spencer Theodore Fung (Group Chief Executive Officer) and Joseph C. Phi; the Non-executive Directors are Victor Fung Kwok King (Honorary Chairman) and Marc Robert Compagnon; the Independent Non-executive Directors are Allan Wong Chi Yun, Martin Tang Yue Nien, Margaret Leung Ko May Yee, Chih Tin Cheung and John G. Rice.*