

 **LI & FUNG LIMITED**

Incorporated in Bermuda with limited liability
Stock Code: 494

Executive Directors

Dr. William Fung Kwok Lun
Mr. Spencer Theodore Fung
Mr. Joseph C. Phi

Non-executive Directors

Dr. Victor Fung Kwok King
Mr. Marc Robert Compagnon

Independent Non-executive Directors

Dr. Allan Wong Chi Yun
Mrs. Margaret Leung Ko May Yee
Mr. Martin Tang Yue Nien
Mr. Chih Tin Cheung
Mr. John G. Rice

Registered office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10, Bermuda

**Principal Place of Business
in Hong Kong**

11th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

20 April 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
LI & FUNG LIMITED BY THE OFFEROR
BY WAY OF
A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
LI & FUNG LIMITED**

INTRODUCTION

Reference is made to the joint announcement dated 20 March 2020 issued by the Offeror and the Company in relation to the Proposal. On 20 March 2020, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act.

If the Proposal is approved and implemented:

- (a) the Founder Scheme Shares held by the Founder Group will be cancelled in consideration for the Founder Cancellation Consideration, being the crediting of the unpaid Fung Shareholder Shares held by them in the Fung Shareholder (an entity that indirectly holds 32.33% of the Offeror's shares) as being fully paid in the amount of the Cancellation Price of HK\$1.25 per Fung Shareholder Share;
- (b) all other Scheme Shares will be cancelled in consideration for the Cancellation Price of HK\$1.25 per Scheme Share which shall be paid in cash;
- (c) new Shares corresponding to the cancelled Scheme Shares will be issued to the Offeror, credited as fully paid, such that the Company will become wholly-owned by the Offeror; and
- (d) the listing of the Shares on the Stock Exchange will be withdrawn with effect immediately following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal (in particular the Scheme and the Founder Arrangement) and to give you notice of the Court Meeting and of the SGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 40 to 42 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 43 to 96 of this Scheme Document; (iii) the Explanatory Statement set out on pages 97 to 129 of this Scheme Document; and (iv) the terms of the Scheme set out on pages 152 to 158 of this Scheme Document.

TERMS OF THE PROPOSAL

The Scheme

Subject to the Conditions described in the section headed "*Conditions of the Proposal*" in the Explanatory Statement on pages 100 to 103 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

Cancellation Price per Scheme Share

The Cancellation Price of HK\$1.25 per Scheme Share represents:

- (a) a premium of approximately 17.9% over the closing price of HK\$1.06 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 150.0% over the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 157.7% over the average closing price of approximately HK\$0.485 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 95.2% over the average closing price of approximately HK\$0.641 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 72.7% over the average closing price of approximately HK\$0.724 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 62.1% over the average closing price of approximately HK\$0.771 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 57.0% over the average closing price of approximately HK\$0.796 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 43.8% over the average closing price of approximately HK\$0.869 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date; and
- (i) a premium of approximately 8.2% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.155 as at 31 December 2019 (based on an exchange rate of US\$1.0 = HK\$7.80).

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the challenging operating environment facing the Company, the recent and historic traded prices of the Shares, publicly available financial information of the Company, and other privatisation transactions in Hong Kong in recent years.

The Cancellation Price does not include any dividend to be declared by the Company (subject to the approval of the Shareholders) after the date of this Scheme Document and prior to the Scheme becoming effective. If the record date for determining entitlement to such dividend is before the Record Date for the Scheme, such amount will be retained by the Shareholders. Accordingly, the Cancellation Price will not be affected or reduced by the Shareholders' entitlement to any such dividend. For the avoidance of doubt, the Company does not intend to declare or pay any dividend on or before (i) the Effective Date or (ii) the date on which the Scheme lapses or is otherwise terminated (whichever is earlier).

Assuming that the Scheme becomes effective on 26 May 2020, cheques for entitlements under the Scheme will be despatched as soon as possible but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date and accordingly, the cheques are expected to be despatched on or before 4 June 2020. Cheques will be posted at the risk of the addressees and none of the Offeror, the Company, Morgan Stanley, Goldman Sachs, Citi, HSBC, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay of despatch of the same.

