

Li & Fung Announces 2016 Annual Results and Introduces New Three-Year Plan (2017-2019)

- Turnover and Core Operating Profit negatively impacted due to tough retail environment
- Despite challenges, resilient performance with improved total margin percentage and cost control
- Logistics continued double digit growth with e-commerce logistics outperforming
- Raised US\$1 billion through strategic divestment and perpetual securities issuance
- New Three-Year Plan (2017-2019) is focused on speed, innovation, and digitalization to create the Supply Chain of the Future

Hong Kong, 29 March 2017 – Li & Fung Limited (“Li & Fung,” “the Group,” or “the Company,” SEHK: 494), today announced its annual results for the year ended 31 December 2016 and outlined its next Three-Year Plan (2017-2019).

Spencer Fung, Group Chief Executive Officer of Li & Fung, said “While we delivered significant progress in key strategic areas during the past three years, the Company continued to face headwinds which dampened our overall results. As we enter the next three years, our entire organization is aligned around the need to transform the business in a fast-changing environment. We have a comprehensive plan in place to create the Supply Chain of the Future.”

2016 Annual Results

For the full year 2016, the Company reported resilient results against a challenging macroeconomic environment and ongoing disruption at retail. Excluding the impact from the strategic divestment of the Asia consumer and healthcare distribution business in June 2016, total turnover decreased by 8.3% to US\$16.2 billion on a like-for-like basis. Reported 2016 total turnover decreased by 11.0% to US\$16.8 billion. Sustained efforts to improve operating efficiency and productivity through the use of technology and streamlining of the cost base reduced operating costs. Core operating profit decreased 17.7% to US\$408 million on a like-for-like basis. Turnover from the Trading Network continued to be affected by a reduction in order volume, deflation and relative currency weaknesses against the US dollar and declined by 8.7% on a like-for-like basis. In the Logistics Network, the Company continued to grow profits organically through increased market share with existing customers, new customer contracts, and geographic expansion.

Profit attributable to shareholders was US\$223 million. Profit attributable to shareholders adjusted to exclude the write-back of acquisitions payable and other non-cash M&A related items was US\$261 million, a decrease of 24.4% year-on-year. Basic earnings per share were 20.7 HK cents (equivalent to 2.67 US cents). The Board of Directors has proposed a final dividend of 12 HK cents per share (2015 final: 15 HK cents).

Commenting on the 2016 annual results, Spencer Fung said, “This has been one of the toughest trading environments Li & Fung has ever seen. Macroeconomic conditions weakened, the retail environment worsened, input prices deflated two years in a row, and retailers continued to destock; all impacting our results for the three years ended 2016.”

William Fung, Group Chairman of Li & Fung, added, “I have never encountered a more challenging backdrop to our business. While geopolitical and economic realities are in flux, this uncertain environment also presents opportunities for Li & Fung. Our breadth and depth of experience in global supply chain management, gained over 110 years, together with our extensive global network of vendors will be a competitive advantage.”

During the past three years, the Company made very good progress in building a long-term sustainable enterprise by simplifying its business with the spin-off of its global brands and licensing business, Global Brands, in 2014 and the strategic divestment of its Asia consumer and healthcare distribution business in 2016.

New Three-Year Plan (2017-2019): Building the Supply Chain of the Future

The new Three-Year Plan represents the Company’s continuing business transformation with the goal of creating the Supply Chain of the Future, helping its customers navigate the digital economy.

The new plan will focus on speed, innovation and digitalization.

"We aim to create the Supply Chain of the Future and help our customers navigate the digital economy with a focus on speed, innovation, and digitalization. Our ability to operate with agility is a key part of our strategy and becomes even more important as we transform the way we do business and drive growth. Openly collaborating in new ways of working and developing new value-added services is a key part of our innovation strategy. Creating end-to-end digital supply chains will bring data-driven insight for our partners, help us make faster decisions and create better solutions for our customers," said Spencer Fung.

As a continuation of its drive to simplify the business, and an immediate first step in the implementation of the new Three-Year Plan, the Company announced it will be reorganized into two major divisions, focused on services (supply chain solutions and the logistics solutions) and products (three product verticals and onshore wholesale businesses), each with a strategic focus and a distinct management team.

Spencer Fung, concluded, "We are extremely excited about our next Three-Year Plan and what the future will bring. While market conditions remain challenging, we are working together to transform Li & Fung to create the Supply Chain of the Future for our customers to help them navigate the digital economy."

Additional Information

For additional information, please refer to the announcement posted on the HKExnews website <http://www.hkexnews.hk/> as well as to the materials posted on the Company's dedicated Three-Year Plan website <https://threeyearplan.lifung.com> which is also accessible via the Li & Fung website www.lifung.com.

About Li & Fung Limited

Li & Fung (SEHK: 494), the Hong Kong-headquartered multinational group, is the world's leader in consumer goods design, development, sourcing and logistics. It specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide, in more than 250 offices across 40 economies.

For more information, please visit www.lifung.com

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