

Analyst Meeting August 21, 2014



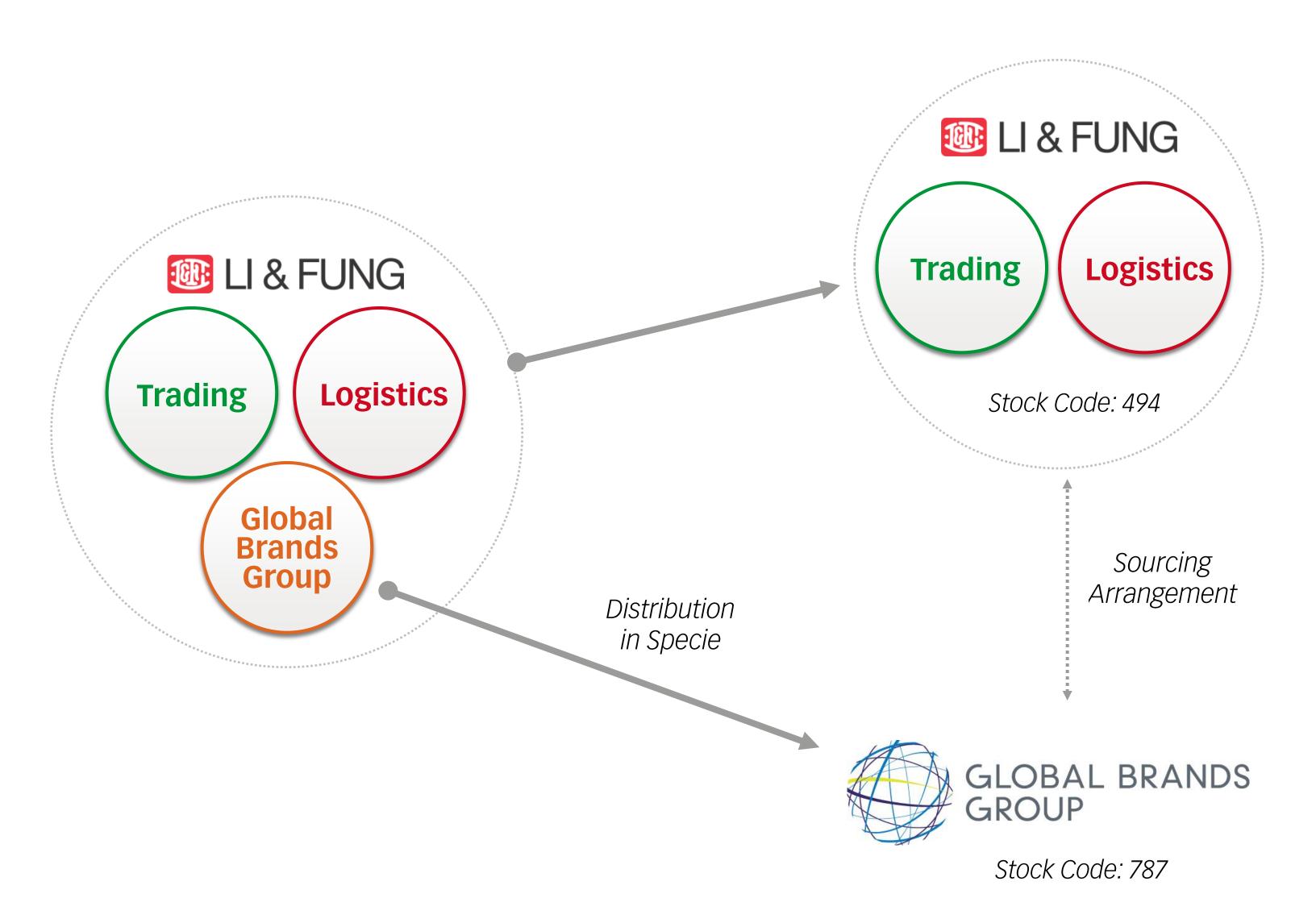
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Successful Spin-off of Global Brands



- **100** LI & FUNG
- O Simplified business model
- Refocused back to core business
- O Dominant consumer goods supply chain manager
- O Lower volatility
- O Global Brands to become key customer
- Spencer Fung appointed as Group CEO



2014 Interim Results Highlights

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(US\$m)	1H 2013	1H 2014	Change
Turnover	8,467	8,710	+3%
Total Margin % of Turnover	985 11.6%	995 11.4%	+1%
Operating Costs % of Turnover	736 8.7%	768 8.8%	+4%
Core Operating Profit % of Turnover	249 2.9%	227 2.6%	(9%)
Loss from Discontinued Operations (1)	(49)	(98)	
Profit Attributable to Shareholders	96	111	+16%
Profit Attributable to Shareholders (ex-Loss from Discontinued Operations) % of Turnover	145 1.7%	2102.4%	+45%

