

# Press Release

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## Li & Fung Announces 2017 Annual Results

- Three-Year Plan (2017- 2019) is on track with a strong start in its first year
- Core Services Segment of supply chain solutions and logistics businesses delivered solid growth of 21.8% in core operating profit
- Global network of 15,000 suppliers in over 40 markets well-positioned to absorb any shock from trade uncertainty
- Strategic divestment of three Product Verticals to generate US\$1.1 billion of cash
- Declared a conditional special dividend of 47.6 HK cents per share and a final dividend of 2 HK cents per share for a total of 49.6 HK cents per share

**Hong Kong, 22 March 2018** – Li & Fung Limited (“Li & Fung,” “the Group,” or “the Company;” SEHK: 494), the world’s leading supply chain solutions partner for brands and retailers, today announced its annual results for the year ended 31 December 2017 and provided an update on the progress of its Three-Year Plan (2017-2019) with initiatives around speed, innovation and digitalization.

The Company reported positive 2017 results, highlighting that the Three-Year Plan with the goal of creating the supply chain of the future had a strong start in 2017 and is on track to deliver its financial and strategic goals. Customers are responding well to the Company’s speed and digital supply chain model, realizing tangible improvements in their inventory management as well as increased sell-through and reduced mark-downs. Improved operating efficiency and productivity led to a 21.8% increase in the core operating profit of the core Services Segment of supply chain solutions and logistics businesses.

For the full year 2017, on a like-for-like basis when excluding the impact of the strategic divestment of three product verticals and 2016 divestment of the Asia consumer and healthcare distribution business, core operating profit increased by 13.3% to US\$356 million. Turnover stabilized due to enhanced service offerings by the Company, with a decrease of 4.6% to US\$13.5 billion, and total margin as a percentage of turnover increased from 9.9% to 10.2%. Ongoing measures to improve operating efficiency and productivity resulted in an operating cost decrease of 5.8%. Core operating profit as a percentage of turnover increased from 2.2% to 2.6%. The Board of Directors has proposed a final dividend of 2 HK cents, along with the declared conditional special dividend of 47.6 HK cents per share, for a total of 49.6 HK cents per share. This brings the full-year dividend to 60.6 HK cents per share.

During 2017 the Company also maintained a strong balance sheet and furthered the goal of maximizing flexibility in its capital structure. The strategic divestment of the three product verticals businesses (furniture, beauty and sweaters) will generate US\$1.1 billion in proceeds to strengthen the capital structure and return cash to shareholders through a special dividend. The Company also divested its Asia consumer and healthcare distribution business in 2016. The resulting simplification of the business will enhance management’s focus on core competencies and to build the digital supply chain of the future.

Commenting on the 2017 annual results, Spencer Fung, Group CEO of Li & Fung, said “Our new Three-Year Plan had a strong start in its first year and we are on track to meet our financial targets and strategic goals. Customers are embracing our supply chain solutions and digital tools to help them improve the speed of their supply chain, helping them realize tangible improvements in inventory management, sell-through and mark-downs. At the same time, our Logistics business, which completes our end-to-end supply chain solutions, continues to grow its COP by 23.8%, driven by e-logistics, deeper penetration of our core customers supported by cross-selling with our Supply Chain Solutions business and entry to new markets such as India and Vietnam.”

Group Chairman William Fung added, “Our strategy to further simplify the business and focus on our core Supply Chain Solutions business is in turn helping our customers to revamp their business model and counter disruptions in other markets. We are on track to deliver a fully integrated digital platform that connects our

suppliers and customers with end-to-end visibility to enhance decision making. This insight, combined with our breadth and depth of experience in global supply chain management, complemented by our extensive network of suppliers, means we can channel production to any market quickly to meet our customers' requirements, in the face of any potential change in trade and market environments.”

*For details of Li & Fung's 2017 Annual Results, please refer to the announcement posted on the HKExnews website <http://www.hkexnews.hk/> and the Li & Fung website [www.lifung.com](http://www.lifung.com).*

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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. It specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide, in around 230 offices across more than 40 economies.

For more information, please visit [www.lifung.com](http://www.lifung.com)

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