



2015 Interim Results Announcement Analyst Meeting



Highlights

- Macro environment continues to be challenging
- Global retail and sourcing landscape continue to evolve rapidly
- Customers using multi-channel sourcing strategy
- Product differentiation and expertise are key
- Core customers growing and foundation is strong
- Logistics and VSS strong growth
- Our investments are generating results

Macro environment continues to be challenging

- US and Europe retail environment remain subdued
- Uncertainty in Eurozone continues; European retailers losing Russia / Ukraine growth markets
- European currency depreciation
- China continues to be slow
- Deflationary environment continues
- Fall in oil prices has not boosted consumer spending

Global retail & sourcing landscape continues to evolve rapidly

- Retailers facing rapidly changing and tough business environment
- Retail disruption brought about by e-commerce
- Increased investment in omni-channel, and this is the new norm
- Promotions are the new normal globally
- Global sourcing moving out from China
- Product differentiation is increasingly important to both consumers and retailers

2015 Interim results highlights

	1H 2014 US\$M	1H 2015 US\$M	Change %
Turnover	8,710	8,626	(1.0%)
Total Margin	995	984	(1.2%)
<i>% of Turnover</i>	11.4%	11.4%	
Operating Costs	768	801	4.3%
<i>% of Turnover</i>	8.8%	9.3%	
Core Operating Profit	227	182	(19.7%)
<i>% of Turnover</i>	2.6%	2.1%	
Loss from Discontinued Operations ⁽¹⁾	(98)	–	
Profit Attributable to Shareholders	111	149	33.4%
Profit Attributable to Shareholders (ex-Loss from Discontinued Operations)	210	149	
<i>% of Turnover</i>	2.4%	1.7%	

- Turnover resilient despite deflationary environment and currency depreciation
- Total margin percentage stable
- Operating costs increased 4.3% due to annualization of investments in 2014
- Declared interim dividend of HK\$0.13/share

(1) Loss from Discontinued Operations (Global Brands)

2015 Interim results - net profit analysis

	1H 2014 US\$M	1H 2015 US\$M	Change %
Core Operating Profit	227	182	(19.7%)
Write-back of Acquisition Payable	98	60	
Amortization of Intangible Assets	(17)	(18)	
One-off Reorganization Costs for Spin-off	(13)	–	
Other Non-core Operating Expenses	(1)	–	
Operating Profit	295	225	(23.7%)
Non-cash Interest Expenses	(6)	(4)	
Net Cash Interest Expenses	(47)	(42)	
Share of Profits from Associated Companies	1	1	
Taxation	(19)	(18)	
Distribution to Perpetual Securities	(15)	(15)	
Non-controlling Interests	1	1	
Loss from Discontinued Operations	(98)	–	
Profit Attributable to Shareholders	111	149	33.4%
Excluding Results from Discontinued Operations:			
Profit Attributable to Shareholders	210	149	
Adjusted Profit Attributable to Shareholders ⁽¹⁾	147	110	

