

Strategic Divestment of Product Verticals



LI & FUNG

| December 14, 2017

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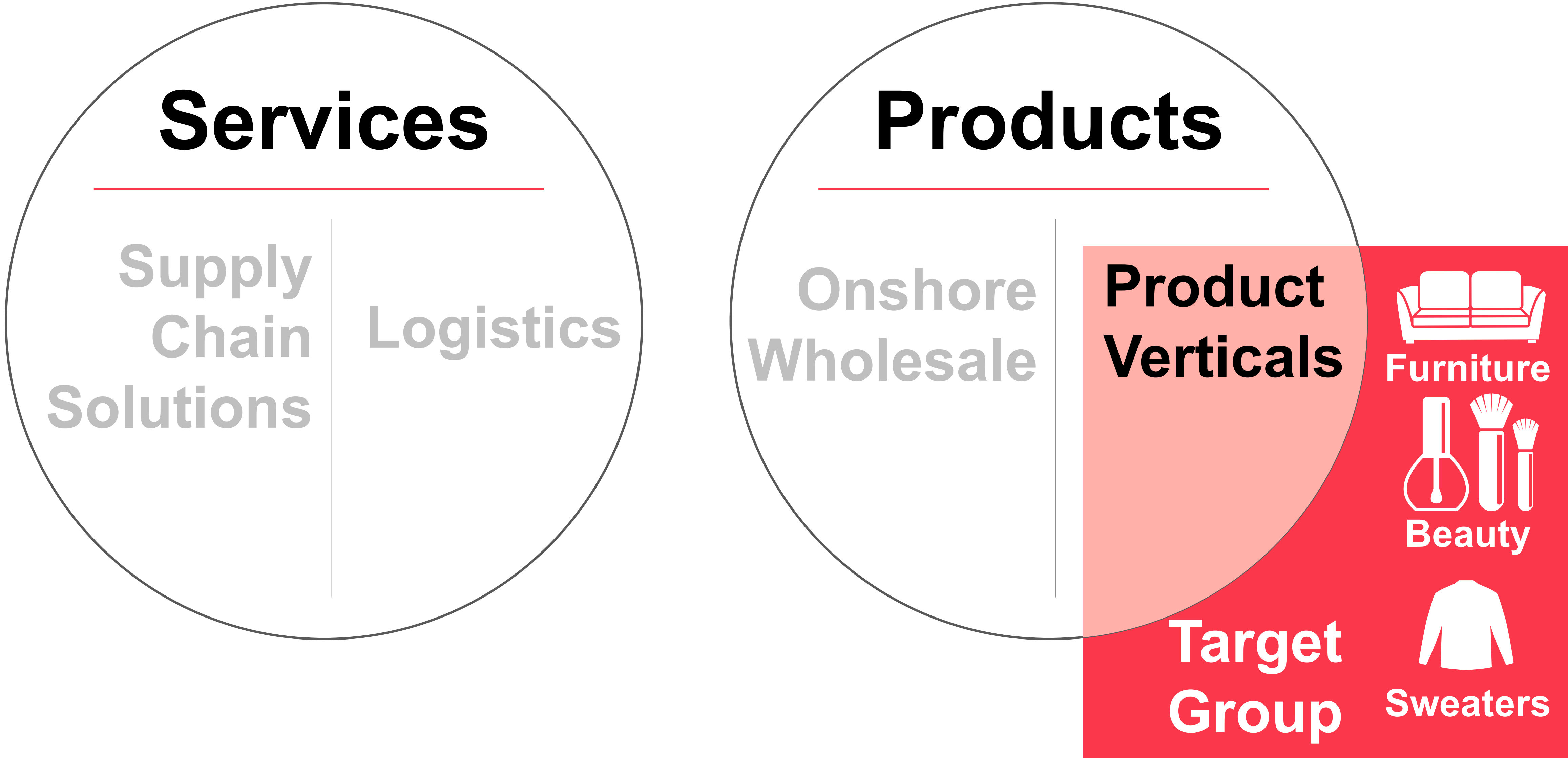
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Highlights

