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Incorporated in Bermuda with limited liability
Stock Code: 494

CONTINUING CONNECTED TRANSACTIONS

SECOND AMENDED AND RESTATED BUYING AGENCY AGREEMENT

The Board announces that on 21 November 2019, LF Centennial Pte. Ltd., an indirect wholly-owned subsidiary of the Company, entered into the Second Amended and Restated Buying Agency Agreement with a subsidiary of Global Brands for a term of three years from 1 April 2020 to 31 March 2023 which will become effective upon the approval of the shareholders of Global Brands. The Board approved to set the annual caps for the maximum aggregate commission and other service fees payable under the Agreements for another three years for 2020, 2021 and 2022 for compliance with Rule 14A.53 of the Listing Rules.

Global Brands is an associate of FH 1937, a substantial shareholder of both the Company and Global Brands. Accordingly, the Group and the Global Brands Group are connected persons of each other. Accordingly, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company under the Listing Rules. As all the applicable percentage ratios for the Company 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 announcements of the Company dated 21 August 2014 and 14 November 2016 in relation to, among other things, the continuing connected transactions between the Company and Global Brands Group under the Buying Agency Agreement and the Amended and Restated Buying Agency Agreement, respectively. The Amended and Restated Buying Agency Agreement is for a term from 9 July 2017 to 31 March 2020 and the annual caps for the maximum aggregate commission and other service fees payable under the Amended and Restated Buying Agency Agreement were set for three years for 2017, 2018 and 2019.

On 21 November 2019, LF Centennial Pte. Ltd., an indirect wholly-owned subsidiary of the Company, entered into the Second Amended and Restated Buying Agency Agreement with Millwork Pte. Ltd., an indirect wholly-owned subsidiary of Global Brands, for a term of three years from 1 April 2020 to 31 March 2023 which will become effective upon the approval of the shareholders of Global Brands. The Second Amended and Restated Buying Agency Agreement is subject to the approval of the shareholders of Global Brands because one or more of the applicable percentage ratios for Global Brands exceeds 5%. The Board approved to set the annual caps for the maximum aggregate commission and other service fees payable under the Agreements for another three years for 2020, 2021 and 2022 for compliance with Rule 14A.53 of the Listing Rules.

Second Amended and Restated Buying Agency Agreement

Date

21 November 2019

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 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 Second Amended and Restated Buying Agency Agreement at a commission not exceeding 7% of the FOB price on all products and components sourced through the Group. The commission of each transaction will be determined by the relevant member of the Group and the relevant member of Global Brands Group at the time they enter into a transaction with reference to (i) price and payment terms, (ii) scope of the services and (iii) other relevant factors with a view to ensuring that the commission for each transaction is fair and reasonable.

Term

1 April 2020 to 31 March 2023

Historical Transaction Amounts

For each of 2017, 2018 and 2019, total commission payable to the Group by the Global Brands Group did not exceed 7% on total purchases with the assistance of the Group. Total purchases with the assistance of the Group for the two years ended 31 December 2018, and the nine months ended 30 September 2019 are as follows:-

Year ended 31 December 2017	Year ended 31 December 2018	Nine months ended 30 September 2019
US\$1,329 million	US\$1,363 million	US\$657 million

The aggregate commission and other service fees paid to the Group have been within the annual caps for the Buying Agency Agreement and the Amended and Restated Buying Agency Agreement as disclosed in the Company's announcement dated 14 November 2016.

Current and New Annual Caps

The annual caps for the maximum aggregate commission and other service fees payable under the Buying Agency Agreement and the Agreements between the Group and the Global Brands Group for the three financial years ending 31 December 2019 and the new annual caps for the three financial years ending 31 December 2022 are set out below:-

	Year	Annual Cap
Buying Agency Agreement & Amended and Restated Buying Agency Agreement	2017	US\$160 million ^{Note 1}
	2018	US\$170 million
	2019	US\$180 million
Amended and Restated Buying Agency Agreement & Second Amended and Restated Buying Agency Agreement	2020	US\$46 million ^{Note 2}
	2021	US\$46 million
	2022	US\$46 million

Notes:

1. This cap includes the maximum aggregate commission and other service fees payable under the Buying Agency Agreement prior to its expiry on 8 July 2017.
2. This cap includes the maximum aggregate commission and other service fees payable under the Amended and Restated Buying Agency Agreement prior to its expiry on 31 March 2020.

New annual caps have been determined with reference to (i) the historical commissions paid to the Group for sourcing and supply chain management services and (ii) the estimated future stabilisation in Global Brands Group's volume requirements over the term of the Agreements.

The Company will set new annual caps for the remaining period of the Second Amended and Restated Buying Agency Agreement (i.e. 1 January 2023 - 31 March 2023) to comply with the then applicable provisions of the Listing Rules relating to continuing connected transactions.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As mentioned in the Company's announcements dated 21 August 2014 and 14 November 2016, the volume of transactions under the Buying Agency Agreement and the Amended and Restated Buying Agency Agreement means the Global Brands Group is a large customer of the 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 Group to offer a high level of service and dedicated resources to the Global Brands Group under the Buying Agency Agreement and the Amended and Restated Buying Agency Agreement.

The Directors (including the Independent Non-executive Directors) consider that the Second Amended and Restated Buying Agency 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, 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 Second Amended and Restated Buying Agency Agreement, and therefore abstained from voting on the board resolutions in respect of the Second Amended and Restated Buying Agency Agreement and determination of new annual caps under 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 Second Amended and Restated Buying Agency Agreement and determination of new annual caps under the Agreements.

LISTING RULES IMPLICATIONS

Global Brands is an associate of FH 1937, a substantial shareholder of both the Company and Global Brands. Accordingly, the Group and the Global Brands Group are connected persons of each other. Accordingly, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As all the 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 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. Dr. William Fung Kwok Lun and a trust established for the benefit of the family members of Dr. Victor Fung Kwok King are the controlling shareholders of the Company.

Global Brands Group is principally engaged in the design, development, marketing and sale of products under a diverse array of owned and licensed brands. Dr. William Fung Kwok Lun and a trust established for the benefit of the family members of Dr. Victor Fung Kwok King are the controlling shareholders of Global Brands.

DEFINITIONS

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

“Agreements”	Amended and Restated Buying Agency Agreement together with Second Amended and Restated Buying Agency Agreement
“Amended and Restated Buying Agency Agreement”	the amended and restated buying agency agreement dated 14 November 2016 entered into between Millwork Pte. Ltd. and Li & Fung (Trading) Limited

“associate(s)”, “connected person(s)”, “controlling shareholder(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
“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, which is a substantial shareholder of the Company
“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
“Group”	the Company and its subsidiaries
“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
“Second Amended and Restated Buying Agency Agreement”	the second amended and restated buying agency agreement dated 21 November 2019 entered into between Millwork Pte. Ltd. and LF Centennial Pte. Ltd.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“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, 21 November 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.