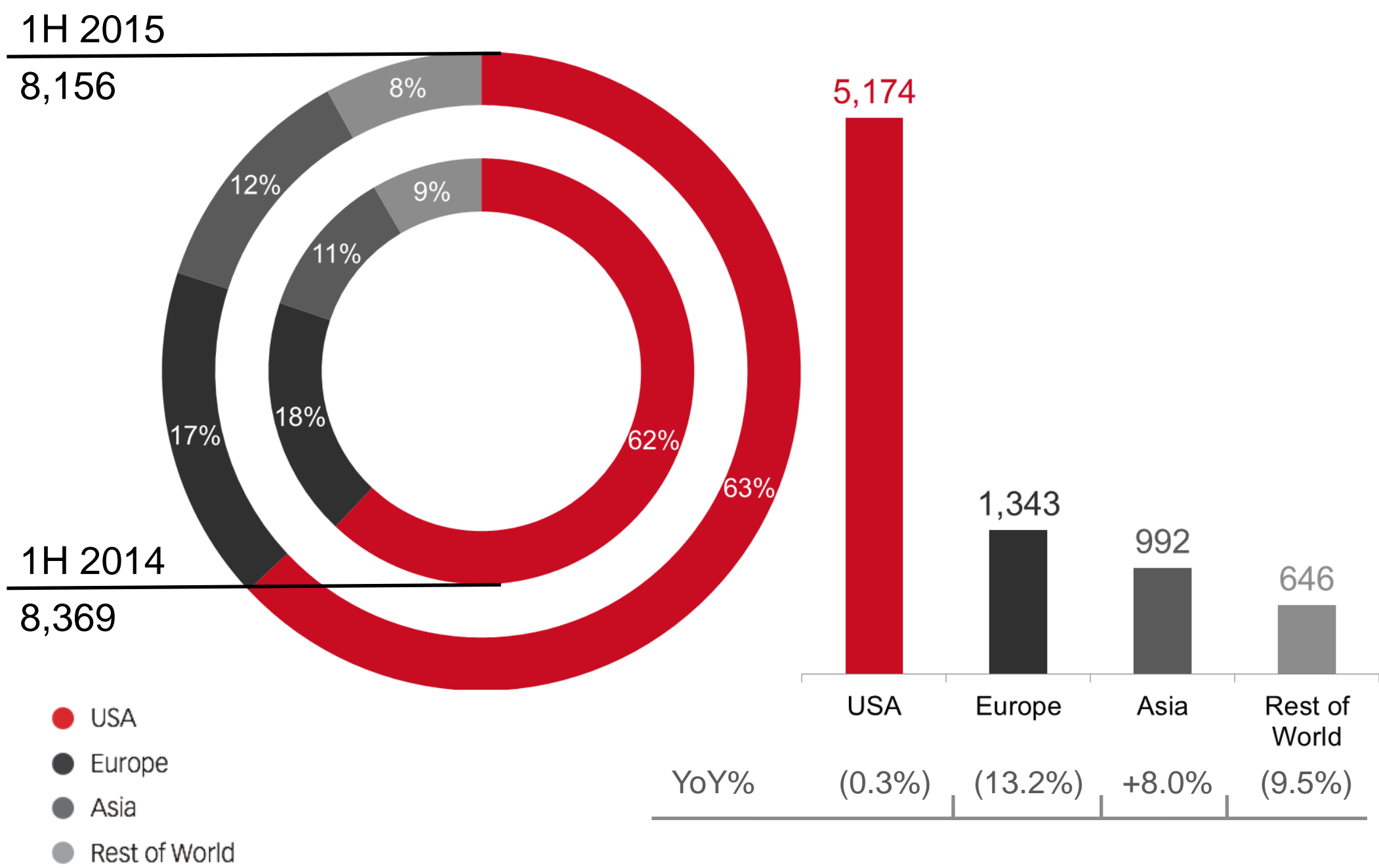
- Write-back of acquisition payable of US\$60m
- Profit attributable to shareholders increased 33.4% post Global Brands spin-off
 - Excluding the loss from discontinued operations, profit attributable to shareholders decreased to US\$149m

(1) Adjusted Profits from Continuing Operations excluding non-cash M&A items (write-back of acquisition payable, amortization of intangible assets and non-cash interest expenses), as well as one-off reorganization costs for Global Brands spin-off

Trading network

	1H 2014 US\$M	1H 2015 US\$M	Change %
Turnover	8,369	8,156	(2.5%)
Total Margin	893	855	(4.3%)
<i>% of Turnover</i>	10.7%	10.5%	
Operating Costs	685	695	1.5%
Core Operating Profit	208	160	(23.4%)
<i>% of Turnover</i>	2.5%	2.0%	

