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# LI & FUNG LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 494)**

## **SOURCING ARRANGEMENT WITH WAL-MART STORES, INC.**

The Directors are pleased to announce that on 28 January 2010, the Group entered into a series of agreements with Wal-Mart with a view to establishing a mutually beneficial sourcing arrangement with the Wal-Mart Group. The sourcing arrangement is non-exclusive, does not contain any sourcing volume commitments by the Wal-Mart Group and will continue until terminated by mutual agreement.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

### **SOURCING ARRANGEMENTS**

The directors (the "**Directors**") of Li & Fung Limited (the "**Company**", together with its subsidiaries, the "**Group**") are pleased to announce that on 28 January 2010, the Group entered into a series of agreements (the "**Agreements**") with Wal-Mart Stores, Inc. ("**Wal-Mart**", together with its subsidiaries, the "**Wal-Mart Group**") with a view to establishing a mutually beneficial sourcing arrangement with the Wal-Mart Group. The sourcing arrangement is non-exclusive, does not contain any sourcing volume commitments by the Wal-Mart Group, and will continue until terminated by mutual agreement.

Under the sourcing arrangement, it is anticipated that WSCM Pte. Ltd. (to be renamed WSG Pte. Ltd.) ("**WSG**"), a wholly owned subsidiary of the Company, will be a sourcing agent for the Wal-Mart Group on a non-exclusive basis (to the effect that the Wal-Mart Group may source through other agents and continue to buy direct from suppliers). Under the buying agency agreements to be entered into between WSG and the Wal-Mart Group, WSG would provide buying agency services exclusively to the Wal-Mart Group. Remuneration would be payable by the Wal-Mart Group to WSG for the sourcing activities undertaken by WSG. WSG is expected to build a capacity which would enable it to act as a buying agent for US\$2 billion (HK\$15.6 billion) of goods in the first financial year in which it commences operations, although there is no commitment or obligation on the part of the Wal-Mart Group to any sourcing or shipment volume.

As part of the sourcing arrangement, the Company has granted a call option (the "**Option**") where Wal-Mart would have the right but not the obligation to require the Company to transfer 100% of the shares of WSG and/or the subsidiaries running the sourcing function to Wal-Mart pursuant to a call option agreement (the "**Option Agreement**"). The Option is exercisable by Wal-Mart after 1 January 2016 subject to the terms, provisions and conditions under the Option Agreement. The exercise price would be determined based on mutually agreed mechanisms. No premium is payable for the grant of the Option.

The exercise price of the Option is not determinable unless and until Wal-Mart exercises the Option. The exercise of the Option is subject to compliance with The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") then in force, and this may include disclosure and/or shareholders' approval requirements, depending on (among other things) the size of WSG at the time. If the exercise of the Option is subject to shareholders' approval of the Company according to the Listing Rules and the relevant resolution is not passed such that the Option cannot be exercised, the Company would be required to pay Wal-Mart a break fee in an amount equal to the lower of: (i) 10% of the exercise price; or (ii) US\$75 Million (HK\$585 Million).

## **REASONS FOR THE TRANSACTIONS**

It is expected that the Group will benefit from the sourcing arrangement described through an enhancement of profitability. The transactions contemplated under the Agreements (other than the Option Agreement) are of a revenue nature in the ordinary and usual course of business of the Company. The Directors, including the independent non-executive Directors, consider that the terms of the Agreements are fair and reasonable and are in the interests of the Group and the shareholders of the Company as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Wal-Mart is a third party independent of the Company and connected persons of the Company.

The Group is the world's leading consumer goods supply chain management company, managing the supply chain for retailers and brands globally. The Group operates from over 80 offices around the world and works with a sourcing network of nearly 15,000 international suppliers in more than 40 countries serving approximately 2,000 customers. Recently, the Group opened its European hub in Istanbul, Turkey to further strengthen its sourcing in Europe, the Mediterranean, Middle East, Northern Africa and the former Soviet Union republics.

## **IMPLICATIONS UNDER THE LISTING RULES**

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

## BOARD OF DIRECTORS

As at the date hereof, the board of Directors comprises the following:-

*Non-Executive Directors:-*

Victor Fung Kwok King (*Chairman*)  
Paul Edward Selway-Swift\*  
Allan Wong Chi Yun\*  
Franklin Warren McFarlan\*  
Makoto Yasuda\*  
Martin Tang Yue Nien\*

*Executive Directors:-*

William Fung Kwok Lun (*Managing Director*)  
Bruce Philip Rockowitz  
Annabella Leung Wai Ping  
Spencer Theodore Fung

\* *Independent Non-executive Directors*

*Unless otherwise stated, all references in this Announcement to HK\$ stated in brackets are for illustration only and are referenced to Hong Kong Dollars based on an approximate exchange rate of US\$1 = HK\$7.8. No representation is made that any amount in US\$ had been or could be converted at the above rate or at any other rate or at all.*

By Order of the Board  
**Victor FUNG Kwok King**  
*Chairman*



Member of the Li & Fung Group

Hong Kong, 28 January 2010

Websites: [www.lifung.com](http://www.lifung.com)  
[www.irasia.com/listco/hk/lifung](http://www.irasia.com/listco/hk/lifung)

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