- Strategic Divestment of three product verticals for **US\$1.1b**
- Further simplifies business to focus on core competencies
- Special dividend of **US\$520m** to return cash to shareholders
- Remaining **US\$580m** to further strengthen capital structure and build supply chain of the future

Strategic Divestment – Product Verticals



Simplifying Our Business



Strategic Divestment – Summary

Consideration
\$1.1b¹

Turnover²
\$1,874m

COP²
\$89m

Buyer Consortium

**Hony
Capital**

45%

**Fung
Holdings
(1937)
Limited**

45%

**Fung
Investments
Limited (FIL)**

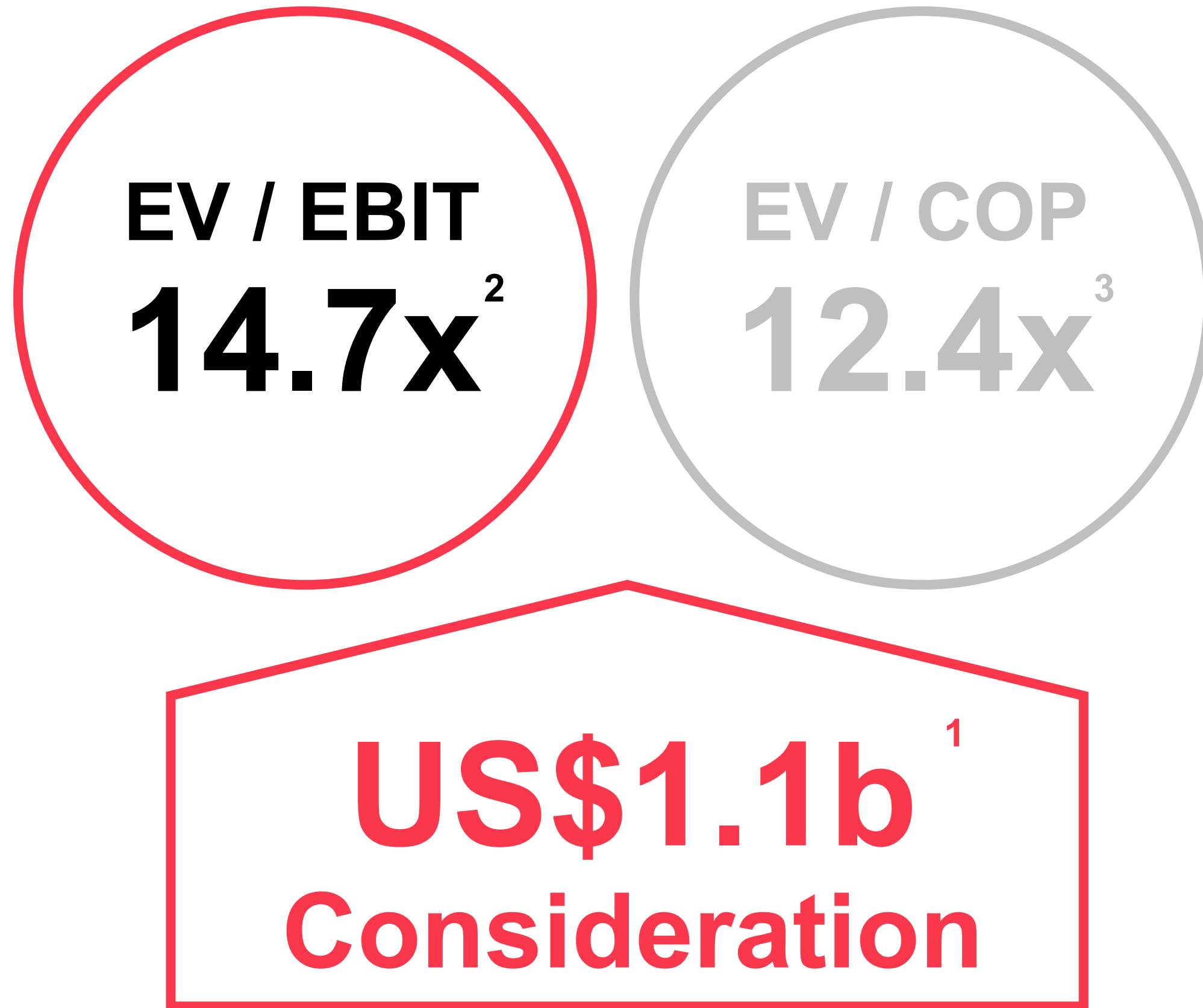
10%

1. On a debt free/cash free basis, subject to customary closing adjustments.

2. Unaudited Sep 2017 LTM – includes last 12 months from 1 Oct 2016 and ending 30 Sep 2017

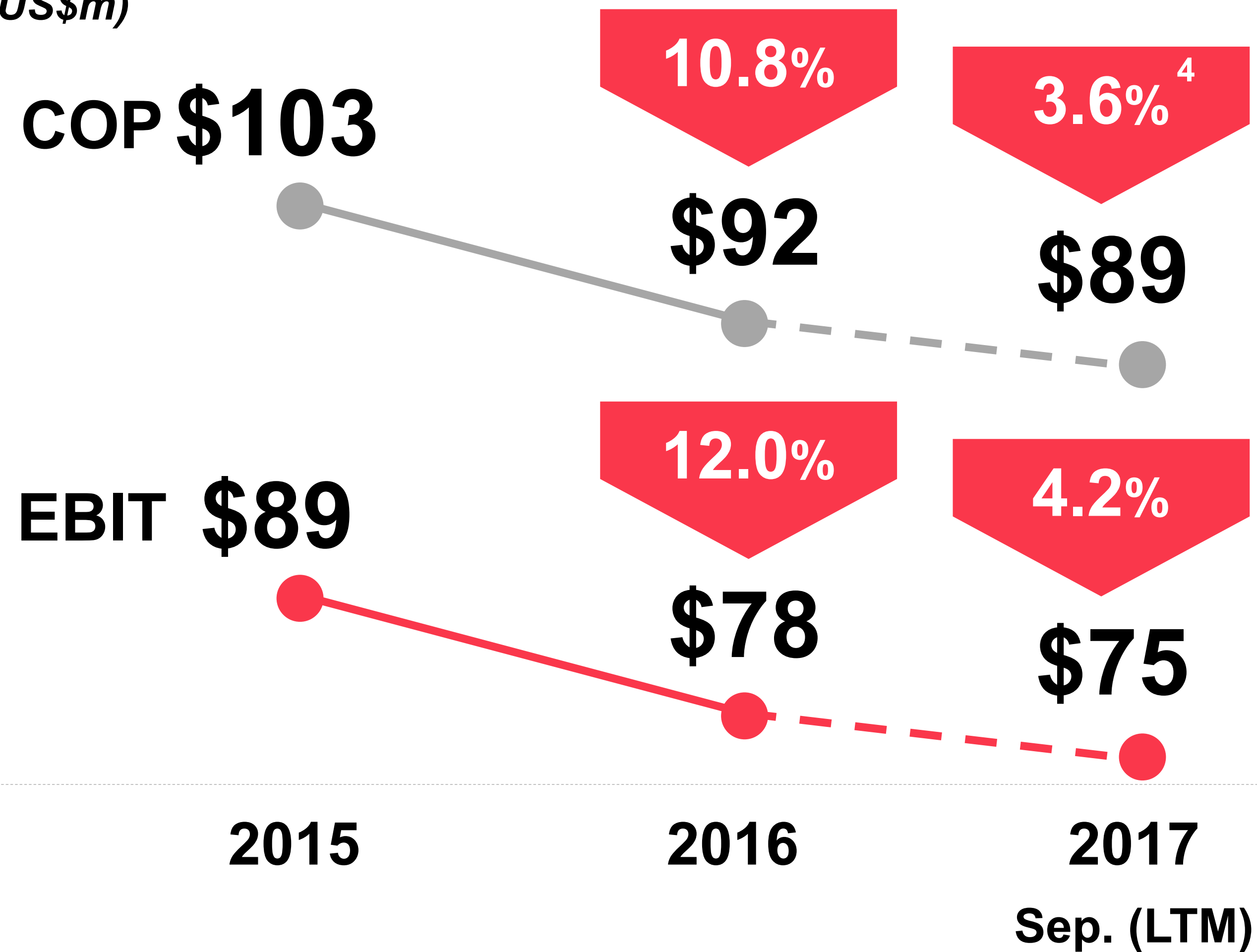
Strategic Divestment at an Attractive Valuation