CONFIRMATION OF FINANCIAL RESOURCES

Taking into account that the Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration, the Proposal will involve making an offer to cancel 5,778,319,530 Scheme Shares, in exchange for the Cancellation Price of HK\$1.25 per Scheme Share in cash.

The total amount of cash required to implement the Proposal in full would be approximately HK\$7,222,899,412.50, which will be funded by the GLP Group through external debt financing and/or internal resources of GLP.

Morgan Stanley, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying in full its payment obligations in respect of the cash consideration payable under the Proposal.

The Offeror does not intend to and will not require the Company to increase its financial indebtedness to implement the Proposal.

The notes and perpetual securities issued under the US\$2 billion medium term note and perpetual securities programme established by the Company on 11 October 2016 will remain listed on the Singapore Exchange Securities Trading Limited.

CONDITIONS OF THE PROPOSAL

Conditions of the Proposal

The Proposal and the Scheme will only become effective and binding on the Company and all of the Shareholders if the following Conditions (as further described in the section headed "*Conditions of the Proposal*" in the Explanatory Statement on pages 100 to 103 of this Scheme Document) are fulfilled or waived (as applicable):

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders present and voting at the Court Meeting, representing not less than 75% in value of those Scheme Shares that are voted either in person or by proxy by the Scheme Shareholders at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders (being all Scheme Shareholders, other than those acting in concert with the Offeror) that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast against the resolution to approve the Scheme is not more than 10% of the votes attaching to all of the Scheme Shares held by the Disinterested Shareholders;
- (c) the passing by the Shareholders at the SGM of (i) a special resolution to approve any reduction of the issued share capital of the Company by the cancellation of the Scheme Shares; and (ii) an ordinary resolution to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of the Company by the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (e) compliance with the procedural requirements and conditions, if any, under section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company;
- (f) in relation to the Founder Arrangement: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Founder Arrangement is fair and reasonable as far as the

Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the SGM to approve the Founder Arrangement; and (iii) the grant of consent under Note 3 to Rule 25 of the Takeovers Code from the Executive to the Founder Arrangement;

- (g) with respect to any applicable antitrust review in the USA under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder, the expiration or termination of any applicable waiting periods (including any extensions thereof) in connection with the Scheme;
- (h) all Approvals which are (i) required in connection with the Proposal by Applicable Laws or any licenses, permits or contractual obligations of the Company; and (ii) material in the context of the Group (taken as a whole), having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification up to and as at the Effective Date;
- (i) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal); and
- (j) all Applicable Laws having been complied with and no legal or regulatory requirement having been imposed by any Authority which is not expressly provided for, or is in addition to the requirements expressly provided for, in the Applicable Laws in connection with the Proposal which are material in the context of the Group (taken as a whole), in each case up to and as at the Effective Date.

The Conditions in paragraphs (a) to (g) (inclusive) above are not waivable. The Offeror reserves the right to waive all or any of the Conditions in paragraphs (h) to (j) (inclusive) in whole or in part. The Company does not have the right to waive any of the Conditions. All of the above Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal.

As at the Latest Practicable Date, other than pursuant to the Conditions in paragraphs (a) to (g) (inclusive), the Offeror and the Company were not aware of any circumstances which may result in any of the Conditions in paragraphs (h) to (j) (inclusive) not being satisfied. As at the Latest Practicable Date and based on the information available to the Offeror, the Offeror was also not aware of any Approvals which are required as set out in the Condition in paragraph (h) above.

As at the Latest Practicable Date, the Condition in paragraph (g) above had been satisfied.

If the Conditions are satisfied or validly waived (as applicable), the Scheme will be binding on all of the Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the SGM on 12 May 2020 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Warning: Shareholders and potential investors should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

VOTING AT THE COURT MEETING AND THE SGM

All Scheme Shareholders will be entitled to attend and vote at the Court Meeting to approve the Scheme, but only the votes of the Disinterested Shareholders will be taken into account in determining if the Condition in paragraph (b) above is satisfied.

