LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

Announcement of Results for the Year Ended 31 December 2017

- 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

	Continuing Operations[1]					
HIGHLIGHTS	**Like-for-like[2]**			**Reported**		
(US$ million)	**2017**	2016 (Restated)[3]	Change %	**2017**	2016 (Restated)[3]	Change %
Turnover	**13,534**	14,185	(4.6%)	**13,534**	14,751	(8.3%)
Total Margin	**1,386**	1,408	(1.5%)	**1,386**	1,495	(7.3%)
As % of Turnover	***10.2%***	*9.9%*		***10.2%***	*10.1%*	
Operating Costs	**1,030**	1,094	(5.8%)	**1,030**	1,177	(12.4%)
As % of Turnover	***7.6%***	*7.7%*		***7.6%***	*8.0%*	
Core Operating Profit	**356**	314	+13.3%	**356**	318	+11.8%
As % of Turnover	***2.6%***	*2.2%*		***2.6%***	*2.2%*	
Profit for the Year						
- Continuing Operations				**234**	195	+19.7%
- Discontinued Operations				**(543)**	61	
Profit Attributable to Shareholders[4]						
- Continuing Operations				**170**	160	+6.5%
- Discontinued Operations				**(545)**	61	
- Total				**(375)**	221	
Earnings per Share from Continuing Operations – Basic (HK cents)				**15.8**	14.9	
(equivalent to) (US cents)				***2.04***	*1.92*	
Dividend per Share[5] (HK cents)				**60.6**	23.0	+163.5%

1. Group results with Discontinued Operations separately presented given the strategic divestment of three Product Verticals announced in 2017
2. Excluding the Asia consumer and healthcare distribution business, which was divested in June 2016
3. 2016 comparatives restated with adoption of New Accounting Standard HKFRS 15 (Note 1 to the financial information)
4. Excluding profit attributable to holders of perpetual capital securities and non-controlling interests
5. Including interim dividend of 11 HK cents (2016: 11 HK cents), final dividend of 2 HK cents (2016: 12 HK cents) and conditional special dividend of 47.6 HK cents (2016: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Key Highlights

- 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

Results Overview

Three-Year Plan (2017- 2019) on Track

Our new Three-Year Plan got off a strong start in 2017 and we are on track to meet our financial targets and strategic goals. While our turnover continued to face pressure from input price deflation as well as the ongoing destocking and promotional activities among our brand and retail customers, we have seen early signs of stabilization due to our enhanced service offerings. Many of our customers have begun to embrace our speed and digital supply chain model, realizing tangible improvements in their inventory management as well as their sell-through and mark-down rates. We are confident that this trend will continue to attract new customers and increase our market share with existing ones. Meanwhile, our Logistics business maintained strong momentum in organic growth, which was largely driven by e-logistics services, deeper penetration of our core customers and entry to new markets.

Operating with higher productivity, better efficiency and strategic cost control, we were able to grow our profit margin percentage and profitability in a tough operating environment. We will continue to drive productivity with process improvements under our digitalized sourcing platform.

Speed Model and Digitalization

In an increasingly digitalized world, speed has become the new currency for brands and retailers. With the launch of our new Three-Year Plan, we embarked on our journey to create the supply chain of the future – an end-to-end digital supply chain augmented by data analytics that helps our customers optimize their ordering decisions and react to market changes with enhanced speed.

As part of our plan, we are converting the analog components of the supply chain into various digital modules such as 3D virtual design in product development, order tracking, and a raw materials platform. Over this Three-Year Plan, we have earmarked US$150 million for spending on digitalization, and these initiatives have been well-received by our customers. We are on track to deliver a fully-integrated digital platform that connects suppliers, customers and other partners with end-to-end visibility and data analytics. This will serve as the nucleus of our future service offerings, enabling Li & Fung to provide better and faster supply chain services beyond the traditional value-added services.

Strategic Initiatives

In order to strengthen our competitive position further and identify new emerging opportunities, we are focusing on three strategic initiatives as part of this Three-Year Plan. The expanded business development team is spearheading new customer wins and driving market share gain with core customers by orchestrating coordinated sales efforts across various teams. The corporate development team is leveraging our convening power to bring together diverse players from across the supply chain to create an ecosystem that benefits all stakeholders. The data analytics team is generating new insights from our growing data universe so we can design differentiated and timely products for our customers.

Repayment of US$500 Million Bond

With proceeds from the divestment of the Asia consumer and healthcare distribution business and the issuance of US$650 million of perpetual capital securities in 2016, we started 2017 with US$985 million of cash on our balance sheet. We further optimized our capital structure by using our cash on hand to repay the US$500 million bond in May 2017.

Reorganization

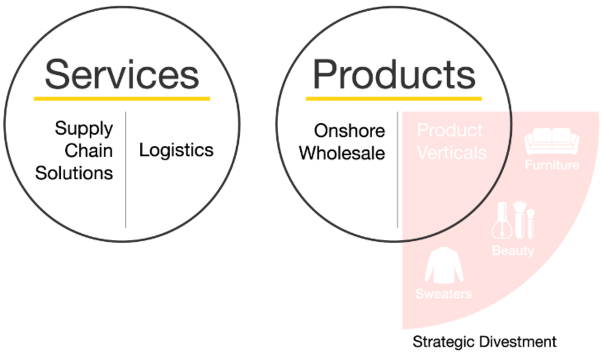
At the beginning of 2017, we reorganized our business into two segments, namely Services and Products, to support our new strategy. The Services segment consists of the Supply Chain Solutions and Logistics businesses. The synergistic combination of our Supply Chain Solutions business and Logistics business not only provides end-to-end supply chain solutions to our customers, but also facilitates cross-selling between the two businesses.

The Products segment consisted of the Onshore Wholesale business and three Product Verticals (furniture, beauty and sweaters), which represented our principal-to-principal business and were previously under the Trading network. This new organizational structure was intended to provide the Products segment with a higher level of autonomy to act with greater agility.

Strategic Divestment of Product Verticals and Special Dividend

In December 2017, we announced the strategic divestment of the three Product Verticals, furniture, beauty and sweaters. The strategic divestment will allow the Company to set the foundation for a more simplified organization with greater agility and focus on its core competencies, and enable our senior management team to focus resources on executing the Three-Year Plan. The Product Verticals' growth strategy in each product category necessitates further expansion upstream and downstream, requiring capital investment and management attention, which we believe is best achieved outside the Company and our current strategic direction. The strategic divestment is expected to bring in an extra US$1.1 billion of cash, of which US$520 million will be distributed as special dividend while the balance will be retained to enhance the Group's financial flexibility. The transaction received approval from our Independent Shareholders on 31 January 2018 and is targeted to close during the first half of 2018, subject to regulatory approval.

Given the strategic divestment, the three Product Verticals are now classified as Discontinued Operations. Our financial results and management discussion and analysis will mainly focus on our Continuing Operations, including Supply Chain Solutions, Logistics and Onshore Wholesale businesses. The Discontinued Operations of the three Product Verticals are being presented separately in the consolidated profit and loss account as a single line item.



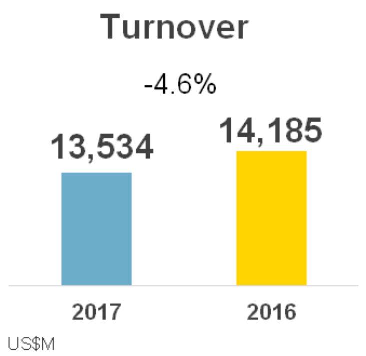
Results

The following financial results summary mainly focuses on our Continuing Operations, including Supply Chain Solutions, Logistics and Onshore Wholesale businesses. The three Product Verticals are classified as Discontinued Operations and presented separately as a single line item.

	Continuing Operations[1]					
	Like-for-like[2]			Reported		
	2017 US$m	2016 US$m (Restated)[3]	Change %	**2017 US$m**	2016 US$m (Restated)[3]	Change %
Turnover	**13,534**	14,185	(4.6%)	**13,534**	14,751	(8.3%)
Total Margin	**1,386**	1,408	(1.5%)	**1,386**	1,495	(7.3%)
As % of Turnover	***10.2%***	*9.9%*		***10.2%***	*10.1%*	
Operating Costs	**1,030**	1,094	(5.8%)	**1,030**	1,177	(12.4%)
As % of Turnover	***7.6%***	*7.7%*		***7.6%***	*8.0%*	
Core Operating Profit	**356**	314	+13.3%	**356**	318	+11.8%
As % of Turnover	***2.6%***	*2.2%*		***2.6%***	*2.2%*	
Profit for the Year						
- **Continuing Operations**				**234**	195	+19.7%
- Discontinued Operations				**(543)**	61	
- Total				**(309)**	256	
Profit Attributable to Shareholders[4]						
- **Continuing Operations**				**170**	160	+6.5%
- Discontinued Operations				**(545)**	61	
- Total				**(375)**	221	

1. *Group results with Discontinued Operations separately presented given the strategic divestment of three Product Verticals announced in 2017*
2. *Excluding the Asia consumer and healthcare distribution business, which was divested in June 2016*
3. *2016 comparatives restated with adoption of New Accounting Standard HKFRS 15 (Note 1 to the financial information)*
4. *Excluding profit attributable to holders of perpetual capital securities and non-controlling interests*

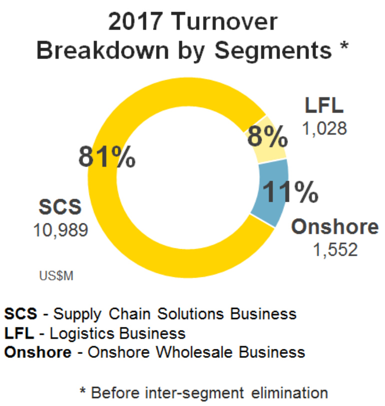
TURNOVER



Group Turnover, on a like-for-like basis, excluding the impact of the divestment of the Asia consumer and healthcare distribution business in 2016, decreased by 4.6% to US$13.5 billion. This was mainly due to customers' destocking and price deflation. Turnover was also negatively impacted by several customers who experienced bankruptcies last year. On a reported basis, turnover decreased by 8.3%. The rate of decline was lower than that in 2016 as the drop in the turnover of our Supply Chain Solutions business further narrowed.

Although retail consumption gradually improved towards the end of 2017, brands and retail customers continued to face disruptions from online retailers. Our customers responded by rationalizing physical store portfolios, continuing to destock, exercising tighter inventory control and launching their own online strategies.

These developments presented both opportunities and challenges. While conservative procurement by our customers led to smaller orders with shorter lead times - and hence lowered our turnover, it also provided growth opportunity for our speed model. Customers who adopted the speed model have been achieving better sell-through and reduced mark-down rates. In spite of the short-term pressure on our turnover, the speed model is helping us cultivate stickier, longer-lasting customer relationships in the medium term.



Supply Chain Solutions business, Logistics business and Onshore Wholesale business in the Americas, Europe, and Asia, accounted for 81%, 8% and 11% of Group turnover respectively.

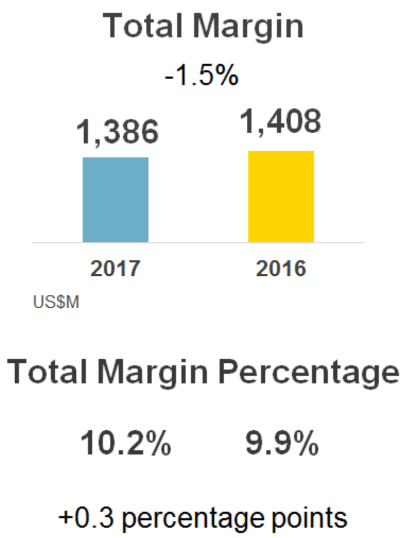
Logistics business turnover increased by 13.3% driven by strong demand for in-country logistics services. The growth momentum of the Logistics business continued to be largely driven by e-logistics, deeper penetration of our core customers and entry to new markets.

Turnover at Supply Chain Solutions business and Onshore Wholesale business decreased by 6.2% and 2.4% respectively primarily due to destocking and input price deflation. Our Onshore Wholesale business continued to experience turnover decline due to anemic consumer sentiment and an unstable economic environment particularly in Europe as well as short-term customer challenges in the US.