Valuation Multiple



Product Verticals – Declining Financial Performance⁵

(US\$m)



1. On a debt free/cash free basis, subject to customary closing account adjustments.
 2. Based on unaudited Sep 2017, last-12-months EBIT of US\$75mm – includes last 12 months from 1 Oct 2016 and ending 30 Sep 2017;
 3. Based on unaudited Sep 2017, last-12-months COP of US\$89mm – includes last 12 months from 1 Oct 2016 and ending 30 Sep 2017;
 4. Indicates % change between year ended 31 Dec 2016 and unaudited 12 months ended 30 Sep 2017
 5. As the formation of joint venture Cobalt Fashion Holding Limited was completed on 30 Sep 2017, the financial metrics do not reflect the contribution from South Ocean's.

Conditional Special Dividend and Returning Cash to Shareholders

US **\$520m**

Special Dividends

47.6 HK cents / share¹

More than **2x** 2016 dividends
of **23 HK cents / share**

1. Implied DPS based on Company's current shares outstanding as of 14 Dec 2017

Further Strengthen Capital Structure

us \$580m
**Further strengthen
capital structure**

- Remaining proceeds of US\$580m to further strengthen capital structure and improve financial flexibility
- Conservative balance sheet management. Maintain Investment-grade Rating
 - Moody's: Baa1
 - S&P: BBB+
- One-time accounting loss of US\$610m¹ will not impact future cash flow nor financial and operating performance

1. One time accounting loss attributable to discontinued operations as a result of the disposal. In respect to these acquisitions, the Group has recognized contingent consideration write-back of US\$282 million as non-operating income in prior years.

1H17 Highlights

- Li & Fung's new supply chain model gains traction
- Customers embrace new supply chain solutions
- Core operating profit increases by **12%** in 1H2017 like-for-like
- Logistics continues double-digit growth driven by e-logistics, geographic expansion and new verticals
- Strong balance sheet supports future growth, including US\$150 million for digitalization over the next three years

Three-Year Plan Goal

Our goal is to create the **supply chain of the future** to help our customers navigate the digital economy and to improve the lives of **one billion people** in the supply chain.

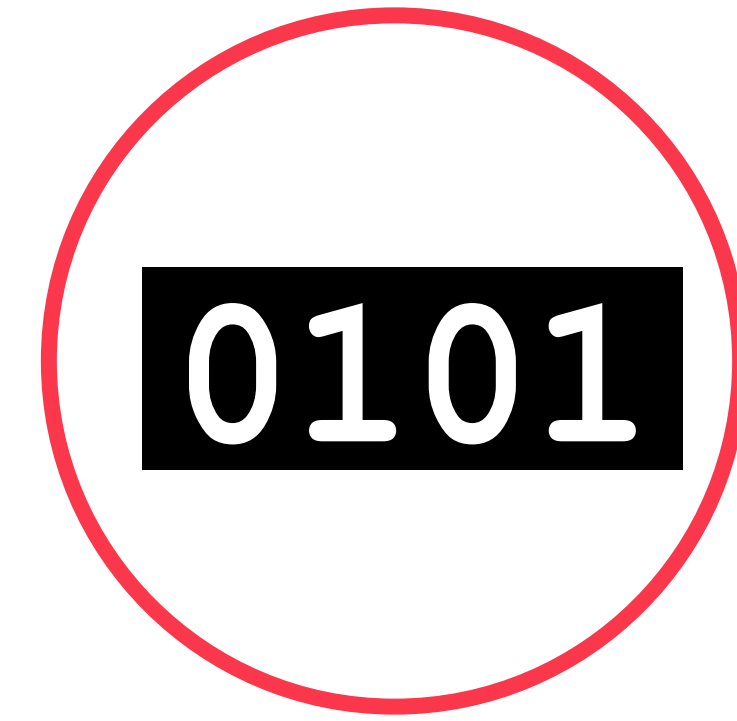
New Three-Year Plan (2017 – 2019)



