

Press Release

Li & Fung Announces 2018 Annual Results

- Core Operating Profit decreased 20% to US\$285 million due to challenges in Supply Chain Solutions business
- New management team in place to accelerate turnaround and digital transformation
- Leadership in end-to-end 3D virtual design is disrupting traditional supply chains
- Logistics business continues strong organic growth with COP up 15%
- Strategic divestment of Product Verticals for US\$1.1 billion in April 2018

Hong Kong, 21 March 2019 – 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 2018.

For the year under review, the Company was affected by the rapidly changing retail landscape, with record store closures and customer bankruptcies. Owing to the Company’s investments in a speed-enabled supply chain, its customers have been able to reduce their inventory levels, although this produced short-term negative impacts on the Company’s turnover. The ongoing US-China trade war had a minimal impact on Li & Fung’s business due to the company’s diversified sourcing network outside of China.

On a like-for-like basis and excluding the impact of the strategic divestment of the three Product Verticals in April 2018, which triggered a one-off disposal loss of US\$114 million, core operating profit (“COP”) of Continuing Operations decreased by 20% to US\$285 million. This was largely due to decreases in turnover and total margin in the Supply Chain Solutions business, as well as continued investment in digitalization in line with the Company’s long-term strategic plan. Turnover decreased by 6.2% to US\$12.7 billion, mainly due to customers’ ongoing destocking, customer turnover and bankruptcies. Total margin percentage improved by 0.4% to 10.6%, primarily a result of the increased contribution from the higher-margin Logistics business. Adjusted Profit Attributable to Shareholders decreased 15.9% to US\$117 million, excluding gain on remeasurement of contingent consideration payable. Profit attributable to shareholders for Continuing Operations decreased by 26.2% to US\$126 million. The Board of Directors has proposed a final dividend of 4 HK cents (2017: 2 HK cents). This brings the full-year total dividend to 7 HK cents per share.

Spencer Fung, Group CEO of Li & Fung, said: “2018 was a demanding year and we’ve made a fundamental reorganization of our business in line with our Three-Year Plan to build the Supply Chain of the Future. We initiated a structural change with a new management team to focus on our core customers and operational excellence. This includes a new Group President, a new Chief Operating Officer and an entirely new Chief Digital Officer position. We have the right strategy, and now the right structure and people in place. With all three elements in place we have built the right foundation for the future. I am confident that we are on the right track.”

Mr Fung continued, “Group President, Joseph Phi, has a strong track record having organically grown LF Logistics over the past decade. In his new role, Joseph will focus on account management and business development. As a team, we are focused on driving greater productivity in our global production platform by truly leveraging the scale of Li & Fung for our customers, capitalizing on our clear leadership in 3D design, and accelerating the build-out of our end-to-end digital platform. These initiatives are already helping to strengthen relationships with core customers and to convert new customers.”

The Logistics business continued to grow organically with double-digit increases. With strong demand for in-country logistics services, turnover and COP increased 10.2% and 14.6% to US\$1.13 billion and US\$86 million respectively. The growth of the Logistics business continued to be driven by strong growth momentum in China; e-logistics growth; accelerating growth in ASEAN across all services; and rapid expansion in the newer geographies of Japan, Korea and India. To further accelerate the pace of its growth, preparation is underway for the potential spin off and separate listing of LF Logistics to take place in 2019 depending on market conditions and other factors.

In addition, 2018 was a turnaround year for the Onshore Wholesale business in the Americas, Europe and Asia with its turnover increasing by 7.4% to US\$1.7 billion with recovery at major US customers and growth in the Asia onshore wholesale business. Furthermore, operating costs as a percentage of turnover improved by 80 basis points.

Joseph Phi, Group President of Li & Fung, said: "The strong organic growth of LF Logistics is due to active engagement with our people and close collaboration with our customers. At Li & Fung, we are well positioned to integrate logistics with our traditional sourcing and supply chain solutions offering. This provides a faster and more digital supply chain, enabling us to cultivate closer and longer-lasting customer partnerships. We are pursuing market share gain and pipeline conversion as the twin drivers for our growth."

Group Chairman, William Fung added, "With ongoing trade uncertainties, we continue to help existing and new customers optimize their production across over 50 countries of export. This provides the best defense against fluctuations in trade policy and mitigates any negative impact from tariff increases. I am confident that our new leadership team and organizational structure will help us drive productivity, strengthen customer relationships and, in turn, grow market share.

For details of Li & Fung's 2018 Annual 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. It specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide, with over 230 offices across key production countries globally. Its goal is to create the supply chain of the future to help its customers navigate the digital economy and to improve the lives of one billion people in the supply chain.

For more information, please visit www.lifung.com

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