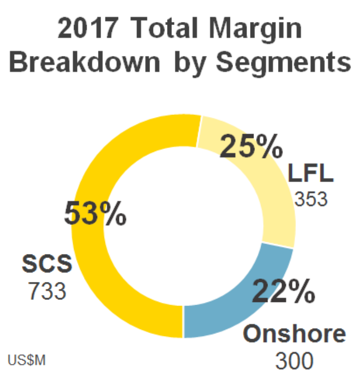
The Products segment has been restated to include only the Onshore Wholesale business in the Americas, Europe and Asia to reflect the strategic divestment of the Product Verticals.

Excluding the Logistics business, the Continuing Operations derived 74% and 26% of 2017 turnover from soft goods and hard goods respectively, compared with 71% for soft goods and 29% hard goods in 2016.

TOTAL MARGIN

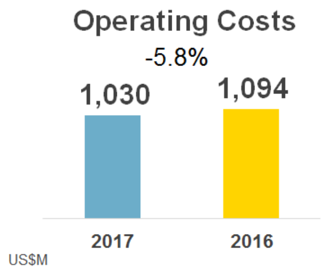


On a like-for-like basis, excluding the impact of the divestment of the Asia consumer and healthcare distribution business in 2016, total margin decreased by 1.5% to US$1,386 million. On a reported basis, total margin decreased by 7.3%. Total margin percentage improved by 0.3 percentage point on a like-for-like basis to 10.2% due to the increased contribution from the higher-margin Logistics business.



SCS - Supply Chain Solutions Business
LFL - Logistics Business
Onshore - Onshore Wholesale Business

Supply Chain Solutions business, Logistics business and Onshore Wholesale business accounted for 53%, 25% and 22% of the Continuing Operations' total margin, respectively, with the increased total margin in Logistics Business (13.1%) offset by the reduction in total margin in both Supply Chain Solutions business (5.5%) and Onshore Wholesale business (6.2%). This was due to the reduction in turnover and continued margin pressure in our Onshore Wholesale business.



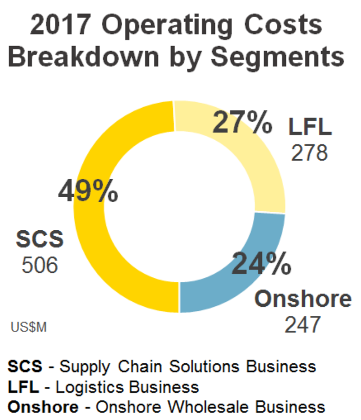
As a percentage of turnover

7.6% 7.7%

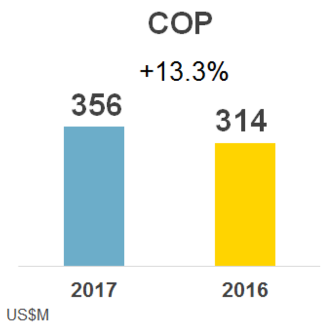
-0.1 percentage point

OPERATING COSTS

On a like-for-like basis, excluding the impact of the divestment of the Asia consumer and healthcare distribution business in 2016, operating costs decreased by 5.8%. On a reported basis, operating costs decreased by 12.4% to US$1,030 million. The decrease primarily resulted from our sustained efforts to enhance operating efficiency and productivity through the use of technology and process improvement.



Supply Chain Solutions business, Onshore Wholesale business and Logistics business accounted for 49%, 24% and 27% of operating costs. The operating costs of Supply Chain Solutions business and Onshore Wholesale business decreased by 14.0% and 3.0% respectively as driven by on-going productivity improvement and process streamlining. Operating costs for Logistics business increased by 10.6% as a result of continued business expansion.



COP Margin

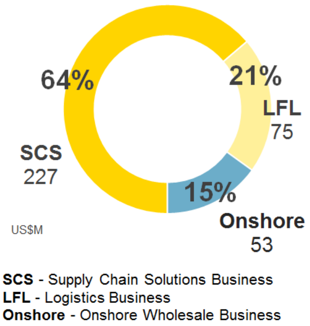
2.6% 2.2%

+0.4 percentage point

CORE OPERATING PROFIT

On a like-for-like basis, excluding the impact of the divestment of the Asia consumer and healthcare distribution business in 2016, core operating profit ("COP") increased by 13.3% to US$356 million. On a reported basis, core operating profit increased by 11.8%. The increase in COP was largely due to higher total margin percentage and lower operating costs. Both the Services and Products segments achieved reduction in operating costs through productivity gains and strategic cost control. As a result, COP margin increased by 0.4 percentage point to 2.6%.

2017 COP
Breakdown by Segments

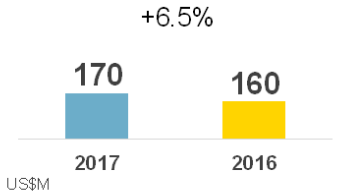


In 2017, Supply Chain Solutions business and Onshore Wholesale business respectively accounted for 64% and 15% the COP of the Continuing Operations, while Logistics business accounted for 21%.

COP for the Supply Chain Solutions business and Logistics business increased by 21.2% and 23.8% respectively while Onshore Wholesale business' COP decreased by 18.6%.

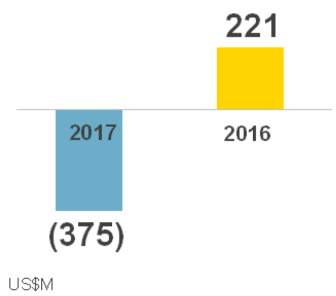
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Net Profit Attributable to Shareholders (Continuing Operations)



On a reported basis, net profit attributable to shareholders for Continuing Operations increased by 6.5% to US$170 million. Our net profit attributable to shareholders was impacted by the US$28 million increase in distribution related to the US$650 million in perpetual capital securities raised in 2016 as well as US$34 million in reorganization costs and write-off of legacy IT assets, which was offset by the US$31 million gain on remeasurement of consideration payable.

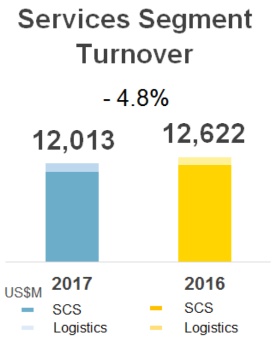
Net Profit Attributable to Shareholders

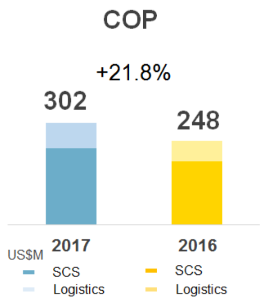


On a reported basis, the Group recorded a net loss of US$375 million attributable to shareholders for 2017 as compared to a net profit of US$221 million in 2016, as a result of the recognition of a one-time non-cash remeasurement loss for the Discontinued Operations of US$592 million in accordance with HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations, offset by US$47 million of net profit attributable to shareholders from Discontinued Operations. The above accounting losses have no impact on our future cash flow, or our future operational and financial performance. The strategic divestment will also trigger the realization of prior period foreign exchange non-cash translation losses in the Company's equity account at the time of closing in 2018. These non-cash translation losses of approximately US$78 million, based on financial position as at 31 December 2017, will be recorded in our 2018 financial results.

Services Segment

The Services segment is composed of Supply Chain Solutions business and Logistics business. We provide end-to-end supply chain solutions, from product design, raw materials procurement, production and quality control, to warehouse management and last-mile delivery to retail stores or end-consumers.





Cross-selling between Supply Chain Solutions and Logistics businesses has enhanced business opportunities and further solidified our relationships with customers. In 2017, the Services segment as a whole delivered a 21.8% increase in core operating profit. This was largely due to stabilization in turnover and total margin, coupled with strategic cost reduction for Supply Chain Solutions business, together with an increase in turnover and total margin for Logistics business.

Services - Supply Chain Solutions Business

Supply Chain Solutions business, which accounted for 81% of turnover of Continuing Operations, is the largest revenue generator for the Group. It offers strategic supply chain services, from product design and development to raw material and factory sourcing as well as manufacturing control for our brands and retail customers. The business has a diversified customer base that includes brands, specialty stores, department stores, big box retailers, e-commerce players, hypermarkets, off-price retailers and clubs. We also converted our supplier base of more than 15,000 to a new customer base for services that can improve their operational efficiencies and compliance levels. Furthermore, we are on track to deliver a digital platform that connects suppliers, customers and other partners with end-to-end visibility and data analytics. This will serve as the nucleus of our future service offerings enabling Li & Fung to provide better, faster supply chain services beyond the traditional sourcing services.

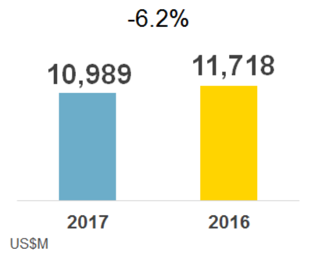
Supply Chain Solutions Business Results

	2017 US$m	2016 US$m	Change %
Turnover	**10,989**	11,718	(6.2%)
Total Margin	**733**	776	(5.5%)
As % of Turnover	***6.7%***	*6.6%*	
Operating Costs	**506**	588	(14.0%)
As % of Turnover	***4.6%***	*5.0%*	
Core Operating Profit	**227**	188	+21.2%
As % of Turnover	***2.1%***	*1.6%*	

In 2017, despite the continued destocking trend, Supply Chain Solutions business saw a stabilization in turnover with a reduced year-on-year decline. Soft goods remained the largest contributor, accounting for 75% of turnover. Deflationary pressure on input prices for soft goods remained at a low-single-digit percentage year on year. We continued to expand our customer base, especially in the off-price segments. Many of our customers have started to embrace our speed and digital supply chain model, realizing tangible improvements in their inventory management, sell-through and mark-down rates. This trend will continue to drive growth with existing customers and attract new ones.

New customer growth was particularly strong in the off-price sector in Europe, as evidenced by the 4.5% increase in Europe turnover despite weak consumer sentiment in the region. This largely offset pressure from retail store closures and the ongoing destocking trend in the US. Overall, profitability improved through effective cost control and a continued focus on enhanced productivity.

Supply Chain Solutions Business Turnover

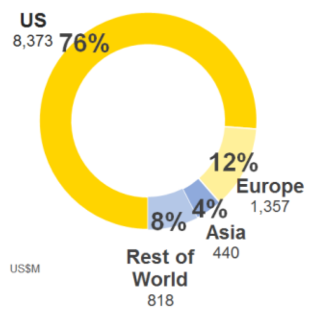


TURNOVER

Turnover of our Supply Chain Solutions business decreased by 6.2% to US$11.0 billion. Faced with a weak consumer market and a volatile retail environment, customers remained conservative in their buying programs. In the US, the situation was exacerbated by a high number of store closures which led to even more cautious buying patterns.

We continued to experience mild deflationary pressure on soft goods, but input prices have largely stabilized. Although the high rate of destocking has lessened, the trend toward tighter inventory control has intensified as brands and retailers continued to show caution in light of ever-changing consumer buying patterns. Our customers have been placing smaller orders, replenishing more often but with very short lead times. As the leader in global supply chain management with decades of experience through many business cycles, we are well equipped to meet customers' requirements.

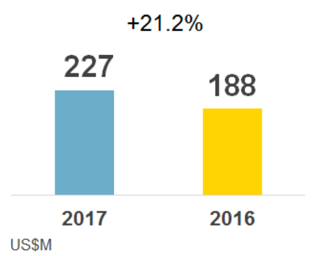
2017 Geographical Market Turnover



The US, Europe, Asia and Rest of World respectively accounted for 76%, 12%, 4% and 8% of Supply Chain Solutions business turnover in 2017.

Turnover of the business in the US and Rest of World decreased by 7.8% and 9.8% respectively. In Europe and Asia, we achieved 4.5% and 2.1% increase respectively in turnover, which was driven by new customer wins - especially in the off-price retail sector - despite the tough macro environment.

COP



COP Margin

2.1% 1.6%

+0.5 percentage point

CORE OPERATING PROFIT

Core operating profit (COP) increased by 21.2% to US$227 million while core operating profit margin increased by 0.5 percentage point to 2.1%. This was driven by:

- A 5.5% decrease in total margin on reduced turnover and stable total margin percentage of 6.7%, and
- A 14.0% decrease in operating costs to US$506 million. Cost savings resulted from productivity enhancement initiatives such as greater use of technology, process reengineering and digitalization. In addition, effective credit risk management led to reduced provision in accounts receivable in 2017.

Services – Logistics Business

Logistics business focuses on four core industry verticals: footwear & apparel, fast-moving consumer goods, food & beverage and healthcare. It consists of two sub-segments, Asia-focused in-country logistics and global freight management.