Speed

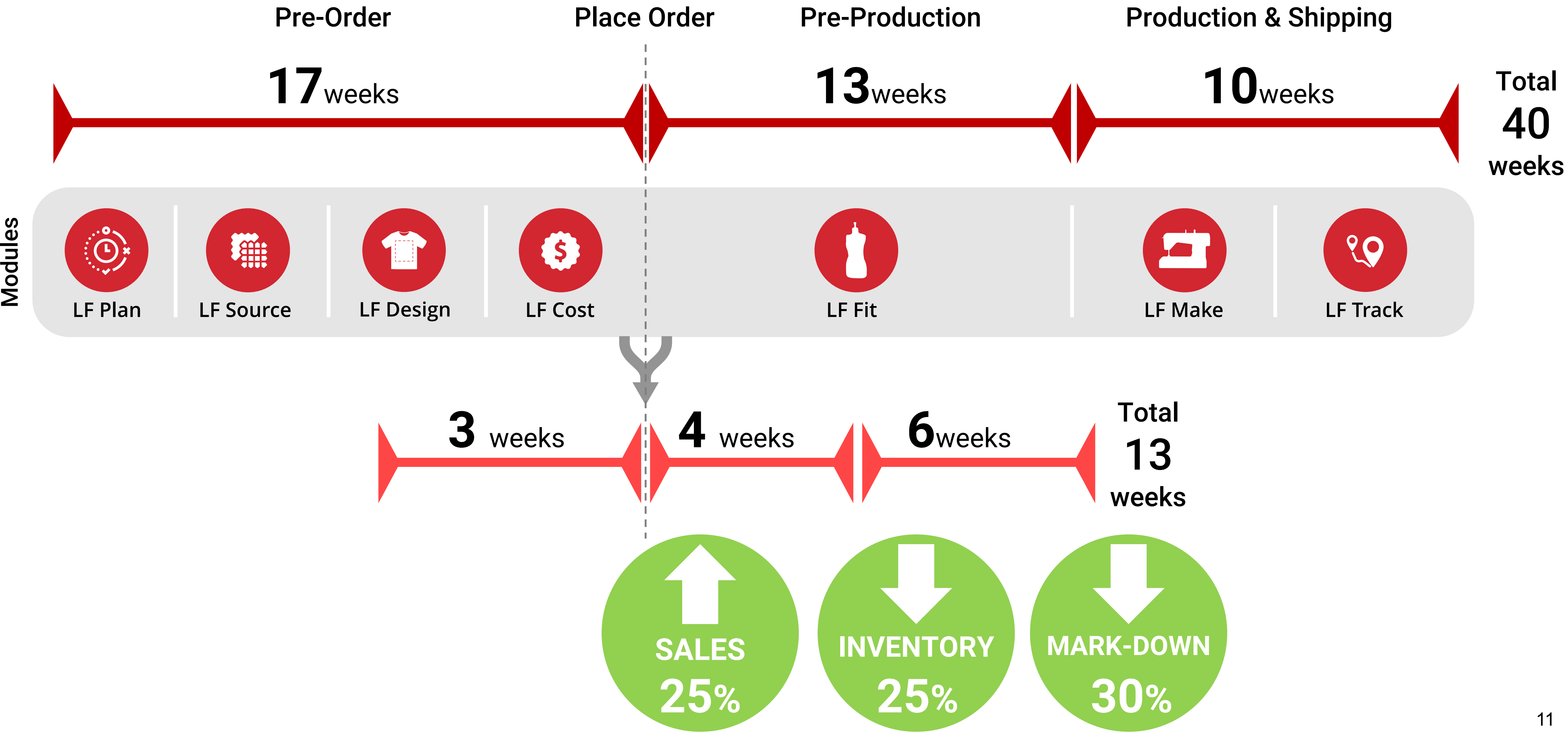


Innovation



Digitalization

Speed – The Results





Value-added Service – Virtual Design

3D perspective view



Left side view



Back view



Front view



Right side view



Value-added Service – Virtual Design



Value-added Service – Virtual Design



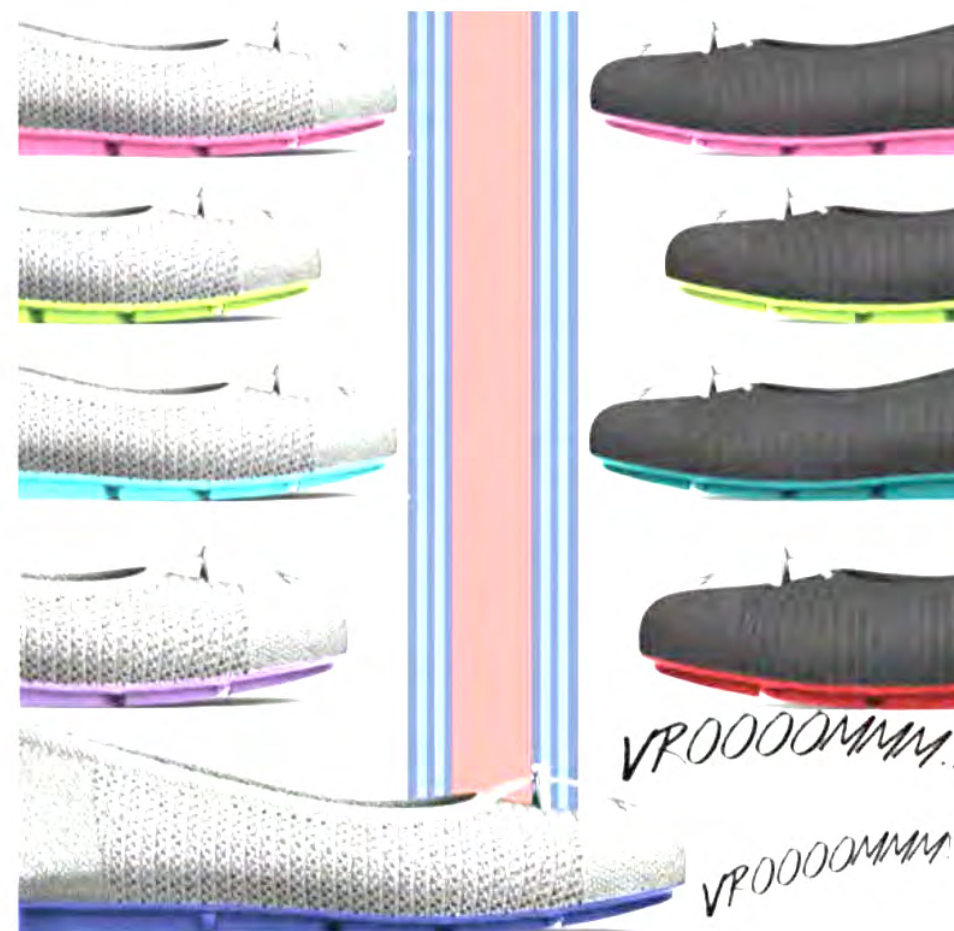
Betabrand - example



- Improved Consumer Engagement through Design Process
- 3 Products completed funding with orders totaling \$500k+ already shipping
 - Late to Gate Heels
 - Mile Marker Heels
 - Better Ballet Flats
- Design challenge for Travel Ballerina Flat ongoing



HEELS DESIGNED WITH THE LATEST ATHLETIC-SHOE TECHNOLOGY!





Betabrand - example

- Gilda Bag was 1000%+ crowdfunded, extremely successful launch
- All digital samples, no physical



Betabrand - example

Brand X	Traditional Model	15% Adoption	10 months	Inventory	20% Mark-down
	Now	70% Adoption	5.5 months	Crowd-funded	94% Sell thru
	Future	Adoption per Crowdfund	2.5 months	Crowd-funded	94%+ Sell thru



Logistics

- Focus on e-logistics
- Deeper entry into Korea, Japan & India
- Entry into new electronics vertical
- Deployment of more technology
 - Voice pick, vision pick, drones

e-logistics Development



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