

Press Release

Li & Fung announces US\$1.1 billion strategic divestment to further simplify its business model to build the supply chain of the future

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

Hong Kong, 14 December 2017 – Li & Fung Limited (“Li & Fung,” SEHK: 494), the world’s leading supply chain solutions partner for consumer brands and retailers, today announced it has entered into a strategic transaction for Hony Capital and the Fung Group to acquire three of Li & Fung’s product vertical businesses, Furniture, Sweaters and Beauty (“product verticals”), for an estimated cash consideration of US\$1.1 billion. Subject to independent shareholders’ approval, the transaction is expected to close in the first half of 2018.

The product verticals were created in 2015 to consolidate some of the trading businesses of Li & Fung in specific product areas of Furniture, Sweaters and Beauty. Further growth in these product categories necessitates expansion upstream and downstream, requiring capital investment and management attention, which the company believes is best achieved outside of Li & Fung and its present strategic direction.

This transaction continues Li & Fung’s strategy of simplifying its overall business and allows its senior management team to focus resources on its Three-Year Plan (2017 – 2019) goal of creating the supply chain of the future to enable Li & Fung to deliver long-term shareholder value as it transforms into a digital company. This follows the spin-off of Global Brands in 2014 and the divestment of the Asia Consumer & Healthcare distribution business in 2016.

Spencer Fung, Group CEO of Li & Fung, said, “The strategic divestment of the product verticals allows Li & Fung to focus on its core competencies and further strengthens our capital structure. The US\$1.1 billion proceeds will allow us to pay a generous dividend to our shareholders and the remaining US\$580 million of cash will give us more financial flexibility as we continue to execute our Three-Year Plan goal of building an end-to-end digital supply chain. Our 1H results were solid and our customers and vendor partners are responding very positively to our new digital solutions. We are very excited to be creating a future supply chain that does not yet exist in the market.”

John Zhao, Chairman and CEO of Hony Capital and Executive Vice President of Legend Holdings, commented, “We look forward to working with the management teams of the product verticals to sharpen their distinct strategies. With our value-added services, future success lies in going deeper into their respective product categories.”

The Board announced its intention to pay a special dividend of US\$520 million or HK\$0.476 per share (equivalent to more than double the total annual dividend of HK\$0.23 per share paid in 2016) conditional upon the divestment being completed. The remaining proceeds of approximately US\$580 million will provide Li & Fung with additional financial strength and flexibility to build the supply chain of the future.

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About Li & Fung Limited

Li & Fung (SEHK: 494), the Hong Kong-headquartered multinational group, is the world’s leading supply chain solutions partner for consumer brands and retailers. With 250 offices across more than 40 economies, Li & Fung specializes in responsibly managing the supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide. The Company’s goal is to create the supply chain of the future to help its customers navigate the digital economy and to improve the lives of a billion people in the supply chain.

For more information, please visit www.lifung.com

About Hony Capital

Hony Capital, founded in 2003 and sponsored by Legend Holdings, specializes in buyout investment. Partnering with the world's leading investors, it focuses on the development of China's real economy with "Value creation, Price Realization" as its investment philosophy. Hony Capital currently has US\$10 billion under management, with investors from China and the world's leading investment institutions. Hony Capital puts China as its top market, with investments in over 100 companies in areas of pharmaceutical and healthcare, media and entertainment, consumer products, food and beverage, as well as machinery and equipment manufacturing.

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