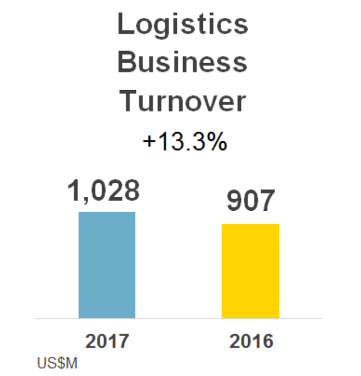
In-country logistics services include warehousing and transportation services, e-logistics, regional and global hub management, reverse logistics and other value-added services. We currently operate approximately 23.7 million square feet of warehouse space across fast-growing markets in Asia. China, our largest market, continues to enjoy strong growth momentum driven by e-commerce. Our state-of-the-art distribution hub in Singapore, opened in 2016 and is one of the largest bonded warehouses in ASEAN, has achieved full utilization much earlier than anticipated. We are now looking to develop another built-to-suit facility in Singapore to support future growth. Following the full implementation of the new Oracle transport management system across all our operations, we are now focusing on aggressively increasing our transport market share by cross-selling to our existing warehousing customers as well as new standalone transport customers. Our focus on labor productivity has started to yield positive results; this combined with initiatives focusing on selective automation and data analytics will continue to impact our profitability favorably going forward. By developing strong partnership with strategic regional customers, we have effectively extended our footprint into the key markets of India and Vietnam, following our successful entry into Korea and Japan.

Global freight management offers cargo consolidation and deconsolidation, freight forwarding and customs clearance services. With more than 600,000 TEUs of shipping volume, we are one of the leading freight forwarders in China. We continue to invest in state-of-the-art information technology platforms to improve our service offering and enhance our productivity.

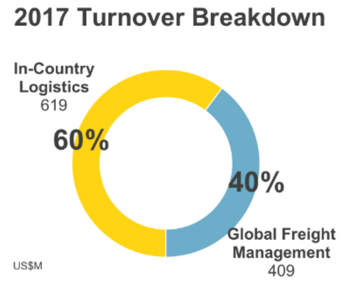
Logistics Business Results

	2017 US$m	2016 US$m	Change %
Turnover	**1,028**	907	+13.3%
Total Margin	**353**	312	+13.1%
As % of Turnover	***34.3%***	*34.3%*	
Operating Costs	**278**	251	+10.6%
As % of Turnover	***27.0%***	*27.7%*	
Core Operating Profit	**75**	61	+23.8%
As % of Turnover	***7.3%***	*6.7%*	

TURNOVER



Turnover of our Logistics business increased by 13.3% to US$1,028 million driven entirely by organic growth. Our new business wins together with the robust growth of consumption in Asia have provided strong impetus to in-country logistics, in particular, e-logistics. Our continuing success in the new markets of Japan and Korea, our recent expansion into India and Vietnam as well as our strong growth in China, Taiwan and Thailand have enabled us to further expand our market share.



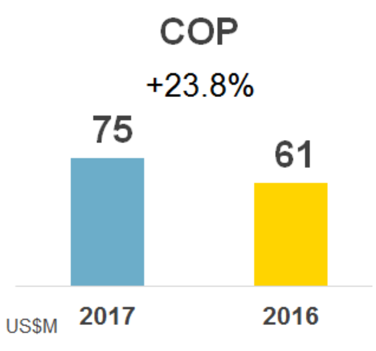
In-country logistics and global freight management accounted for 60% and 40% of the turnover of the Logistics business.

With our new customer wins, we have seen increase in turnover for both in-country logistics and global freight management of 15.3% and 10.5% respectively.

China is our key market for the Logistics business accounting for 57% of turnover. Rest of Asia, including Singapore, the Philippines, Malaysia, Indonesia and Korea accounted for 32% of turnover, while Rest of World accounted for 11%.

China showed the highest growth, registering 19.4% over 2016. Rest of Asia grew by 9.1% while Rest of World decreased slightly by 2.2%.

CORE OPERATING PROFIT



COP Margin

7.3% **6.7%**

+0.6 percentage point

Core operating profit (COP) increased by 23.8% to US$75 million. This was mainly driven by new customer wins, geographical expansion and our continued focus on productivity improvement.

Core operating profit margin expanded by 0.6 percentage point to 7.3%. This was largely due to customer mix optimization, productivity gain and increased penetration of the higher-margin value-added services.

Products Segment

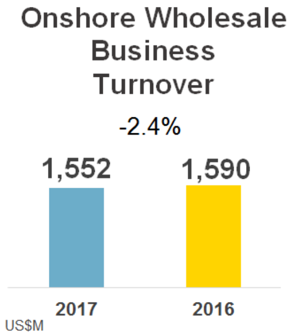
The Products segment consisted of our Onshore Wholesale business in three markets - the Americas, Europe, and Asia and three main Product Verticals, furniture, beauty and sweaters. We announced the strategic divestment of the three Product Verticals on 14 December 2017 and obtained our Shareholders' approval on 31 January 2018 with 99.94% of Independent Shareholder votes in favor of the transaction. The strategic divestment will allow the Company to set the foundation for a more simplified organization with greater agility and focus on its core competencies, and enable our senior management team to focus resources on executing the Three-Year Plan.

Onshore Wholesale Business

Going forward, the Products segment will consist of the Onshore Wholesale business operating as an onshore supplier in the Americas, Europe and Asia, primarily supplying apparel to largely the same customer base as our Supply Chain Solutions business. Onshore Wholesale business acts as an onshore importer for customers, and while the terms of each order are agreed on a per-program basis, its relationships with customers are typically long-term and strategic in nature. The business accounted for 11% of the Continuing Operations' turnover in 2017. It has faced challenges with lower turnover and total margin percentage due to customers' promotional activities and on-going margin pressure. We will reposition this business and continue to promote cross-selling between our Onshore Wholesale and Supply Chain Solutions businesses to enhance growth.

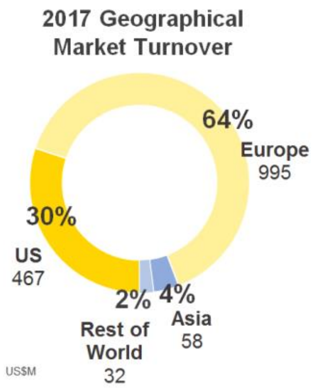
Onshore Wholesale Business Results

	2017	2016	Change
	US$m	US$m	%
Turnover	**1,552**	1,590	(2.4%)
Total Margin	**300**	320	(6.2%)
As % of Turnover	***19.4%***	*20.1%*	
Operating Costs	**247**	255	(3.0%)
As % of Turnover	***15.9%***	*16.0%*	
Core Operating Profit	**53**	66	(18.6%)
As % of Turnover	***3.4%***	*4.1%*	

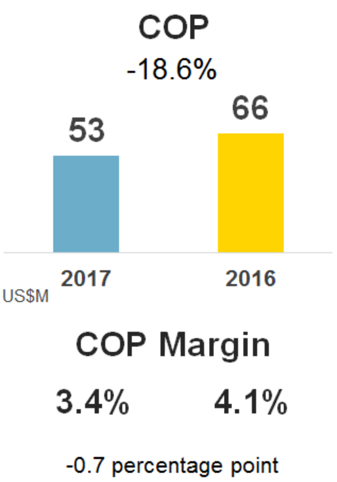


TURNOVER

Turnover of Onshore Wholesale business decreased by 2.4% year on year to US$1,552 million, largely due to anemic consumer sentiment and an unstable economic environment, particularly in Europe. Short-term customer challenges in the Americas impacted the business in that region.



The US, Europe and Asia respectively accounted for 30%, 64%, and 4% of segment turnover. Turnover in the US increased by 3.8%, the growth rate was negatively impacted by some of our proposed apparel programs not being chosen by our customers during the 2017 seasons, as well as promotional activities in the US. Turnover in Europe dropped by 6.6% amidst a weak economy. Turnover in Asia increased by 34.0% as we continue to build out our wholesale business for our Asia customers.



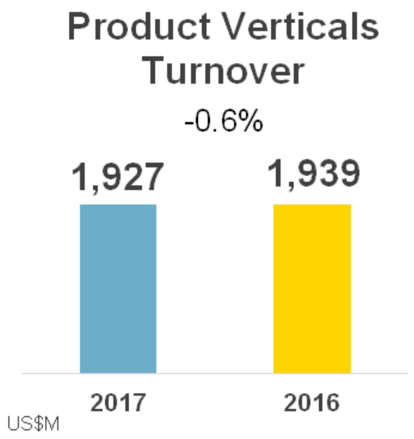
CORE OPERATING PROFIT

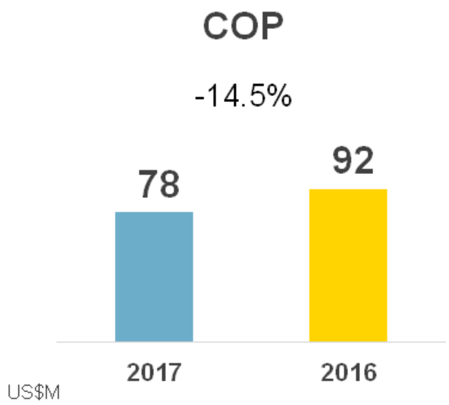
Core operating profit (COP) for Onshore Wholesale business decreased by 18.6% to US$53 million due to a reduction in total margin of 6.2% which resulted from the decrease in total turnover, offset by a 3.0% reduction in operating cost as we contained our cost base to remain competitive.

Core operating profit margin decreased by 0.7 percentage point to 3.4%, which was largely driven by a 0.7 percentage point reduction in total margin percentage due to a highly promotional retail environment and margin pressure, while our operating costs as a percentage of turnover remained flat.

Product Verticals – Discontinued Operations

With the expected completion of the strategic divestment following Shareholders' approval in January 2018, the three Product Verticals have been classified as Discontinued Operations. While turnover for the Product Verticals was relatively flat year on year, core operating profit decreased by 14.5% to US$78 million due to on-going investment needs to fund the Product Verticals. The financial performance of the discontinued business is presented separately in the consolidated profit and loss account as one line item below the results of Continuing Operations.

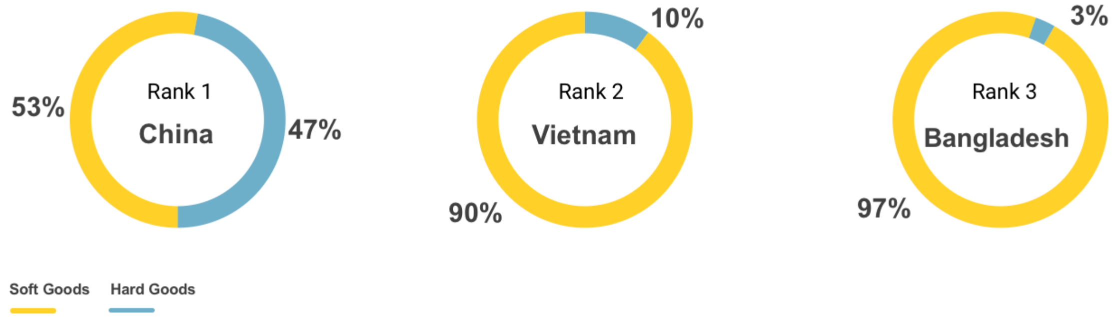




Top Sourcing Countries

Our global network of more than 15,000 suppliers, spanning over 40 economies, allows for flexibility when moving orders from one production country to another to better manage manufacturing constraints and optimize customers' margins. In 2017, our top three sourcing countries were China, Vietnam and Bangladesh. We also have sizeable sourcing operations in other countries such as Cambodia, Indonesia and India. We are among the largest exporters in our product categories in our major sourcing countries. This comprehensive global network, combined with strong local presence, long operating history and critical mass, is one of Li & Fung's unique competitive strengths. As the sourcing landscape continues to evolve with changes in trade policies and sourcing requirements, we are very well positioned to scale our existing operations to source in the most efficient way possible for our customers.

Top Three Sourcing Countries (Continuing Operations)



People

Our people are our most valuable assets. As at 31 December 2017, we had a total workforce of 21,322 (21,510 as at 31 December 2016). Excluding Discontinued Operations, we had a total work force of 17,371 as at 31 December 2017 (17,798 as at 31 December 2016). The 17,371 workforce included 6,789 warehouse-related employees primarily for our Logistics business. Total manpower costs of Continuing Operations for 2017 were US$755 million compared with US$802 million in 2016. We will continue to enhance the productivity of our workforce and equip our people for the new digital world. We are grateful for our colleagues' commitment to build the supply chain of the future.