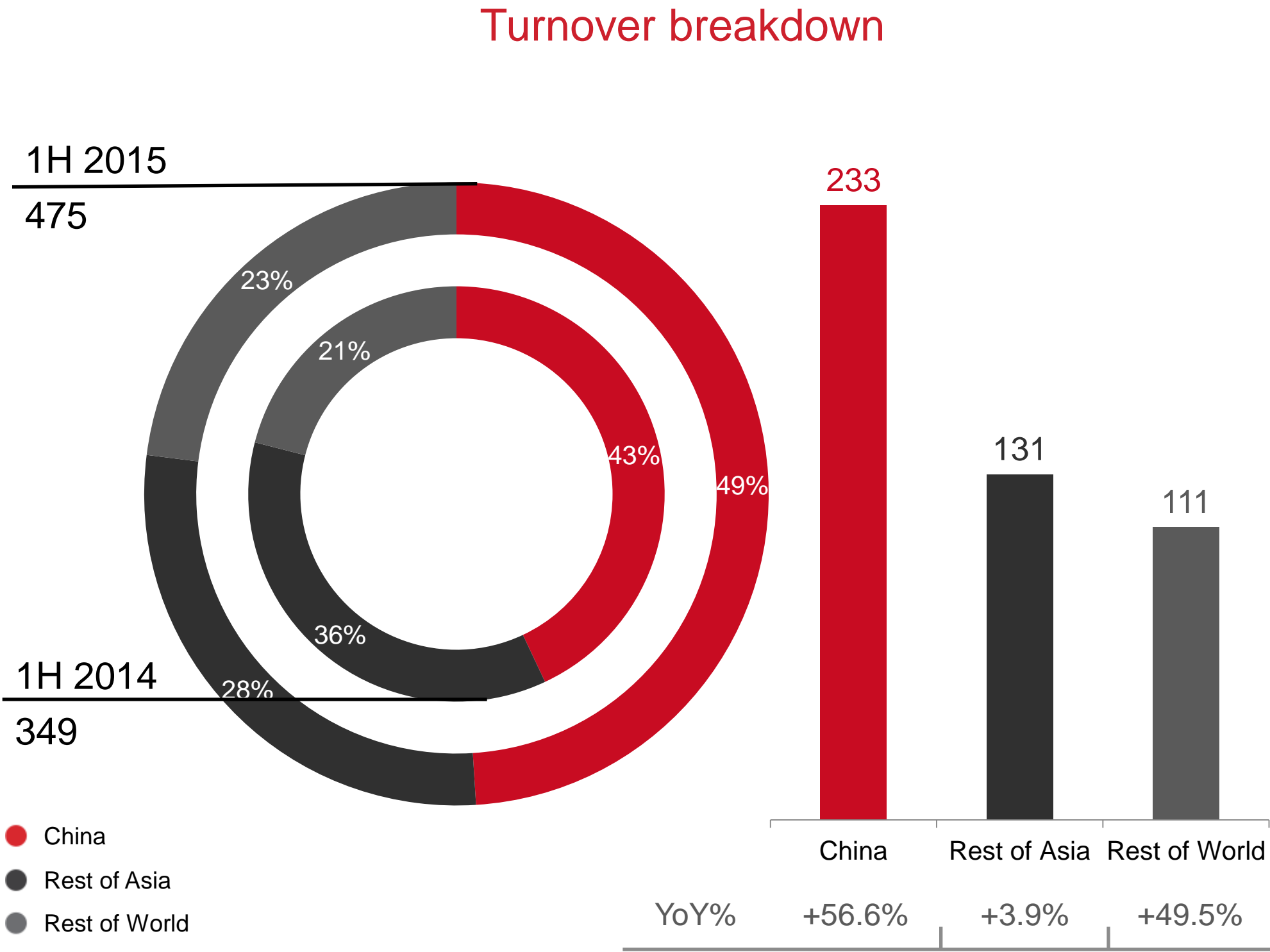
Turnover breakdown



- Core customers continued to grow with us
- Deflationary environment and currency depreciation reduced turnover
- Annualization of investments offset by cost efficiency and productivity improvement

Logistics network

	1H 2014 US\$M	1H 2015 US\$M	Change %
Turnover	349	475	36.3%
Total Margin	102	129	26.1%
Operating Costs	84	106	27.2%
Core Operating Profit	19	23	21.1%
% of Turnover	5.3%	4.8%	



- In-country business remains high growth
- Continue geographic expansion to Dubai & Korea
- Invest in e-logistics results in new customer wins
- Expanded freight forwarding business with CCL

Capital structure

	Dec 2014 US\$M	Jun 2015 US\$M
Bonds	1,254	1,254
Bank loan	180	193
Total debt	1,434	1,447
Cash	539	315
Net debt	896	1,132
Total equity	3,110	2,950
Total capital ⁽¹⁾	4,006	4,082
Gearing ratio ⁽²⁾	22%	28%