- Turnover increased by 3% to US\$8.7bn
- O Total Margin increased by 1% to US\$995m
- Core operating profit decreasedby 9%
 - Total margin % decrease due to softness in Principal business
 - Operating costs increase due to investment year
 - Profit Attributable to Shareholders
 +16%, excluding loss from
 Discontinued Operations +45%
- O Declared interim dividend of HK\$13 cents

2014 Interim Results - Net Profit Analysis

	(US\$m)	1H 2013	1H 2014	Change
Core Operating Profit		249	227	(9%)
Write-back of Acquisition Payable		_	98	
Amortization of Intangible Assets		(15)	(17)	
Other Non-core Operating Expenses		(1)	(1)	
One-off Reorganization Costs for Spin-off		_	(13)	
Operating Profit		233	295	+27%
Non-cash Interest Expenses		(5)	(6)	
Cash Interest Expenses		(50)	(51)	
Interest Income		9	4	
Share of Profits from Associated Companies		1	1	
Taxation		(27)	(19)	
Distribution on Perpetual Securities		(15)	(15)	
Minority Interests		_	1	
Loss from Discontinued Operations		(49)	(98)	
Profit Attributable to Shareholders		96	111	+16%
Excluding Loss from Discontinued Operations:				
Profit Attributable to Shareholders		145	210	+45%
Adjusted Profit Attributable to Shareholders (1)		165	147	(11%)

⁽¹⁾ Profits from continuing operations excluding one-off reorganization costs for spin-off and non-cash M&A charges (write-back of acquisition payable, amortization of intangible assets and non-cash interest expenses)

- Write-back of acquisition payable of US\$98m
- Global Brands results accounted for as Discontinued Operations
- Operations, profit attributable to shareholders increased by 45% to US\$210m
 - Excluding write-back and other charges, adjusted profit attributable to shareholders ⁽¹⁾ decreased by 11% to US\$147m

2014 Interim Results - Segment Overview

		Trading			Logistics	
(US\$m)	1H 2013	1H 2014	Change	1H 2013	1H 2014	Change
Turnover	8,232	8,369	+2%	243	349	+44%
Total Margin % of Turnover	894 <i>10.9%</i>	893 <i>10.7%</i>	_	90	102	+13%
Operating Costs	660	685	+4%	76	84	+10%
Core Operating Profit % of Turnover	234 2.8%	208 2.5%	(11%)	14 5.9%	19 5.3%	+31%

- O Global retail climate generally continued to be weak
- O Good progress in home furniture and kids wear
- LF Asia affected by slowdown in China and Thailand
- O COP decline mainly due to investment year

- O Robust growth from new customer wins and cross-selling
- O COP margin impacted by increasing mix from lower margin freight forwarding
- O Continue to invest in growth

Solid Balance Sheet Position

Pro Forma Post Global Brands Spin-off

	(US\$m)	Dec 2013	Jun 2014
Bonds		1,255	1,255
Bank Loan		208	202
Total Debt		1,463	1,457
Cash		344 (1)	544
Net Debt		1,119	913
Total Equity (2)		3,177	3,024
Total Capital (3)		4,296	3,937
Gearing Ratio ⁽⁴⁾		26%	23%

⁽¹⁾ Total cash on a pro forma basis excluding cash of Global Brands

- O Solid cash balance of US\$544m as of June 2014
- O Net debt decreased from US\$1,119m to US\$913m
 - Pro forma gearing ratio decreased from 26% to 23%
- O Total available bank facilities of US\$1.6bn and undrawn facilities of US\$1.4bn

⁽²⁾ Equity adjusted to exclude net asset value of Global Brands, before elimination of intra-group balances, held for distribution