Balance Sheet and Capital Structure

Strong Cash Position

After taking into account the strategic divestment of Product Verticals, Li & Fung continues to have stable and strong cash flow conversion in the Continuing Operations, which comprises Supply Chain Solutions, Logistics and Onshore Wholesale businesses. Our operating cashflow, together with US$985 million cash on hand carried forward from the previous year, more than adequately funded our working capital, interest expenses, capital expenditure, distribution, dividends and repayment of bonds in 2017. To summarize key cashflow statement items:

- Operating cash flow from Continuing Operations: US$313 million, in line with core operating profit after working capital, depreciation and tax payments
- Capital expenditures: US$91 million
- Payments for consideration payable for previous acquisitions: US$68 million
- Net interest expenses: US$54 million
- Distribution to perpetual capital securities holders: US$64 million
- Dividend payments: US$250 million

In terms of future commitments, the remaining balance of total purchase consideration payable for acquisitions was reduced to US$62 million by the end of December 2017, of which US$44 million is earn-out payments to be substantially paid over the course of next two years. We continue to be asset-light, and our on-going total capital expenditures mainly include digitalization investments, Logistics business expansion and capital expenditures for continuing maintenance.

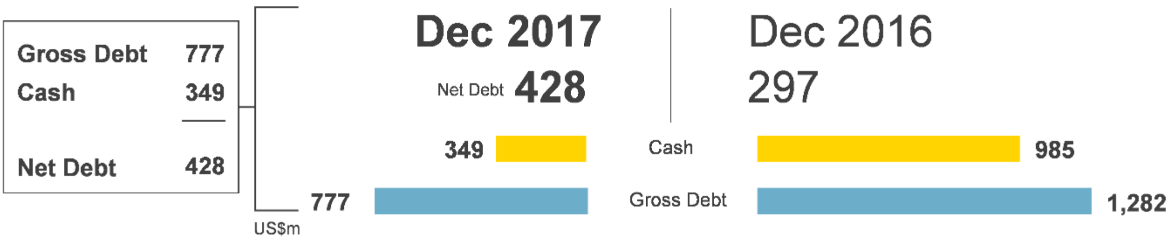
In 2017, we utilized US$500 million of cash on hand to repay the bond due in May 2017 and further solidify and deleverage our balance sheet.

Strong Balance Sheet

As at 31 December 2017, the cash position of our Continuing Operations was US$349 million after the repayment of US$500 million in bonds and payments of the 2016 final and 2017 interim dividends. Our total borrowings of US$777 million mainly represented a decrease of US$500 million following the repayment of the bonds in May, using proceeds from the issuance of perpetual capital securities in 2016. The cash position of the Discontinued Operations as at 31 December 2017 was US$193 million, which could be transferred to the Continuing Operations at the time of closing of the strategic divestment as part of the purchase consideration adjustments on cash free/debt free basis, along with the working capital and other closing adjustments, subject to the operating cash needs of the Discontinued Operations during the stub period from 31 December 2017 to the time of closing.

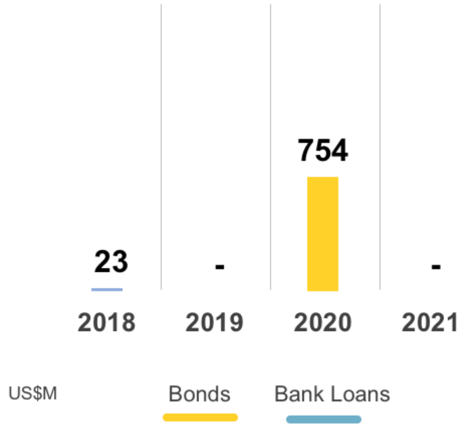
Our net debt (total borrowings minus cash) was US$428 million as at 31 December 2017. Our weighted average tenure of total borrowing is over two years. We have US$727 million in committed bank loan facilities with tenure in both 2019 and 2020. The majority of our debt is at a fixed rate and denominated in US dollars. Given the uncertainties in the global macroeconomic and geopolitical environments, we remain cautious in how we manage our balance sheet and maintain maximum financial flexibility to provide assurance to our customers and suppliers.

Cash and Gross Debt



2017 figures represent Continuing Operations; 2016 figures represent reported balance sheet as at 31 December 2016

Debt Maturity Schedule (Continuing Operations)

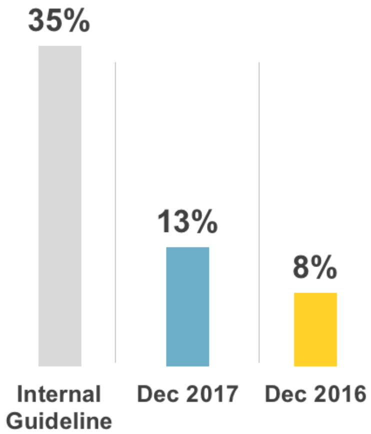


Gearing Ratio and Current Ratio

Our gearing ratio and current ratio of the Continuing Operations were 13% and 1.4 respectively as at 31 December 2017 (8% and 1.1 respectively for the Group as at 31 December 2016). The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term bank loans, long-term bank loans and long-term notes) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

We continued to take a conservative approach in managing our balance sheet and capital structure. As at 31 December 2017, our credit rating was Baa1 according to Moody's and BBB+ according to Standard & Poor's. We are committed to maintaining a strong balance sheet, healthy cash flow and strong credit ratios, with the long-term target of retaining an investment-grade rating.

Gearing Ratio *



Credit Rating

* 2017 ratio represents Continuing Operations; 2016 ratio represents reported balance sheet as at 31 December 2016

Banking Facilities

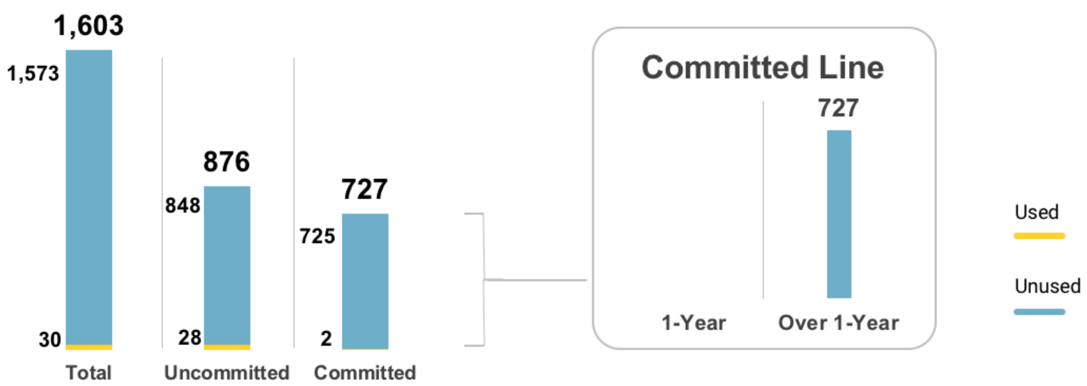
Bank Loans and Overdrafts

As at 31 December 2017, we had available bank loans and overdraft facilities of US$1,603 million, of which US$727 million were committed facilities. The majority of the committed facilities have tenure up to 2019. Only US$30 million of the Group's bank loans and overdraft facilities was utilized, of which US$25 million and US$5 million were utilized by the Continuing Operations and the Discontinued Operations respectively. Unused limits for bank loans and overdraft facilities amounted to US$1,573 million, with US$725 million being unused committed facilities.

Trade Finance

The Group's normal trading operations are well supported by US$2.5 billion in bank trading facilities that mainly include letters of credit issued to suppliers and bills discounting. Given the strategic divestment of the Product Verticals, we expect that the required available bank facilities will be reduced proportionately after the transaction closes. A letter of credit is a common means of payment to suppliers to support cross-border trades. The Group's payment obligations on letters of credit issued to suppliers will only be crystallized when our suppliers have shipped the merchandise to our customers or to the Group in accordance with all the terms and conditions specified in the related contractual documents. As at 31 December 2017, only approximately 12% of the trade finance facilities was used.

Unused Bank Loans
US$m



Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

Given the unique nature of our acquired businesses, which are private enterprises that rely on their respective entrepreneurs' commercial skills to drive their success, we generally structure our acquisitions with incentive schemes and contingent payments on purchase consideration payables linked to the future performance of the acquired businesses. We follow a stringent internal financial and accounting policy in evaluating potential adjustment to the estimated fair value of purchase consideration payable in accordance with the accounting standard HKFRS 3 (Revised), Business Combinations.

Our contingent consideration payables are performance-based payments in the form of "earn-out" and "earn-up" payments, which depend on a set of predetermined performance targets mutually agreed upon with entrepreneurs in accordance with sale and purchase agreements.

Earn-out payments are generally payable within three to four years upon completion of a transaction.

Earn-up payments have a high performance target threshold and, if earned, are typically payable over a period of up to five to six years upon completion of a transaction.

While many of our acquired businesses remain profitable and are growing, we may still be required to make a downward fair value adjustment to certain purchase consideration payables should the acquired businesses be unable to achieve the predetermined performance threshold within the specific timeframe as stipulated in the sale and purchase agreement. Given that the contingent consideration entitlement is usually contractual in nature and based on a specific formula linking to a particular threshold, the underlying performance of the acquired businesses could continue to grow, yet we may still be required to adjust the purchase consideration payable, especially if the high performance thresholds of earn-ups are not reached. In 2017, there was a US$31 million write-back of acquisitions payable.

Goodwill Impairment Tests

We perform goodwill impairment tests based on the cash-generating units (CGU) that manage acquired businesses in accordance with HKAS 36, Impairment of Assets. Based on our assessment of all of the CGUs under the current operating structure of the Group, we have determined that there was no goodwill impairment as at 31 December 2017, as the recoverable amount of each CGU was in excess of its respective carrying value of the goodwill. We will continue to perform goodwill impairment tests on an on-going basis.

Remeasurement Loss on Assets Classified as Held for Sale

As a result of the strategic divestment, the three Product Verticals were recognized as assets classified as held for sale in accordance with HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and were required to be marked down to the lower of their carrying value and fair value less costs to sell. In such respect, an unrealized non-cash remeasurement loss of US$592 million was recognized as at 31 December 2017, estimated based on the carrying value of the relevant goodwill and other asset/liabilities of the three Product Verticals as at 31 December 2017, on cash free/debt free basis and adjusted for relevant closing adjustments. The strategic divestment is targeted to close during the first half of 2018, subject to regulatory approval. Any true-up amount based on the then prevailing carrying value of the net assets of the Discontinued Operations will be recognized as gain/loss on disposal at closing in 2018.

In respect of the three Product Verticals, the Group has already recognized US$288 million in gain on remeasurement of contingent consideration payable in previous years. Should the above write-back be taken into overall consideration, the loss on remeasurement of assets held for sale from the strategic divestment of the three Product Verticals would have been adjusted to US$305 million.

Adoption of New Accounting Standard, HKFRS 15, Revenue from Contracts with Customers

To augment the consistency of our financial information throughout the period, we have elected to apply HKFRS 15, Revenue from Contracts with Customers, in 2017. This new accounting standard provides clear guidance on the timing and basis of recognition for revenue. Timing of recognition is based on the transfer of control of goods or services rather than transfer of risks and rewards. Basis of recognition is determined based on the assumption of primary responsibility to the customers, risk associated with inventories and control of price determination. Prior period comparatives have been retrospectively restated. Applying this new accounting standard resulted in decrease in turnover and costs of goods sold by approximately US$94 million and decrease in operating profit by approximately US$2 million for 2016. Further information about the application has been set out in *Note 1* to the financial information.

Risk Management

We have strict policies governing accounting control, credit and foreign exchange risk, and treasury management.

Credit Risk Management

Credit risk mainly arises from trade and other receivables. Our principal trading business carries a higher credit risk profile given that we are acting as a supplier and therefore take full counterparty risk for our customers in terms of accounts receivable and inventory.