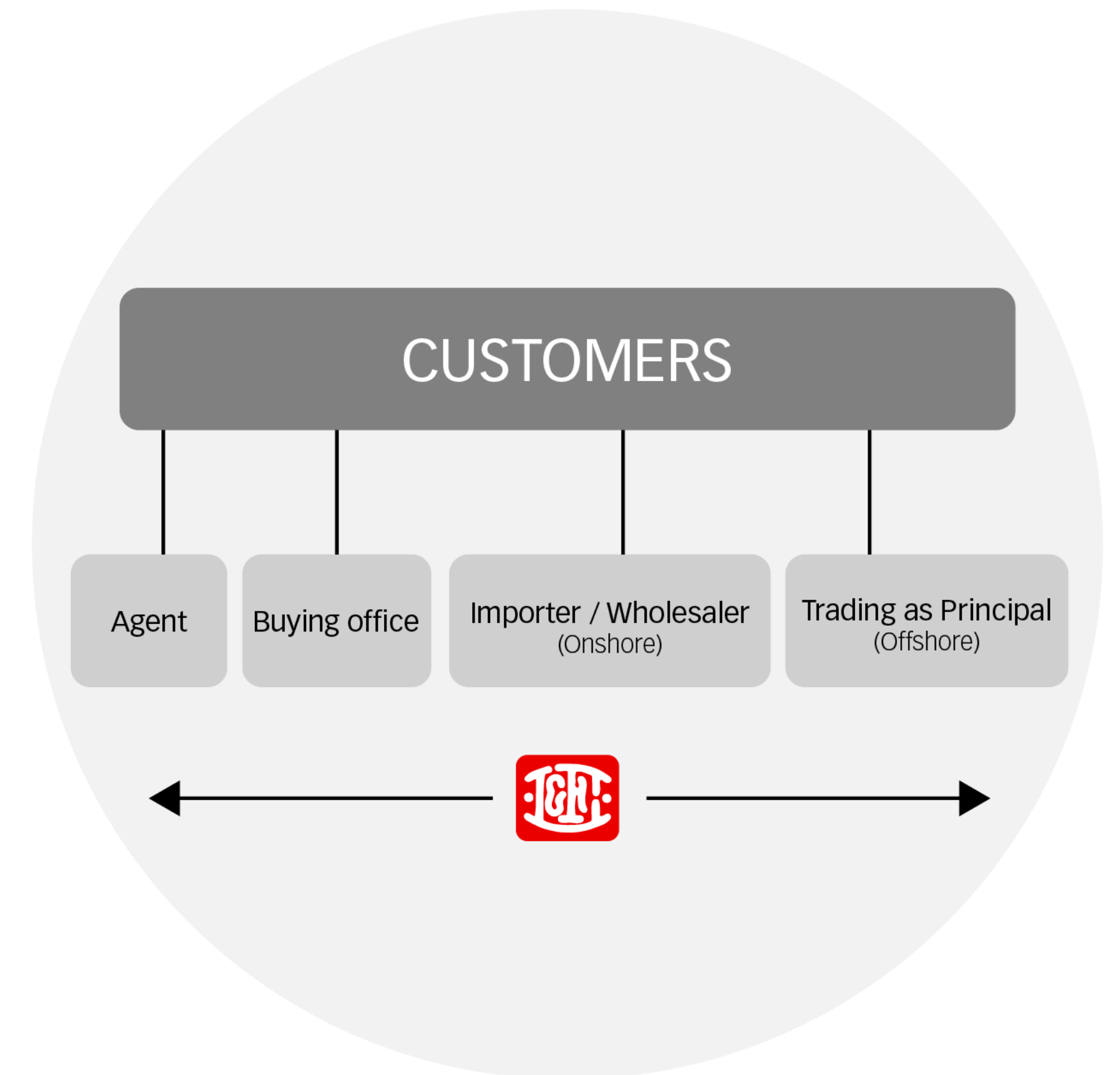
(1) Sum of net debt and total equity

(2) Net debt divided by total capital

- Total debt largely unchanged
- Cash position of US\$315m after payment of 2014 final and special dividend of US\$303m
- Maintaining healthy gearing ratio and solid investment grade ratings
- Total available bank facilities of US\$1.7bn and undrawn facilities of US\$1.5bn

Multi-channel sourcing platform

- Customers are increasingly buying multi-channel
- Li & Fung has developed one of the only global multi-channel sourcing platforms
- Flexibility for customers' changing needs
- Customers leverage their core strength in retailing and rely on our expertise for sourcing
 - Manage increasingly complex supply chain as production moves out of China
 - Faster speed to market, more flexibility, better cost control and innovation



Product differentiation and expertise are key

- Customers looking for product differentiation to compete
- Product expertise requires complex upstream and downstream management
- Assembling product experts to gain scale and innovation
- Applying design and innovation to develop differentiated products
- Partnerships with technology leaders
- Help customers differentiate their product and improve margins

Growth opportunities

- Our business model is strong and our core customers are growing
- E-logistics
- Cross-selling global freight services
- Converting strong pipeline of business in both Trading and Logistics
- Vendor Support Services (VSS)
 - New growth opportunities by converting vendors into customers
 - Demand for VSS growing with continued decanting from China sourcing
 - Launched in 2014; target to contribute approximately 5% of COP by 2016
 - Progress ahead of plan generating positive returns this year

Investing into the future

- Establishing thought leadership with FBIC in global retail and technology for our customers
- Data analytics to capitalize on vast amount of data
- Establishing partnership with leaders in technology
- Silicon Valley presence to stay at forefront of innovation

Summary

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- Our investments are generating results

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