Li & Fung shareholders approve stock market delisting

By Matthieu Guinebault  -  May 14, 2020

Hong Kong-based global sourcing giant Li & Fung has grown vulnerable in recent years, and was recently given the green light by its shareholders to delist from the Hong Kong stock exchange, becoming a private, family-owned group again, for a $928.9 million (€854 million) proposal. Negotiations have been under way since March.

The decision is said to have been taken in order to protect the group amidst uncertainty about the industry's future. Li & Fung has established itself as a leading intermediary between Asian manufacturers and European buyers, notably in the apparel market. The group’s business has been adversely affected by the stop to China’s industrial output and the subsequent lockdown imposed on European and American countries.

Li & Fung is led by Spencer Fung, a member of the Fung family’s fourth generation, and was valued in the operation at $1.27 billion (HKD10.7 billion). The decision to privatise is said to have displeased smaller shareholders, of whom 51 out of 251 voted against the deal. This despite the stance taken by Bruce Rockowitz, CEO from 2011 to 2014, who thought the current situation warranted this transition.

The group indicated that, in the 2019 financial year, it was “affected by the multi-year trend of de-stocking and client turnover in the sector, as well as the record number of store closures and bankruptcies in the retail industry.” As a result, Li & Fung’s net income fell by 22.9%, down to €214 million, while its revenue lost 10.1%, reaching €10.7 billion.

The Fung Group conglomerate operates via its listed companies Convenience Retail Asia, Li & Fung and the Global Brands Group. The latter two were created in 2014, when the trade/logistics and brand management organisations of Li & Fung were split up. Global Brands Group currently has in its portfolio, either as licensed or directly operated brands, labels like Juicy Couture, Calvin Klein, Ellen Tracy, Frye, Kenneth Cole, Katy Perry, Allsaints, Kate Spade and JLO.