In addition, as we provide working capital solutions to our suppliers via LF Credit by selectively settling accounts payable earlier at a discount, we also assume direct counterparty risk for our customers for such receivables. With the increased insolvency risk among global brands and retail customers, we have deployed a global credit risk management framework with a tightened risk profile, and applied prudent policies to manage our credit risk with such receivables that include, but are not limited to, the measures set out below:

- We select customers in a cautious manner. Our credit control team uses a risk assessment system to evaluate the financial strength of individual customers prior to agreeing on trade terms. It is not uncommon for us to require securities (such as standby or commercial letters of credit, or bank guarantees) from customers who fall short of the required minimum score under our risk assessment system

- A significant portion of trade receivable balances is covered by trade credit insurance or factored to external financial institutions on a non-recourse basis

- We have established a credit risk system with a dedicated team, and tightened policies to ensure on-time recoveries from trade debtors

- We have put in place rigid internal policies that govern provisions made for both inventories and receivables to motivate business managers to step up their efforts in these two areas, and to avoid any significant impact on their financial performance

Foreign Exchange Risk Management

Most of our cash balances are HK dollar and US dollar deposits with major global financial institutions, and most of our borrowings are denominated in US dollars.

Our revenues and payments are predominantly transacted in US dollars. Therefore, we do not believe there is significant risk exposure in relation to foreign exchange rate fluctuations. There are small portions of sales and purchases transacted in different currencies, for which we arrange hedging through foreign exchange forward contracts.

For transactions that are subject to foreign exchange risk, we hedge our foreign currency exposure once we receive confirmed orders or enter into customer transactions. To mitigate the impact from changes in foreign exchange rates, we regularly review our operations in these countries and make necessary hedging arrangements in certain currencies against the US dollar.

However, we do not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of our non-US dollar foreign operations for either our income statements or balance sheet reporting purposes. Since our functional currency is the US dollar, we are subject to exchange rate exposure from the translation of foreign operations' local results to US dollars at the average rate for the period of group consolidation. Our net equity investments in non-US dollar-denominated businesses are also subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US dollar will result in unrealized gain or loss from time to time, which is reflected as movement in exchange reserve in the consolidated statement of changes in equity.

From a medium-to long-term perspective, we manage our operations in the most cost-effective way possible within our global network. We strictly prohibit any financial derivative arrangement merely for speculation.

Outlook

Retail sentiment turned more positive in the last quarter of 2017 and the recovery trend seemed intact as of early 2018. However, macroeconomic uncertainties remain as the Federal Reserve continues to strike a delicate balance along the interest rate cycle. We are also expecting more retail store closures this year as retailers continue to rationalize their store portfolios.

Destocking will continue as tight inventory control, which grew out of the tough retail environment of past years, is unlikely to relax. In fact, conservative and just-in-time inventory management has become the new norm as consumer demand is changing at a much more rapid pace in a digital market place. This requires our customers to be more agile and flexible in order to excel in the fast-changing market. Many of them are relying on our digitalized supply chain to achieve speed-to-market and we believe the adoption rate of our speed model and other digital services will continue to rise.

We target to complete the strategic divestment of our three Product Verticals during the first half of 2018, subject to regulatory approval. The transaction will enhance our financial flexibility and allow us to focus our resources on core competencies. The remaining business will consist of Supply Chain Solutions, Logistics and Onshore Wholesale businesses. Supply Chain Solutions and Logistics businesses of Services segment together offer end-to-end solutions to our customers. Complemented with our Onshore Wholesale business of our Products segment, we are offering our customers with great flexibility and deep product design expertise; a unique supply chain solution that can help our customers to compete better in the marketplace.

We have developed solid capabilities to capture revenue streams with strong growth potential. The development of omni-channel retailing – the integration of brick-and-mortar and online retailing – by both pure online and traditional retailers have been generating incremental demand for us. We are already serving customers operating in different retail formats and providing insightful analytics from our proprietary database.

Our in-country logistics business will continue to benefit from our expanded geographical coverage, strong demand for regional and global hubbing and e-logistics services as well as an aggressive push on growing our transportation offering. With the continuing robust performance of the existing markets and with the successful penetration into new growth markets such as India and Vietnam, we are poised to ride on the medium- to long-term trend of rapidly rising middle-class consumption in Asia for years to come. Our global freight management business promises exciting growth opportunities on the back of our recently implemented IT platform and enhanced agent network. Overall, we feel sanguine about the growth prospects of the Logistics business for years to come.

Our new Three-Year Plan has enjoyed a strong start and we will remain laser-focused on achieving our goal to create the supply chain of the future. The strategic divestment of the three Product Verticals will allow us to streamline our operations further and focus on our core business. We are on track to deliver a digital platform that connects suppliers, customers and other partners with end-to-end visibility and data analytics to enhance procurement decision-making. This will serve as the nucleus of our future service offerings, enabling Li & Fung to provide better, faster supply chain services beyond the traditional value-added services, ultimately creating new opportunities and revenue streams for the Group in the future.

We announce the audited consolidated profit and loss account, audited consolidated statement of comprehensive income and audited consolidated cash flow statement of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 and the audited consolidated balance sheet of the Group as at 31 December 2017 together with the comparative figures in 2016. The annual results have been reviewed by the Company's audit committee and agreed by the Company's auditor.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**2017 US$'000**	2016 US$'000 (Restated)
Continuing Operations			
Turnover	*3*	**13,534,209**	14,751,222
Cost of sales		**(12,185,061)**	(13,276,977)
Gross profit		**1,349,148**	1,474,245
Other income		**37,124**	20,782
Total margin		**1,386,272**	1,495,027
Selling and distribution expenses		**(395,279)**	(470,012)
Merchandising and administrative expenses		**(635,141)**	(706,614)
Core operating profit	*3*	**355,852**	318,401
Gain on remeasurement of contingent consideration payable	*4*	**31,492**	-
Amortization of other intangible assets	*4*	**(23,327)**	(20,011)
Gain on disposal of business	*4*	**-**	7,871
One-off reorganization costs	*4*	**(33,945)**	(5,863)
Operating profit	*3 & 4*	**330,072**	300,398
Interest income		**12,261**	15,713
Interest expenses			
Non-cash interest expenses		**(3,284)**	(3,971)
Cash interest expenses		**(66,477)**	(86,477)
		(69,761)	(90,448)
Share of profits less losses of associated companies and joint venture		**1,898**	1,748
Profit before taxation		**274,470**	227,411
Taxation	*5*	**(40,830)**	(32,288)
Profit for the year from Continuing Operations		**233,640**	195,123
Discontinued Operations			
(Loss)/profit for the year from Discontinued Operations	*12(a)*	**(543,045)**	61,068
Net (loss)/profit for the year		**(309,405)**	256,191

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED)

	Note	**2017 US$'000**	2016 US$'000 (Restated)
Attributable to:			
Shareholders of the Company		**(374,573)**	221,077
Holders of perpetual capital securities		**64,125**	35,687
Non-controlling interests		**1,043**	(573)
		(309,405)	256,191
Attributable to the Shareholders of the Company arising from:			
Continuing Operations		**170,418**	160,009
Discontinued Operations	*12(a)*	**(544,991)**	61,068
		(374,573)	221,077
Earnings/(losses) per share for profit attributable to the Shareholders of the Company during the year	*6*		
- Basic from Continuing Operations		**15.8 HK cents**	14.9 HK cents
(equivalent to)		**2.04 US cents**	1.92 US cents
- Basic from Discontinued Operations		**(50.6) HK cents**	5.7 HK cents
(equivalent to)		**(6.52) US cents**	0.73 US cents
- Diluted from Continuing Operations		**15.7 HK cents**	14.8 HK cents
(equivalent to)		**2.02 US cents**	1.90 US cents
- Diluted from Discontinued Operations		**(50.1) HK cents**	5.6 HK cents
(equivalent to)		**(6.46) US cents**	0.73 US cents
Dividends	*7*	**661,443**	249,427

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**2017 US$'000**	2016 US$'000 (Restated)
Net (loss)/profit for the year		**(309,405)**	256,191
Other comprehensive income/(expense):			
Item that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax		**6**	(2,991)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences*		**82,191**	(137,745)
Net fair value (losses)/gains on cash flow hedges, net of tax		**(6,959)**	4,373
Net fair value gains on available-for-sale financial assets, net of tax		**174**	310
Total items that may be reclassified subsequently to profit or loss		**75,406**	(133,062)
Total other comprehensive income/(expense) for the year, net of tax		**75,412**	(136,053)
Total comprehensive (expense)/income for the year		**(233,993)**	120,138
Attributable to:			
Shareholders of the Company		**(299,185)**	85,572
Holders of perpetual capital securities		**64,125**	35,687
Non-controlling interests		**1,067**	(1,121)
Total comprehensive (expense)/income for the year		**(233,993)**	120,138
Attributable to the Shareholders of the Company arising from:			
Continuing Operations		**217,611**	79,384
Discontinued Operations	*12(a)*	**(516,796)**	6,188
		(299,185)	85,572

* *Exchange differences resulting from translation of the results and financial positions of the Group entities with functional currencies other than the Group's presentation currency.*

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2017 US$'000	2016 US$'000 (Restated)	As at 1 January 2016 US$'000 (Restated)
Non-current assets				
Intangible assets		**2,347,011**	3,896,973	4,266,863
Property, plant and equipment		**208,221**	221,550	241,626
Prepaid premium for land leases		**67**	127	1,942
Associated companies		**12,393**	11,005	10,070
Joint venture		**996**	760	313
Available-for-sale financial assets		**4,338**	4,164	3,854
Other receivables, prepayments and deposits		**27,738**	27,458	26,217
Deferred tax assets		**17,456**	16,419	36,527
		2,618,220	4,178,456	4,587,412
Current assets				
Inventories		**147,803**	277,841	566,002
Due from related companies		**463,163**	487,033	486,939
Trade and bills receivable	*8*	**1,148,560**	1,547,208	1,689,413
Other receivables, prepayments and deposits		**150,252**	218,504	268,012
Derivative financial instruments		**-**	10,697	4,272
Cash and bank balances		**348,940**	985,039	342,243
		2,258,718	3,526,322	3,356,881
Assets classified as held for sale	*12(d)*	**1,641,065**	-	-
Current liabilities				
Due to related companies		**124**	2,093	1,038
Trade and bills payable	*9*	**1,733,661**	2,083,875	2,464,785
Accrued charges and sundry payables		**468,089**	553,292	635,579
Purchase consideration payable for acquisitions	*10*	**42,166**	67,794	86,266
Taxation		**43,908**	55,711	56,463
Bank advances for discounted bills	*8*	**1,724**	22,773	33,681
Short-term bank loans		**22,970**	29,180	95,819
Derivative financial liabilities		**5,355**	-	-
Current portion of long-term notes	*10*	**-**	499,819	-
		2,317,997	3,314,537	3,373,631
Liabilities associated with assets classified as held for sale	*12(d)*	**466,570**	-	-
Net current assets/(liabilities)		**1,115,216**	211,785	(16,750)
Total assets less current liabilities		**3,733,436**	4,390,241	4,570,662

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December 2017 US$'000	2016 US$'000 (Restated)	As at 1 January 2016 US$'000 (Restated)
Financed by:				
Share capital		**13,574**	13,487	13,487
Reserves		**1,734,172**	2,287,893	2,466,130
Shareholders' funds attributable to the Company's Shareholders		**1,747,746**	2,301,380	2,479,617
Holders of perpetual capital securities		**1,158,687**	1,158,687	503,000
Written put option on non-controlling interests		**(67,000)**	-	-
Non-controlling interests		**74,262**	(1,083)	4,293
Total equity		**2,913,695**	3,458,984	2,986,910
Non-current liabilities				
Long-term notes	*10*	**752,432**	753,458	1,253,823
Purchase consideration payable for acquisitions	*10*	**19,417**	93,742	156,236
Other long-term liabilities	*10*	**29,034**	32,589	116,420
Post-employment benefit obligations		**14,165**	22,517	21,909
Deferred tax liabilities		**4,693**	28,951	35,364
		819,741	931,257	1,583,752
		3,733,436	4,390,241	4,570,662