⁽³⁾ Sum of net debt and total equity

⁽⁴⁾ Net debt divided by total capital

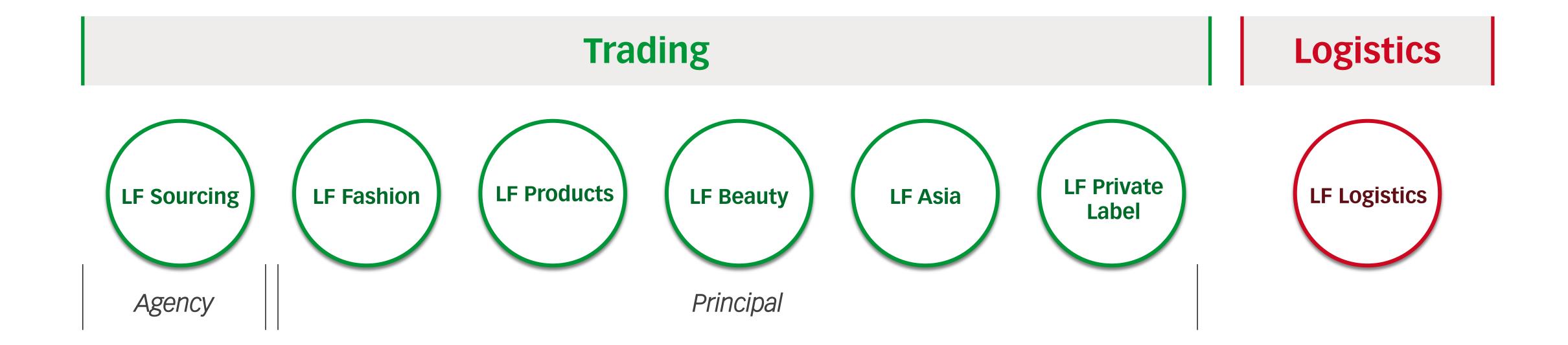


Spencer Fung, Group CEO

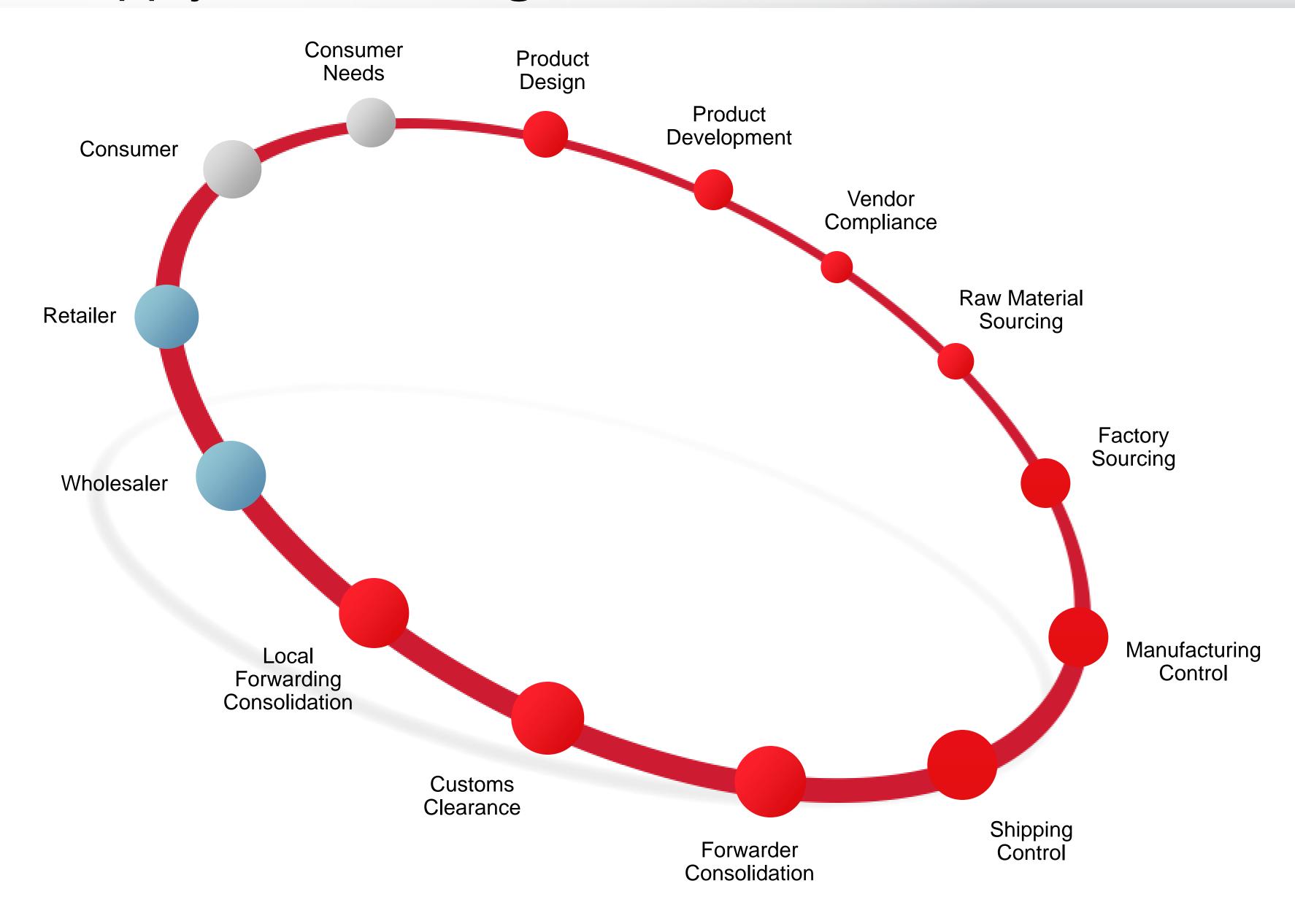
Li & Fung Post Global Brands Spin-Off

- Simplified business model
- O Refocused back to core sourcing and logistics business
- O End-to-end global supply chain management services
- O Multi-channel sourcing
- O Asset light and strong recurring cash flow
- O 2014 investment year to achieve Three-Year Plan
- O Focused on organic growth with detailed roadmap to 2016

Our Business Model



End-to-end Supply Chain Management



Multi-channel Sourcing

Customer Selling Channels

Customer Buying Channels

Specialty Retail

Brands

Department Stores

Ecommerce

Hypermarkets

Clubs

Off-price Retailers

Independents

Multi-channel Sourcing









Serving
All Channels in
All Product Categories

Product Categories



Brands / Private Label Mix

Private Label

National Brands Proprietary Brands Licensed Brands

Buying Office

Trading as Principal (offshore)

Importer / Wholesaler (onshore)

Agent

Increasing Complexity in Global Supply Chain

Production Migration

- China & SE Asia double digit wage inflation impacting sourcing cost
- Frequent disruptions leading to more movements among countries
- Latest frontiers include Myanmar, Kenya, and Ethiopia

Ecommerce / Omni-channel

- Ecommerce and bricks-and-mortar merging into omni-channel/020
- Ecommerce pureplays looking to increase share of private label
- Lead times continue to shorten and business continue to shift to 2H
- SKUs are increasing and MOQ (minimum order quantity) is decreasing

Economic / Geo-political Uncertainties

- Soft US and Europe consumption
- Thailand military coup
- Ukraine situation & Russian sanctions

Flexible and Global Supply Chain



Over 300 offices and DCs in more than 40 economies with 26,000 employees

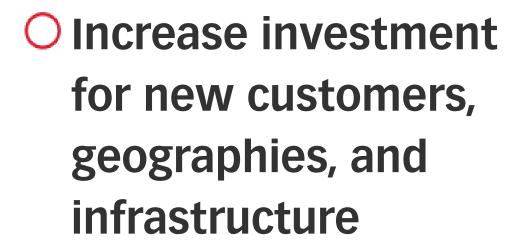
Investment in 2014 for Organic Growth

Operating Costs

+

Capex

Increase Market Share & New Business Wins