All Shareholders will be entitled to attend the SGM and vote on the restoration of the share capital of the Company (as described in the Condition in paragraph (c) above), but for the purposes of the Takeovers Code, only the Disinterested Shareholders will be entitled to vote at the SGM on the ordinary resolution to approve the Founder Arrangement.

FOUNDER IRREVOCABLE UNDERTAKINGS

On 20 March 2020, each member of the Founder Group has given an irrevocable undertaking in favour of the Offeror, the Fung Shareholder and the GLP Shareholders to take certain actions, including (among other things):

- (a) to agree to and assist in implementing the cancellation of the Founder Scheme Shares held by them in consideration for the Founder Cancellation Consideration; and
- (b) to the extent permitted by applicable laws (including the Takeovers Code), to vote any Shares held by them in favour of any resolutions proposed at the SGM to implement the Scheme or which are necessary for the Scheme to become effective.

Please refer to the section headed "*Founder Irrevocable Undertakings*" in the Explanatory Statement on page 103 of this Scheme Document for further details.

ARRANGEMENTS MATERIAL TO THE PROPOSAL

Founder Arrangement

As the Founder Arrangement is not offered to all Shareholders, the Founder Arrangement requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code. The Offeror has made an application for consent to the Executive, and the Proposal and the Scheme is subject to fulfilment of the Condition relating to the Founder Arrangement in paragraph (f) of the section headed "*Conditions of the Proposal*" above.

Please refer to the section headed "*Founder Arrangement*" in the Explanatory Statement on page 104 of this Scheme Document for further details.

Shareholders' Agreement

On 20 March 2020, Fung 1937, the Fung Shareholder, the GLP Group and HoldCo entered into the Shareholders' Agreement in respect of the governance of the Offeror Group, which is intended to take full effect upon the Scheme becoming effective.

Please refer to the section headed "*Shareholders' Agreement*" in the Explanatory Statement on pages 104 to 106 of this Scheme Document for further details.

Consortium Agreement

On 20 March 2020, Fung 1937, the Fung Shareholder and the GLP Group entered into the Consortium Agreement, pursuant to which the parties have agreed to conduct and implement the Proposal in consultation with one another and for HoldCo to have the shareholding structure as further described in the section headed "*Information on the Offeror Group*" in the Explanatory Statement on pages 115 to 116 of this Scheme Document.

The Consortium Agreement will be terminated if the Scheme is not approved or the Proposal otherwise lapses or is withdrawn.

Implementation Agreement

On 20 March 2020, the Offeror and the Company entered into the Implementation Agreement, pursuant to which the parties have agreed to use all reasonable endeavours to do all such things within their power to implement the Proposal and co-operate to obtain all Approvals required in connection with the Proposal.

Under the Implementation Agreement, the Company has undertaken to the Offeror to:

- (a) use all reasonable endeavours to implement the Scheme;
- (b) procure that, prior to the earlier of the Effective Date and termination of the Implementation Agreement, the Group shall not take certain actions, including (amongst others):
 - (i) carrying on its business, other than in the ordinary and usual course;
 - (ii) issuing any Shares;
 - (iii) entering into any merger or acquiring or disposing of any material assets; and
 - (iv) entering into any transaction with any shareholder and/or director of any member of the Group, other than in the ordinary and usual course.

Nothing in the Implementation Agreement is intended to prevent or deprive: (1) the Shareholders from having the opportunity to consider, or (2) the Company from considering, in each case, any unsolicited alternative offers, proposals or transactions in respect of, or for, the issued ordinary share capital or assets or undertakings (whether the whole or a substantial part) of the Company or the Group from any person other than the Offeror.

The Implementation Agreement will be terminated if the Scheme is not approved or the Proposal otherwise lapses or is withdrawn.