CONSOLIDATED CASH FLOW STATEMENT

	Note	**2017 US$'000**	2016 US$'000 (Restated)
Continuing Operations			
Operating activities			
Net cash inflow generated from operations	*11*	**359,619**	304,396
Hong Kong profits tax paid, net of refund		**(6,647)**	(3,408)
Overseas taxation paid		**(40,102)**	(29,252)
Net cash inflow from operating activities		**312,870**	271,736
Investing activities			
Purchases of property, plant and equipment		**(71,689)**	(47,197)
Payments for system development, software, license and other intangible assets		**(18,900)**	(6,997)
Settlement of consideration payable for prior years acquisitions of businesses		**(67,811)**	(87,271)
Disposal of business		**-**	316,196
Proceeds from disposal of property, plant and equipment and prepaid premium for land leases		**6,289**	4,879
Interest income		**12,261**	15,713
Dividends received from associated companies		**821**	835
Investing in a joint venture		**(529)**	(612)
Other investing activities		**-**	(1,494)
Net cash (outflow)/inflow from investing activities		**(139,558)**	194,052
Net cash inflow before financing activities		**173,312**	465,788
Financing activities			
Interest paid		**(66,477)**	(86,477)
Net proceeds from issuance of perpetual capital securities, net of transaction cost		**-**	645,500
Distributions made to holders of perpetual capital securities		**(64,125)**	(30,000)
Repayment of long-term notes		**(500,000)**	-
Dividends paid		**(250,200)**	(281,961)
Purchase of shares for Share Award Scheme		**(1,706)**	(12)
Net repayment of bank loans		**(938)**	(168,193)
Net cash (outflow)/inflow from financing activities		**(883,446)**	78,857
(Decrease)/increase in cash and cash equivalents from Continuing Operations		**(710,134)**	544,645
Discontinued Operations			
Increase in cash and cash equivalents from Discontinued Operations	*12(e)*	**251,474**	105,289
(Decrease)/increase in cash and cash equivalents		**(458,660)**	649,934

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Note	**2017 US$'000**	2016 US$'000 (Restated)
Cash and cash equivalents at 1 January			
Continuing Operations		**830,558**	222,783
Discontinued Operations		**154,481**	119,460
		985,039	342,243
(Decrease)/increase in cash and cash equivalents		**(458,660)**	649,934
Effect of foreign exchange rate changes		**15,139**	(7,138)
Cash and cash equivalents classified as assets held for sale		**(192,578)**	-
Cash and cash equivalents of Continuing Operations as of 31 December		**348,940**	985,039
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**348,940**	985,039

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Shareholders of the Company								
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Holders of perpetual capital securities US$'000	Written put option on non-controlling interests US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2017, as previously reported	**13,487**	**714,536**	**431,450**	**1,166,071**	**2,325,544**	**1,158,687**	**-**	**(1,083)**	**3,483,148**
Impact of adoption of HKFRS 15	**-**	**-**	**(3,073)**	**(21,091)**	**(24,164)**	**-**	**-**	**-**	**(24,164)**
Balance at 1 January 2017, as restated	**13,487**	**714,536**	**428,377**	**1,144,980**	**2,301,380**	**1,158,687**	**-**	**(1,083)**	**3,458,984**
Comprehensive (expense)/income									
Profit or loss	**-**	**-**	**-**	**(374,573)**	**(374,573)**	**64,125**	**-**	**1,043**	**(309,405)**
Other comprehensive income/(expense)									
Currency translation differences	**-**	**-**	**82,167**	**-**	**82,167**	**-**	**-**	**24**	**82,191**
Net fair value gains on available-for-sale financial assets, net of tax	**-**	**-**	**174**	**-**	**174**	**-**	**-**	**-**	**174**
Net fair value losses on cash flow hedges, net of tax	**-**	**-**	**(6,959)**	**-**	**(6,959)**	**-**	**-**	**-**	**(6,959)**
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	**-**	**-**	**6**	**-**	**6**	**-**	**-**	**-**	**6**
Total other comprehensive income, net of tax	**-**	**-**	**75,388**	**-**	**75,388**	**-**	**-**	**24**	**75,412**
Total comprehensive income/(expense)	**-**	**-**	**75,388**	**(374,573)**	**(299,185)**	**64,125**	**-**	**1,067**	**(233,993)**
Transactions with owners in their capacity as owners									
Purchase of shares for Share Award Scheme	**-**	**-**	**(1,706)**	**-**	**(1,706)**	**-**	**-**	**-**	**(1,706)**
Issuance of shares for Share Award Scheme	**87**	**-**	**(87)**	**-**	**-**	**-**	**-**	**-**	**-**
Employee Share Option and Share Award Scheme:									
- value of employee services	**-**	**-**	**16,735**	**-**	**16,735**	**-**	**-**	**-**	**16,735**
- vesting of shares for Share Award Scheme	**-**	**13,991**	**(13,991)**	**-**	**-**	**-**	**-**	**-**	**-**
Distribution to holders of perpetual capital securities	**-**	**-**	**-**	**-**	**-**	**(64,125)**	**-**	**-**	**(64,125)**
Transfer to capital reserve	**-**	**-**	**4,861**	**(4,861)**	**-**	**-**	**-**	**-**	**-**
2016 final dividend paid	**-**	**-**	**-**	**(130,136)**	**(130,136)**	**-**	**-**	**-**	**(130,136)**
2017 interim dividend paid	**-**	**-**	**-**	**(120,064)**	**(120,064)**	**-**	**-**	**-**	**(120,064)**
Written put option on non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**(67,000)**	**-**	**(67,000)**
Non-controlling interests arising from business combination	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55,000**	**55,000**
Transactions with non-controlling interests	**-**	**-**	**-**	**(19,278)**	**(19,278)**	**-**	**-**	**19,278**	**-**
Total transactions with owners in their capacity as owners	**87**	**13,991**	**5,812**	**(274,339)**	**(254,449)**	**(64,125)**	**(67,000)**	**74,278**	**(311,296)**
Balance at 31 December 2017	13,574	728,527	509,577	496,068	1,747,746	1,158,687	(67,000)	74,262	2,913,695

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to Shareholders of the Company							
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Holders of perpetual capital securities US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2016, as previously reported	13,487	704,618	554,903	1,229,865	2,502,873	503,000	4,293	3,010,166
Impact of adoption of HKFRS 15	-	-	(4,234)	(19,022)	(23,256)	-	-	(23,256)
Balance at 1 January 2016, as restated	13,487	704,618	550,669	1,210,843	2,479,617	503,000	4,293	2,986,910
Comprehensive income/(expense)								
Profit or loss	-	-	-	221,077	221,077	35,687	(573)	256,191
Other comprehensive (expense)/income								
Currency translation differences	-	-	(137,197)	-	(137,197)	-	(548)	(137,745)
Net fair value gains on available-for-sale financial assets, net of tax	-	-	310	-	310	-	-	310
Net fair value gains on cash flow hedges, net of tax	-	-	4,373	-	4,373	-	-	4,373
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	-	-	(2,991)	-	(2,991)	-	-	(2,991)
Total other comprehensive expense, net of tax	-	-	(135,505)	-	(135,505)	-	(548)	(136,053)
Total comprehensive (expense)/income	-	-	(135,505)	221,077	85,572	35,687	(1,121)	120,138
Transactions with owners in their capacity as owners								
Purchase of shares for Share Award Scheme	-	-	(12)	-	(12)	-	-	(12)
Employee Share Option and Share Award Scheme:								
- value of employee services	-	-	22,664	-	22,664	-	-	22,664
- vesting of shares for Share Award Scheme	-	9,918	(9,918)	-	-	-	-	-
Issuance of perpetual capital securities	-	-	-	-	-	650,000	-	650,000
Transaction costs related to issuance of perpetual capital securities	-	-	-	(4,500)	(4,500)	-	-	(4,500)
Distribution to holders of perpetual capital securities	-	-	-	-	-	(30,000)	-	(30,000)
Transfer to capital reserve	-	-	479	(479)	-	-	-	-
2015 final dividend paid	-	-	-	(162,670)	(162,670)	-	-	(162,670)
2016 interim dividend paid	-	-	-	(119,291)	(119,291)	-	-	(119,291)
Disposal of business	-	-	-	-	-	-	(4,255)	(4,255)
Total transactions with owners in their capacity as owners	-	9,918	13,213	(286,940)	(263,809)	620,000	(4,255)	351,936
Balance at 31 December 2016	13,487	714,536	428,377	1,144,980	2,301,380	1,158,687	(1,083)	3,458,984

Notes:

1 Basis of preparation and accounting policies

The consolidated financial statements of Li & Fung Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative instruments, contingent consideration payable and written put option liabilities) at fair value through profit or loss.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2017:

HKAS 7 Amendment	Disclosure Initiative
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 Amendment	Disclosure of Interest in Other Entities

The application of the above revised HKFRSs in the current year has had no material effect on the Group's reported financial performance and position for the current and prior years and/or disclosures set out in the consolidated financial statements.

(b) New standard that is early adopted by the Group

Early adoption of HKFRS 15, Revenue from Contracts with Customers

The Group has elected to apply HKFRS 15 Revenue from Contracts with Customers as issued in July 2014. In accordance with the transition provisions in HKFRS 15, the new rules have been adopted retrospectively and comparative figures have been restated. HKFRS 15 replaces the previous revenue standards.

The accounting policies for the Group's main types of revenue are explained in *Note 2*.

Notes:

1 Basis of preparation and accounting policies (Continued)

Changes in accounting policy and disclosures (Continued)

(b) New standard that is early adopted by the Group (Continued)

The impact of the adoption of HKFRS 15 on the Group are as follows:

(i) HKFRS 15 provides clear guidance to determine the timing of control of goods transferred to customers. This change has resulted in decrease in retained earnings as at 1 January 2016 and 31 December 2016 by US$19,022,000 and US$21,091,000, and increase in other receivables as at 1 January 2016 and 31 December 2016 by US$11,194,000 and US$11,894,000 respectively, increase in sundry payables as at 1 January 2016 and 31 December 2016 by US$34,450,000 and US$36,058,000 respectively and decrease in exchange reserve as at 1 January 2016 and 31 December 2016 by US$4,234,000 and US$3,073,000 respectively, and decrease in operating profit for the year ended 31 December 2016 by US$2,069,000.

(ii) HKFRS 15 provides guidance on determining whether the nature of the promise in the contract is a performance obligation to provide the specified goods or services itself or to arrange for those goods or services to be provided by the other party. This change has resulted in decrease in turnover and cost of sales for the year ended 31 December 2016 by US$94,377,000.

(c) New standards, new interpretations and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group

The following new standards, new interpretations and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods, but the Group has not early adopted them:

HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures[2]
HKAS 40 Amendment	Transfer of Investment Property[1]
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 Amendment	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Annual Improvement Project	Annual Improvements 2014-2016 Cycle[1]
Annual Improvement Project	Annual Improvements 2015-2017 Cycle[2]

Notes:

1 Basis of preparation and accounting policies (Continued)

Changes in accounting policy and disclosures (Continued)

(c) New standards, new interpretations and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group (Continued)

Notes:
1 Effective for financial periods beginning on or after 1 January 2018
2 Effective for financial periods beginning on or after 1 January 2019
3 Effective for financial periods beginning on or after 1 January 2021
4 Effective date to be determined

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

There are no significant impact on the Group's accounting for financial liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, there are no significant impact on the accounting for hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, there will be an earlier recognition of credit losses for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Notes:

1 Basis of preparation and accounting policies (Continued)

Changes in accounting policy and disclosures (Continued)

(c) New standards, new interpretations and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group (Continued)

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group's Continuing Operations has non-cancellable operating lease commitments of US$516,055,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group is in the process of making an assessment of the impact of these new standards, new interpretations and amendments to existing standards upon initial application.

Notes:

2 Revenue recognition

(a) Turnover from sales of goods

Turnover from sales of goods are primarily generated by the Supply Chain Solutions of the Services segment and the Products segment. Supply Chain Solutions provides end-to-end sourcing solutions of goods through the global network to a diverse portfolio of global brands and retail customers, while Products segment focuses on furniture, beauty and sweaters product verticals and Onshore Wholesale business.

Revenues are recognized when control of the goods has been transferred, being when the goods are delivered to the customers, the customers has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the goods. Delivery occurs when the goods have been shipped to the location specified by customer, the risks of obsolescence and loss have been transferred to the customers, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue is shown net of value-added tax, returns, claims and discounts and after eliminating sales within the Group.

The goods are often sold with volume rebate based on aggregate sales over a specific period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume rebate. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume rebate payable to customers in relation to sales made until the end of the reporting period.

A contract liability is also recognized when the customers pay deposits before the Group transfers control of the goods to the customers.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Notes:

2 Revenue recognition (Continued)

(b) Services fee from logistics business

Logistics business of the Services segment includes in-country logistics and global freight management. In-country logistics business offers logistics services including distribution center management, order management and local transportation. Global freight management offers full services international freight solutions. Service income is recognized in the accounting period in which the provision of services occurs. Customers are invoiced upon the completion of services or on a regular basis.

Some contracts include multiple performance obligations and do not include any integration services. They are therefore accounted for as separate performance obligations. Revenue from each of the performance obligations is recognized at the stand-alone service price.

No element of financing is deemed present as the sales are made with a credit term up to 120 days, which is consistent with market practice.