Vendor SupportServices

- O New offices
- Logistics network expansion
- O IT system

- O New customers
- O Increase penetration
- O Cross-selling

Investment in 2014 for Organic Growth

Geographic Expansion

- New sourcing offices in Myanmar & China
- New sales office in Brazil
- Exploring Sub-Saharan Africa
- Logistics network expansion

World Class Infrastructure

- Investing in back offices and global infrastructure for next phase of growth
- Bringing in senior management with multinational corporation experience
- Benchmarking against best in class companies

Vendor Support Services

- Move vendors up the value chain
- Existing vendor base of 15,000 new customers
- Addressable market is the entire global vendor base
- Services include raw material procurement, LEAN, vendor portal

Investment in 2014 for Organic Growth

Organic Growth

- Added 60 new customers in 1H 2014
- Customer base has expanded
- New customer pipeline is strong
- Cross selling activities have accelerated
- Fast fashion retailers
- Pureplay etailer private label
- Ecommerce pick & pack operations
- Freight forwarding business
- China & South America

Roadmap to 2016 laid out in detail

Asset Light & Recurring Cash Flow

1 Generate Free Cash Flow

2 Improve ROIC Return
Cash to
Shareholders

- Generate free cash flow with:
 - Lower working capital requirements
 - Decrease payments for acquisition payable
 - Less M&A
- O Improve ROIC by organic growth and prioritizing investments
- O Return cash to shareholders
 - Maintain a high dividend payout policy
 - Potentially through other forms

Reiterating Three-Year Plan (2014 – 2016) Targets



* 2013 consolidated COP of US\$871m

2013

Summary

- O Simplified business model
- O Refocused back to core sourcing and logistics business
- O End-to-end global supply chain management services
- O Multi-channel sourcing
- O Asset light and strong recurring cash flow
- O 2014 investment year to achieve Three-Year Plan
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