Other arrangements

As at the Latest Practicable Date:

- (a) save for the Proposal, the Scheme, the Founder Arrangement, the Founder Irrevocable Undertakings, the Shareholders' Agreement, the Consortium Agreement and the Implementation Agreement, there was no agreement or arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Offeror or any party acting in concert with it which might be material to the Proposal;
- (b) there was no agreement or arrangement to which the Offeror or any party acting in concert with it is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a Condition to the Proposal;
- (c) save for the Founder Irrevocable Undertakings, neither the Offeror nor any party acting in concert with it had received any irrevocable commitment to vote for or against the Proposal; and
- (d) save for the Founder Arrangement, the Founder Irrevocable Undertakings, the Shareholders' Agreement and the Consortium Agreement as disclosed in the Scheme Document, there was no understanding, arrangement or agreement or special deal between (1) any Shareholder of the Company; and (2) either (a) the Offeror or any party acting in concert with it (including the Founder Group and the GLP Group); or (b) the Company or the Company's subsidiaries or associated companies.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date:

- (a) the issued share capital of the Company comprised 8,538,926,906 Shares;
- (b) the Offeror did not legally or beneficially own, control or have direction over any Shares;
- (c) the Founder Group legally or beneficially owned, controlled or had direction over a total of 2,809,465,284 Shares, representing approximately 32.90% of the total Shares, of which the Founder Scheme Shares comprised 2,760,607,376 Shares, representing approximately 32.33% of the total Shares;

- (d) Global Brands (which, as at the Latest Practicable Date, was approximately 30.99% owned by Fung 1937) did not legally or beneficially own, control or have direction over any Shares and had not held any Shares or dealt in the Shares during the Relevant Period;
- (e) each shareholder of GLP (being SMG, HOPU, Hillhouse Capital, Vanke and BOCGI) and the GLP Group did not legally or beneficially own, control or have direction over any Shares and had not held any Shares or dealt in the Shares during the Relevant Period;
- (f) persons acting in concert with the Offeror (other than the Founder Group, the GLP Group, shareholders of GLP (being SMG, HOPU, Hillhouse Capital, Vanke and BOCGI) and members of the Morgan Stanley group), the names of which are listed in section (B2) of the shareholding structure table in the section headed "Shareholding Structure of the Company and Effect of the Proposal and the Scheme" in the Explanatory Statement on pages 107 to 112 of this Scheme Document (except for SDEL), legally or beneficially owned, controlled or had direction over a total of 40,768,162 Shares, representing approximately 0.48% of the total Shares;
- (g) save as disclosed in (c) and (f) above, the Offeror and its concert parties did not legally or beneficially own, control or have direction over any Shares, securities, warrants or options convertible into Shares;
- (h) members of the Morgan Stanley group, being a concert party of the Offeror, did not legally or beneficially own, control or have direction over any Shares (except those members who are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code, provided that any Shares held by any such members in their capacity as exempt principal traders must not be voted in the context of the Proposal (including the Founder Arrangement) in accordance with Rule 35.4 of the Takeovers Code);
- (i) the Disinterested Shareholders (being all Scheme Shareholders, other than those acting in concert with the Offeror) legally or beneficially owned, controlled or had direction over a total of 5,688,693,460 Shares, representing approximately 66.62% of the total Shares;
- (j) save as disclosed in the section headed "Share Awards" below, there were no securities, warrants or options convertible into Shares held, controlled or directed by the Offeror or its concert parties;
- (k) neither the Offeror nor its concert parties had entered into any outstanding derivative in respect of the securities in the Company; and
- (l) neither the Offeror nor its concert parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

The Founder Scheme Shares will be cancelled in consideration for the Founder Cancellation Consideration. All other Scheme Shares (being a total of 5,778,319,530 Shares representing approximately 67.67% of the total Shares) will be cancelled in consideration for the Cancellation Price in cash upon the Scheme becoming effective.

The shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming no new Shares will be issued prior thereto) is to be found in the section headed "*Shareholding Structure of the Company and Effect of the Proposal and the Scheme*" in the Explanatory Statement on pages 107 to 112 of this Scheme Document.