3 Segment information

The Company is domiciled in Bermuda. The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its Hong Kong office is at 11/F, Li Fung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

The Group is principally engaged in managing the supply chain for retailers and brands worldwide with over 230 offices and distribution centers in more than 40 economies spanning across the Americas, Europe, Africa and Asia. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Group less discounts and returns.

In 2016, the Group divested the Asia consumer and healthcare distribution business from the Trading Network segment to refocus resources on core businesses.

At the beginning of 2017, the Group reorganized the business into two segments: Services and Products. The Services segment consists of the Supply Chain Solutions and Logistics businesses. The Products segment consists of the Onshore Wholesale business and the three Product Verticals (furniture, beauty and sweaters) representing our principal-to-principal business, which were previously under the Trading network.

Notes:

3 Segment information (Continued)

On 14 December 2017, the Group announced the strategic divestment of the three Product Verticals to further simplify our business and facilitate sharper focus on the core sourcing business. The strategic divestment was approved by the Company's Independent Shareholders on 31 January 2018 and is targeted to close during the first half of 2018, subject to regulatory approval. The three Product Verticals are classified as Discontinued Operations and their net results for the year and the comparatives are excluded from the Products segment and presented separately as one-line item below net profit of the Continuing Operations. Further details of financial information of the Discontinued operations are set out in *Note 12*.

The Group's management (Chief Operating Decision-Marker) considers the business of the Continuing Operations principally from the perspective of Services segment and the Products segment with the exclusion of the strategic divestment. Prior year comparative segment information has been restated to conform with the current period presentation accordingly.

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit. This measurement basis includes profit of the operating segments before share of results of associated companies and joint venture, interest income, interest expenses, taxation, material other gains or losses which are of capital nature, non-operational related or acquisition related. This also excludes any gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items. Other information provided to the Group's management is measured in a manner consistent with that in the consolidated financial statements.

Notes:

3 Segment information (Continued)

<u>**Year ended 31 December 2017**</u>	Services US$'000	Products US$'000	Elimination US$'000	Total US$'000
<u>**Continuing Operations**</u>				
Turnover	**12,013,024**	**1,551,680**	**(30,495)**	**13,534,209**
Total margin	**1,085,908**	**300,364**		**1,386,272**
Operating costs	**(783,551)**	**(246,869)**		**(1,030,420)**
Core operating profit	**302,357**	**53,495**		**355,852**
Gain on remeasurement of contingent consideration payable				**31,492**
Amortization of other intangible assets				**(23,327)**
One-off reorganization costs				**(33,945)**
Operating profit				**330,072**
Interest income				**12,261**
Interest expenses				
Non-cash interest expenses				**(3,284)**
Cash interest expenses				**(66,477)**
				(69,761)
Share of profits less losses of associated companies and joint venture				**1,898**
Profit before taxation				**274,470**
Taxation				**(40,830)**
Net profit for the year from Continuing Operations				**233,640**
<u>**Discontinued Operations**</u>				
Net loss for the year from Discontinued Operations				**(543,045)**
Net loss for the year				**(309,405)**
Depreciation and amortization (Continuing Operations)	**52,590**	**18,108**		**70,698**
<u>**31 December 2017**</u>				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	**1,821,217**	**775,209**		**2,596,426**

Notes:

3 Segment information (Continued)

Year ended 31 December 2016	Services US$'000 (Restated)	Products US$'000 (Restated)	Divested Asia Consumer and Healthcare Distribution Business US$'000 (Restated)	Elimination US$'000 (Restated)	Total US$'000 (Restated)
Continuing Operations					
Turnover	12,621,563	1,590,055	565,920	(26,316)	14,751,222
Total margin	1,087,654	320,316	87,057		1,495,027
Operating costs	(839,404)	(254,575)	(82,647)		(1,176,626)
Core operating profit	248,250	65,741	4,410		318,401
Amortization of other intangible assets					(20,011)
Gain on disposal of business					7,871
One-off reorganization costs					(5,863)
Operating profit					300,398
Interest income					15,713
Interest expenses					
Non-cash interest expenses					(3,971)
Cash interest expenses					(86,477)
					(90,448)
Share of profits less losses of associated companies and joint venture					1,748
Profit before taxation					227,411
Taxation					(32,288)
Net profit for the year from Continuing Operations					195,123
Discontinued Operations					
Net profit for the year from Discontinued Operations					61,068
Net profit for the year					256,191
Depreciation and amortization (Continuing Operations)	53,497	14,886	4,568		72,951
31 December 2016					
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	1,823,726	2,334,147	N/A		4,157,873

Notes:

3 Segment information (Continued)

During the year, the Group has Services and Products as its new segments under Continuing Operations. Supplementary analysis for the Services segment by Supply Chain Solutions and Logistics Services is as follows:

Turnover	**2017 US$'000**	2016 US$'000 (Restated)
Supply Chain Solutions	**10,989,275**	11,717,669
Logistics Services	**1,028,069**	907,307
Elimination	**(4,320)**	(3,413)
	12,013,024	12,621,563

Core operating profit	**2017 US$'000**	2016 US$'000 (Restated)
Supply Chain Solutions	**227,254**	187,575
Logistics Services	**75,103**	60,675
	302,357	248,250

The geographical analysis of turnover to external customers and non-current assets of the Continuing Operations (other than available-for-sale financial assets and deferred tax assets) is as follows:

	Turnover		**Non-current assets (other than available-for-sale financial assets and deferred tax assets)**	
			As at 31 December	
	2017 US$'000	2016 US$'000 (Restated)	**2017 US$'000**	2016 US$'000 (Restated)
United States of America	**8,929,344**	9,631,341	**1,448,557**	1,985,433
Europe	**2,357,413**	2,361,498	**783,277**	1,066,770
Asia	**1,399,381**	1,821,441	**227,014**	907,012
Rest of the world	**848,071**	936,942	**137,578**	198,658
	13,534,209	14,751,222	**2,596,426**	4,157,873

Notes:

3 Segment information (Continued)

Turnover to external customers consists of sales of goods of Supply Chain Solutions business, logistics services income, sales of goods of Products segment, and sales of goods of the divested Asia consumer and healthcare distribution business as follows:

	2017 US$'000	2016 US$'000 (Restated)
Sales of goods of Supply Chain Solutions business	**10,977,574**	11,699,917
Logistics services income	**1,014,958**	904,498
Sales of goods of Products segment	**1,541,677**	1,580,887
Sales of goods of divested Asia consumer and healthcare distribution business	**-**	565,920
	13,534,209	14,751,222

Turnover to external customers consists of sales of soft goods, hard goods and logistics services income as follows:

	2017 US$'000	2016 US$'000 (Restated)
Sales of soft goods	**9,298,376**	9,841,522
Sales of hard goods	**3,220,875**	4,005,202
Logistics services income	**1,014,958**	904,498
	13,534,209	14,751,222

For the year ended 31 December 2017, approximately 15% (2016 (restated): 15%) of the total turnover of the Group's Continuing Operations is derived from a single external customer, of which 15% (2016 (restated): 15%) and less than 1% (2016 (restated): less than 1%) are attributable to Services and Products segments respectively.

Segment information for the Discontinued Operations is set out in *Note 12(b)*.

Notes:

4 Operating profit from Continuing Operations

Operating profit from Continuing Operations is stated after crediting and charging the following:

	2017 US$'000	2016 US$'000 (Restated)
Crediting		
Gain on remeasurement of contingent consideration payable *(Note)**	**31,492**	-
Gain on disposal of business*	**-**	7,871
Charging		
Intangible assets written off on reorganization*	**10,502**	-
Property, plant and equipment written off on reorganization*	**14,988**	-
Other one-off reorganization costs*	**8,455**	5,863
Amortization of other intangible assets*	**23,327**	20,011
Amortization of system development, software and other license costs	**8,347**	8,120
Amortization of prepaid premium for land leases	**7**	65
Depreciation of property, plant and equipment	**39,017**	44,755
(Gain)/loss on disposal of property, plant and equipment and prepaid premium for land leases, net	**(953)**	340
Staff costs including directors' emoluments	**754,511**	802,473

* *Excluded from the core operating profit*

Note: *During the year, the Group remeasured contingent consideration payable for all acquisitions with outstanding contingent consideration arrangements based on the market outlook and their prevailing business plans and projections. Accordingly, a gain of approximately US$31 million was recognized. Among the total remeasurement gain, approximately US$30 million was adjustment to earn-up consideration. The revised provision for performance-based contingent consideration is calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of these acquired businesses. These gains were recognized as a non-core operating gain on remeasurement of contingent consideration payable.*

Notes:

5 Taxation from Continuing Operations

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2017	2016
	US$'000	US$'000
		(Restated)
Current taxation		
- Hong Kong profits tax	**4,046**	4,814
- Overseas taxation	**35,411**	37,948
Under/(over) provision in prior years	**3,049**	(1,433)
Deferred taxation	**(1,676)**	(9,041)
	40,830	32,288

6 Earnings/(losses) per share

The calculation of basic earnings/(losses) per share is based on the Group's profit attributable to Shareholders arising from the Continuing Operations of US$170,418,000 (2016 (restated): US$160,009,000) and the Group's losses attributable to Shareholders arising from the Discontinued Operations of US$544,991,000 (2016 (restated): profit of US$61,068,000) and on the weighted average number of 8,364,801,000 (2016: 8,354,893,000) shares in issue during the year.

The diluted earnings/(losses) per share was calculated by adjusting the weighted average number of 8,364,801,000 (2016: 8,354,893,000) ordinary shares in issue by 76,342,000 (2016: 56,573,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Option and Share Award Scheme. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Share Options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Share Options and vesting of Award Shares.

Notes:

7 Dividends

	2017 US$'000	2016 US$'000
Interim, paid, of HK$0.11 (equivalent to US$0.014) (2016: HK$0.11 (equivalent to US$0.014)) per ordinary share	**120,064**	119,291
Final, proposed, of HK$0.02 (equivalent to US$0.003) (2016: HK$0.12 (equivalent to US$0.015)) per ordinary share *(Note a)*	**21,830**	130,136
Special, declared, of HK$0.476 (equivalent to US$0.0614) per ordinary share (2016: Nil) *(Note b)*	**519,549**	-
	661,443	249,427

Notes:

(a) *At a meeting held on 22 March 2018, the Directors proposed a final dividend of HK$0.02 (equivalent to US$0.003) per share. The proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as appropriation of retained earnings for the year ending 31 December 2017.*

(b) *The Board of Directors declared that a special dividend of 47.6 HK cents per share absorbing approximately US$520 million, payable out of part of the proceeds from the strategic divestment of Product Verticals business, be distributed to the shareholders subject to Closing (as defined in the Circular).*

Notes:

8 Trade and bills receivable

The ageing of trade and bills receivable based on invoice date is as follows:

	Up to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 31 December 2017	**1,058,741**	**72,515**	**11,115**	**6,189**	**1,148,560**
Balance at 31 December 2016	1,442,127	87,280	15,154	2,647	1,547,208
Balance at 1 January 2016	1,595,433	83,376	7,900	2,704	1,689,413

The fair values of the Group's trade and bills receivable were approximately the same as their carrying values as at 31 December 2017.

A significant portion of the Group's business is on sight letter of credit, usance letter of credit up to a tenor of 120 days, documents against payment or customers' letter of credit to suppliers. The balance of the business is on open account terms which is often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers internationally dispersed.

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$1,724,000 (31 December 2016: US$22,773,000 and 1 January 2016: US$33,681,000) to banks in exchange for cash as at 31 December 2017. The transactions have been accounted for as collateralized bank advances.

Notes:

9 Trade and bills payable

The ageing of trade and bills payable based on invoice date is as follows:

	Up to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 31 December 2017	**1,645,884**	**66,176**	**9,552**	**12,049**	**1,733,661**
Balance at 31 December 2016	2,003,134	60,532	10,814	9,395	2,083,875
Balance at 1 January 2016	2,365,315	80,822	2,885	15,763	2,464,785

The fair values of the Group's trade and bills payable were approximately the same as their carrying values as at 31 December 2017.

