

Press Release

Li & Fung Announces 2018 Interim Results

- Exceeded Three-Year Plan targets in 2017, but 2018 is challenging due to continued destocking, store closures and bankruptcies
- Profit attributable to shareholders (like-for-like) down 19%
- Divestment of Product Verticals brought in US\$1.1 billion of cash
- Trade war has minimal impact on our business and mitigated by our 50+ countries of production
- Announced an aggressive plan to bring greater focus on customers, business development, production platform and digital initiatives
- Seeking IPO for Logistics business to enhance its growth

Hong Kong, 22 August 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 interim results for the six months ended 30 June 2018.

In the period under review, the Company was affected by a challenging macroeconomic and retail environment which saw continued destocking, store closures and bankruptcies. Core operating profit (“COP”) of our continuing operations for the first half of the year decreased 18.0% to US\$124 million, due largely to the decrease in turnover and total margin in the Supply Chain Solutions business given the shifting retail environment and customers destocking trend. Turnover decreased 9.6% to US\$5,850 million and total margin as a percentage of turnover was 10.5%. Operating costs remained flat at US\$489 million as operational efficiency and productivity gain in Supply Chain Solutions were offset by the increase in operating costs in the Logistics business to support its expansion and organic growth. Operating costs in Supply Chain Solutions decreased by 9.8% benefiting from the roll out of the digital modules and productivity measures.

Adjusted profit attributable to shareholders for continuing operations is down 19.2% to US\$50 million on a like-for-like basis, taking into account that 2017 was impacted by the US\$30 million gain on remeasurement of contingent consideration payable. The Board of Directors declared an interim dividend of 3 HK cents per share (2017 interim: 11 HK cents per share).

The strategic divestment of the three Product Verticals, namely furniture, beauty and sweaters, was completed in April 2018. The divestment was in line with Li & Fung’s strategy to simplify its business and allows senior management to focus resources on growing the core business of Supply Chain Solutions, helping customers manage the changing retail environment and delivering its Three-Year Plan goals. The Company maintained a strong balance sheet and maximum flexibility in its capital structure, aided by redeeming the US\$500 million perpetual capital securities and the strategic divestment of the three Product Verticals, which raised US\$1.1 billion, and returned US\$520 million to shareholders through a special dividend.

The Logistics business continued to report stellar performance in the period under review, turnover and COP increased 10.9% and 15.1% to US\$543 million and US\$38 million respectively. China continued to lead the way as it benefitted from an upsurge of domestic consumption, especially via e-commerce. The Rest of Asia operations advanced aggressively and new markets including Korea, Japan and India also recorded impressive results. The Group has decided to seek a separate listing of its Logistics business on the Hong Kong Stock Exchange, and is expected to remain as the controlling shareholder of the Logistics business and continue to consolidate its financial results post spin-off listing. The listing is expected to take place in the first half of 2019, depending on market conditions and other factors.

Spencer Fung, Group CEO of Li & Fung said, “Our Logistics business has grown double digit every year since it became part of Li & Fung at the end of 2010. It continues to benefit from the tailwind of rising middle-class consumption in Asia, e-logistics, geographic and vertical expansions. We have decided to seek a separate listing of our Logistics business to unlock its value and accelerate its growth, while further enhancing our capital structure and financial flexibility.”

Commenting on the results, Spencer Fung added, “Our customers continued to face a constantly changing retail environment and that in turn affected our performance in the first half. We have announced an aggressive plan to bring greater focus on customers, business development, production platform and digital initiatives. Our speed and digital modules have helped our customers achieve better operational results by increasing sell-through, reducing mark-downs and improving inventory levels, and we want to accelerate our digital strategy”.

Group Chairman William Fung added, “With global trade threatened by the US-China trade war, our model of dispersed production in over 50 countries is holding strong. Our breadth and long-term relations in these markets is one of our core competences and strengths in our traditional sourcing business. Additionally, we have accelerated our investment in our digital strategy and we will deliver a fully-integrated digital platform connecting suppliers, customers and other partners with end-to-end visibility and data analytics. This will serve as the nucleus of our future service offering enabling Li & Fung to provide improved, faster supply chain services beyond traditional sourcing.”

For details of Li & Fung's 2018 Interim Results, please refer to the announcement posted on the HKExnews website <http://www.hkexnews.hk/> and the Li & Fung website 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. With 230 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

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