SHARE AWARDS

As at the Latest Practicable Date:

- (a) there were 118,712,500 granted unvested Share Awards, which entitle their holders to receive from the Trustee a total of 118,712,500 Shares; and
- (b) there were 125,901,900 Trustee Held Shares, of which 118,712,500 can be used to satisfy the unvested Share Awards on vesting and 7,189,400 are to be used to satisfy future grants of Share Awards.

On 21 November 2019, 6,226,000 Share Awards were granted to each of Mr. Spencer Theodore Fung, Mr. Joseph C. Phi and Mr. Marc Robert Compagnon. In order to satisfy the vesting of these Share Awards, the Trustee bought an equivalent number of Shares in the market at a price of HK\$0.9198 per Share.

As at the Latest Practicable Date, 28,183,000 of the unvested Share Awards were held by persons acting in concert with the Offeror, including 1,168,200 held by Dr. William Fung Kwok Lun, 9,200,000 held by Mr. Spencer Theodore Fung, 9,004,600 held by Mr. Marc Robert Compagnon and 8,810,200 held by Mr. Joseph C. Phi.

Under the 2015 Share Awards Scheme, if there is (a) a change in control of the Company; or (b) a privatisation of the Company by way of a scheme or by way of an offer, the Board shall in its sole discretion determine whether the vesting dates of any Share Awards will be accelerated. The Board intends to accelerate the vesting of all unvested Share Awards to the Effective Date.

All of the Trustee Held Shares shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay the aggregate Cancellation Price for the Trustee Held Shares to the Trustee, which will then pay such amount to the grantees of the Share Awards by reference to the number of Share Awards attributable to such grantees on the Record Date as soon as practicable after receipt by the Trustee of the aggregate Cancellation Price. Any Cancellation Price received by the Trustee in

respect of excess Trustee Held Shares that are not attributable to any granted Share Awards shall be paid to the Company. According to the trust deed of the 2015 Share Award Scheme, the Trustee shall not exercise the voting rights attached to the Trustee Held Shares. Accordingly, such 125,901,900 Shares will not be voted at the Court Meeting notwithstanding that such Shares form part of the Scheme Shares.

SHARE OPTIONS

The Company had issued 8,000,000 Share Options, of which 4,000,000 Share Options were held by Mr. Spencer Theodore Fung and the remaining 4,000,000 were held by Mr. Marc Robert Compagnon.

Pursuant to the rules of the 2003 Share Option Scheme, Share Options granted but not exercised may be cancelled by the Company with the consent of the relevant holders of the Share Options.

On 20 March 2020, with the consent of Mr. Spencer Theodore Fung and Mr. Marc Robert Compagnon, the Company cancelled all of the 8,000,000 outstanding Share Options. The Offeror will therefore not be making any offer to the holders of the Share Options pursuant to Rule 13 of the Takeovers Code.

REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the section headed "*Reasons for and benefits of the Proposal*" in the Explanatory Statement on pages 113 to 114 of this Scheme Document.

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

You are urged to read carefully the section headed "*The Offeror's intentions in relation to the Group*" in the Explanatory Statement on pages 114 to 115 of this Scheme Document.

The Board is pleased to note that:

- (a) the Offeror intends to continue the existing business of the Group, which principally comprises supply chain solutions, onshore wholesale and logistics;
- (b) no major changes are expected to be introduced in the existing principal business of the Group in the immediate term, including any major redeployment of the fixed assets of the Group; and
- (c) the Offeror does not have any plan to make any significant changes to the continued employment of the employees of the Group as a result of the implementation of the Proposal.

FINANCIAL ADVISERS AND INDEPENDENT BOARD COMMITTEE

The Offeror has appointed Morgan Stanley as its financial adviser in connection with the Proposal. The Company has appointed Citi and HSBC as its financial advisers in connection with the Proposal, and Fung 1937 has appointed Goldman Sachs as its financial adviser in connection with the Proposal.