10 Long-term liabilities

	2017 US$'000	2016 US$'000
Long-term bank loans – unsecured	**1,558**	-
Long-term notes – unsecured	**752,432**	1,253,277
Purchase consideration payable for acquisitions *(Note)*	**61,583**	161,536
Other non-current liabilities	**27,476**	32,589
	843,049	1,447,402
Current portion of long-term notes – unsecured	**-**	(499,819)
Current portion of purchase consideration payable for acquisitions	**(42,166)**	(67,794)
	800,883	879,789

Note:

Balance of purchase consideration payable for acquisitions as at 31 December 2017 amounted to US$61,583,000 (2016: US$161,536,000), of which US$44,162,000 (2016: US$105,598,000) was primarily earn-out and US$17,421,000 (2016: US$55,938,000) was earn-up. Earn-out is a contingent consideration that will be realized if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated period of time. Earn-up is contingent consideration that will be realized if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated period of time.

Notes:

11 Notes to the consolidated cash flow statement

Reconciliation of profit before taxation to net cash inflow generated from operations

	2017 US$'000	2016 US$'000 (Restated)
Profit before taxation	**274,470**	227,411
Interest income	**(12,261)**	(15,713)
Interest expenses	**69,761**	90,448
Depreciation	**39,017**	44,755
Amortization of system development, software and other license costs	**8,347**	8,120
Amortization of other intangible assets	**23,327**	20,011
Amortization of prepaid premium for land leases	**7**	65
Property, plant and equipment written off on reorganization	**14,988**	-
Intangible assets written off on reorganization	**10,502**	-
Share of profits less losses of associated companies and joint venture	**(1,898)**	(1,748)
Employee share option and share award expenses	**13,020**	17,064
Gain on disposal of business	**-**	(7,871)
(Gain)/loss on disposal of property, plant and equipment and prepaid premium for land leases, net	**(953)**	340
Gain on remeasurement of contingent consideration payable	**(31,492)**	-
Operating profit before working capital changes	**406,835**	382,882
Decrease in inventories	**20,411**	48,938
Decrease/(increase) in trade and bills receivable, other receivables, prepayments and deposits and amounts due from related companies	**93,728**	(42,709)
Decrease in trade and bills payable, accrued charges and sundry payables and amounts due to related companies	**(161,355)**	(84,715)
Net cash inflow generated from operations	**359,619**	304,396

Notes:

12 Discontinued Operations

The results of the three Product Verticals of the Company (the "Business") are presented in the consolidated profit and loss account as Discontinued Operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated statement of comprehensive income and consolidated cash flow statement distinguish the Discontinued Operations from the Continuing Operations and the assets classified as held for sale and liabilities associated with assets classified as held for sale.

(a) Results of the Discontinued Operations have been included in the consolidated profit and loss accounts as follows:

	2017 US$'000	2016 US$'000
Turnover	**1,926,795**	1,939,118
Cost of sales	**(1,470,150)**	(1,474,118)
Gross profit	**456,645**	465,000
Selling and distribution expenses	**(120,575)**	(121,093)
Merchandising and administrative expenses	**(257,843)**	(252,379)
Core operating profit	**78,227**	91,528
Amortization of other intangible assets	**(13,659)**	(13,790)
Operating profit	**64,568**	77,738
Interest income	**563**	611
Interest expenses	**(2,782)**	(1,048)
Profit before taxation	**62,349**	77,301
Taxation	**(13,031)**	(16,233)
Profit after taxation	**49,318**	61,068
Remeasurement loss on assets classified as held for sale	**(592,363)**	-
Net (loss)/profit for the year	**(543,045)**	61,068
Attributable to:		
Shareholders of the Business	**(544,991)**	61,068
Non-controlling interest	**1,946**	-
	(543,045)	61,068

Notes:

12 Discontinued Operations (Continued)

(a) Results of the Discontinued Operations have been included in the consolidated profit and loss accounts as follows (Continued):

Statement of comprehensive income of the Discontinued Operations

	2017 US$'000	2016 US$'000
Net (loss)/profit for the year	**(543,045)**	61,068
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**28,157**	(55,244)
Net fair value gains on cash flow hedges, net of tax	**38**	364
Total items that may be reclassified subsequently to profit or loss	**28,195**	(54,880)
Total other comprehensive income/(expense) for the year, net of tax	**28,195**	(54,880)
Total comprehensive (expenses)/income for the year	**(514,850)**	6,188
Attributable to:		
Shareholders of the Business	**(516,796)**	6,188
Non-controlling interest	**1,946**	-
	(514,850)	6,188

(b) Geographical analysis of turnover of the Discontinued Operations

The turnover consists of sales to United States of America of US$1,010,500,000 (2016: US$1,005,932,000), Europe of US$558,522,000 (2016: US$620,370,000), Asia of US$239,961,000 (2016: US$192,764,000) and Rest of the world US$117,812,000 (2016: US$120,052,000).

Notes:

12 Discontinued Operations (Continued)

(c) Operating profit of the Discontinued Operations

Operating profit of the Discontinued Operations is stated after charging the following:

	2017 US$'000	2016 US$'000
Charging		
Amortization of system development, software and other license costs	**2,633**	3,397
Amortization of other intangible assets (excluded from the core operating profit)	**13,659**	13,790
Depreciation of property, plant and equipment	**9,263**	13,156
Loss on disposal of property, plant and equipment	**241**	449
Staff costs	**161,276**	167,852
Remeasurement loss on assets classified as held for sale (excluded from the core operating profit) *(Note)*	**592,363**	-

Note:

The three Product Verticals were recognized as assets held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and were required to be marked down to the lower of their carrying value and fair value less costs to sell. In such respect, an unrealized non-cash remeasurement loss of US$592 million was recognized as of 31 December 2017, estimated based on the carrying value of the relevant goodwill and other asset/liabilities of the three Product Verticals as of 31 December 2017, on cash free/debt free basis and adjusted for relevant closing adjustments.

Notes:

12 Discontinued Operations (Continued)

(d) Assets and liabilities of the Discontinued Operations

The assets and liabilities related to the Discontinued Operations have been presented as assets classified as held for sale and liabilities associated with assets classified as held for sale. The Discontinued Operations' assets and liabilities were measured at the lower of carrying amount and fair value less costs to sell at the date of held for sale classification. The major classes of assets and liabilities of the Discontinued Operations are as follows:

		31 December 2017 US$'000
(i)	**Assets classified as held for sale**	
	Intangible assets	**1,621,938**
	Property, plant and equipment	**38,690**
	Other non-current assets	**7,702**
	Inventories	**125,270**
	Trade and other receivables	**247,228**
	Other current assets	**22**
	Cash and bank balances	**192,578**
		2,233,428
	Remeasurement loss on assets classified as held for sale	**(592,363)**
	Assets classified as held for sale after remeasurement loss	**1,641,065**
(ii)	**Liabilities associated with assets classified as held for sale**	
	Trade and other payables	**347,372**
	Other current liabilities	**18,906**
	Short-term bank loans	**5,532**
	Other non-current liabilities	**94,760**
		466,570

(e) An analysis of the cash flows of the Discontinued Operations is as follows:

	2017 US$'000	2016 USD'000
Net cash inflow from operating activities	**258,647**	117,857
Net cash outflow from investing activities	**(6,038)**	(13,074)
Net cash (outflow)/inflow from financing activities*	**(1,135)**	506
Total cash flow	**251,474**	105,289

** Amounts adjusted to eliminate impact from financing activities between the Discontinued Operations and the Continuing Operations.*

Notes:

13 Events after balance sheet date

The strategic divestment of the three Product Verticals was approved by the Independent Shareholders on 31 January 2018. The financial results for the three Product Verticals were presented as loss from Discontinued Operations on net basis. Comparatives for the year ended 31 December 2016 have been restated accordingly.

CORPORATE GOVERNANCE

The Board and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasize transparency, accountability and independence.

The role of the Group Chairman remains separate from that of the Group Chief Executive Officer to enhance their respective independence, accountability and responsibility. Their responsibilities are clearly established and defined in writing by the Board.

The Board is responsible for setting the overall values, standards and strategy of the Group and reviewing its operation and financial performance. The Board has established the following committees (all chaired by an Independent Non-executive Director or a Non-executive Director) with defined terms of reference (available on our website), which are in line with the Corporate Governance Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

- Nomination Committee
- Audit Committee
- Risk Management and Sustainability Committee
- Remuneration Committee

Full details on the Company's corporate governance practices are set out in the Company's 2017 Annual Report.

AUDIT COMMITTEE

The Audit Committee met four times in 2017 (with an attendance rate of 75%) to review, with management and the Company's internal and external auditors, the internal controls and financial matters as set out in the Committee's written terms of reference, and to make relevant recommendations to the Board.

The Audit Committee has reviewed the annual results for the year ended 31 December 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining solid, effective system of risk management and internal control and for reviewing its effectiveness, and the adequacy of necessary policies and procedures through the Audit Committee.

Based on the respective assessments made by management and the Corporate Governance team, and also taking into account the results of the work conducted by the external auditor for the purpose of its audit, the Audit Committee considered that for 2017:

- The risk management and internal controls and accounting systems of the Group were in place and functioning effectively, and were designed to provide reasonable but not absolute assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with the Group's policies and Key Operating Guidelines ("KOGs") under management's authorization and the financial statements were reliable for publication.

- There was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

- The resources, qualifications, experience, training programs and budget of the employees of the Group's accounting and financial reporting and internal audit functions were adequate.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that it has been in full compliance with all of the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). We appreciate that some of our employees may have access to unpublished, price-sensitive information ("Inside Information") in their daily work, as such we have extended such procedures to cover relevant employees who are likely to be in possession of Inside Information of the Group. Relevant employees are also subject to compliance with written guidelines in line with the Model Code. For 2017, specific confirmation of compliance has been obtained from each Director. No incident of non-compliance by Directors and relevant employees was noted in 2017.

We have also established a Policy on Inside Information to comply with our obligations under the Securities and Futures Ordinance ("SFO") and the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

FINAL DIVIDEND

The Board of Directors recommended to pay to the shareholders final dividend of 2 HK cents (2016: 12 HK cents) per share, for the year ended 31 December 2017 absorbing US$22 million (2016: US$130 million). An interim dividend of 11 HK cents (2016: 11 HK cents) per share was paid by the Company on 19 September 2017.

SPECIAL DIVIDEND

Reference is made to the circular of the Company dated 9 January 2018 (the "Circular") in relation to the strategic divestment of Product Verticals business. The Board of Directors declared that a special dividend of 47.6 HK cents per share absorbing approximately US$520 million, payable out of part of the proceeds from the strategic divestment of Product Verticals business, be distributed to the shareholders subject to Closing (as defined in the Circular). It is anticipated that the special dividend will be paid at the same time when the final dividend for the year ended 31 December 2017 is paid. The Company will make a further announcement regarding the record date, the pay-out date and closure of register of members for determining the shareholders' entitlement to the special dividend upon Closing.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on 15 May 2018 at 11:30 a.m. The Notice of Annual General Meeting will be published on the Company's website at www.lifung.com and HKExnews website at www.hkexnews.hk and despatched to the shareholders on or about 13 April 2018.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

	Hong Kong Time *2018*
For determining shareholder's right to attend and vote at the Annual General Meeting	
Record Date (Note i):	9 May
Latest time to lodge transfer documents with share registrar (Note i):	4:30 p.m., 9 May
For determining shareholder's entitlement to the proposed final dividend	
Latest time to lodge transfer documents with share registrar (Note ii):	4:30 p.m., 18 May
Book Closure Date (Note ii):	21 to 23 May
Expected despatch date of dividend warrants:	29 May

Notes:

(i) The record date for determining shareholders' right to attend and vote at the Annual General Meeting is Wednesday, 9 May 2018. Shareholders who are entitled to attend and vote at Annual General Meeting are those whose names appear on the register of members of the Company as at the close of business on Wednesday, 9 May 2018. In order to qualify for attending and voting at Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 9 May 2018.

(ii) The register of members of the Company will be closed from Monday, 21 May 2018 to Wednesday, 23 May 2018 (both days inclusive), during which no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 18 May 2018.

PUBLICATION OF ANNUAL REPORT

The 2017 annual report will be despatched to the shareholders and available on the Company's website at www.lifung.com and HKExnews website at www.hkexnews.hk on or about 13 April 2018.

By Order of the Board
William FUNG Kwok Lun
Group Chairman, Li & Fung Limited

Hong Kong, 22 March 2018

As at the date of this announcement, Executive Directors of the Company are William Fung Kwok Lun (Group Chairman), Spencer Theodore Fung (Group Chief Executive Officer), Marc Robert Compagnon and Joseph C. Phi; Non-executive Director is Victor Fung Kwok King (Honorary Chairman); Independent Non-executive Directors are Allan Wong Chi Yun, Martin Tang Yue Nien, Margaret Leung Ko May Yee, Chih Tin Cheung and John G. Rice.