The Independent Board Committee comprising Mrs. Margaret Leung Ko May Yee (chair of the Independent Board Committee), Dr. Allan Wong Chi Yun, Mr. Martin Tang Yue Nien, Mr. Chih Tin Cheung and Mr. John G. Rice has been established by the Board to make a recommendation to the Disinterested Shareholders as to (i) whether the Proposal, and in particular the Scheme and the Founder Arrangement, is fair and reasonable; and (ii) voting in respect of the Founder Arrangement at the SGM and the Scheme at the Court Meeting.

Dr. Victor Fung Kwok King, a non-executive Director, does not form part of the Independent Board Committee due to him being a member of the Founder Group. Mr. Marc Robert Compagnon, a non-executive Director, does not form part of the Independent Board Committee due to him being an employee of a subsidiary of Fung 1937. The full text of the letter from the Independent Board Committee is set out on pages 40 to 42 of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER

The Company has, with the approval of the Independent Board Committee, appointed Platinum as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Founder Arrangement.

The full text of the letter from the Independent Financial Adviser is set out on pages 43 to 96 of this Scheme Document.

INFORMATION ABOUT THE OFFEROR AND THE COMPANY

Your attention is drawn to Appendix I headed "*Financial Information Relating to the Group*" on pages 130 to 136 of this Scheme Document, and the sections headed "*Information on the Group*", "*Information on the Offeror Group*", "*Information on Founder Group*" and "*Information on the GLP Group*" in the Explanatory Statement on pages 115 to 119 of this Scheme Document.

OVERSEAS SHAREHOLDERS

If you are an overseas Scheme Shareholders, your attention is drawn to the section headed "*Overseas Shareholders*" in the Explanatory Statement on pages 121 to 122 of this Scheme Document.

COURT MEETING AND SGM

For the purpose of exercising your right to vote at the Court Meeting and/or the SGM, you are requested to read carefully the section headed "*Court Meeting and SGM*" in the Explanatory Statement on pages 122 to 123 of this Scheme Document, the section headed "*Actions to be taken*" on pages 6 to 9 of this Scheme Document, and the notices of the Court Meeting and the SGM on pages 159 to 160 and pages 161 to 163 respectively of this Scheme Document.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out under "*Actions to be Taken*" on pages 6 to 9 and the section headed "*Actions to be Taken*" in the Explanatory Statement on pages 125 to 127 of this Scheme Document.

RECOMMENDATION

Your attention is drawn to the recommendations of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal, the Scheme and the Founder Arrangement as set out in the "*Letter from the Independent Financial Adviser*" on pages 43 to 96 of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal, the Scheme and the Founder Arrangement as set out in the "*Letter from the Independent Board Committee*" on pages 40 to 42 of this Scheme Document.

WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being simultaneously issued and credited as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date.

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions described in the section headed "*Conditions of the Proposal*" in the Explanatory Statement on pages 100 to 103 of this Scheme Document has not been fulfilled or waived, as applicable, on or before the Long Stop Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

Your attention is drawn to the sections entitled “*Withdrawal of listing of Shares*” in the Explanatory Statement set out on page 119 of this Scheme Document.

REGISTRATION AND PAYMENT

Your attention is drawn to the sections entitled “*Registration and Payment*” in the Explanatory Statement set out on pages 119 to 121 of this Scheme Document.

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, any party acting in concert with the Offeror, the Company, Morgan Stanley, Goldman Sachs, Citi, HSBC or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons as a result of their acceptance or rejection of the Proposal. Accordingly, you are urged to read the section entitled “*Taxation and Independent Advice*” in the Explanatory Statement set out on page 122 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you are recommended to consult an appropriately qualified professional adviser.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out on pages 40 to 42, and pages 43 to 96 respectively of this Scheme Document, the Explanatory Statement as set out on pages 97 to 129 of this Scheme Document, the appendices to this Scheme Document, the terms of the Scheme as set out on pages 152 to 158 of this Scheme Document, the notice of the Court Meeting as set out on pages 159 to 160 of this Scheme Document and the notice of the SGM as set out on pages 161 to 163 of this Scheme Document. In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the SGM are enclosed with this Scheme Document.

By order of the board of
LI & FUNG LIMITED

Joseph C. Phi
Director