Our performance

Results Overview

First Half 2015 Performance

Results

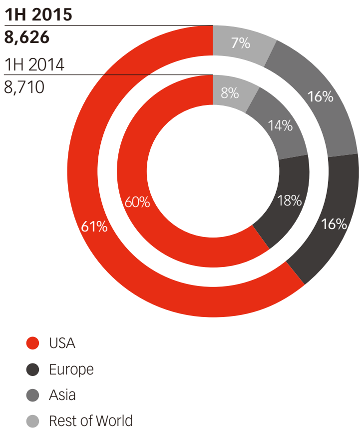
	1H 2015 US$m	1H 2014 US$m	Change %
Turnover	**8,626**	8,710	(1.0%)
Total Margin	**984**	995	(1.2%)
% of Turnover	***11.4%***	*11.4%*	
Operating Costs	**801**	768	+4.3%
% of Turnover	***9.3%***	*8.8%*	
Core Operating Profit	**182**	227	(19.7%)
% of Turnover	***2.1%***	*2.6%*	
Loss from Discontinued Operations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

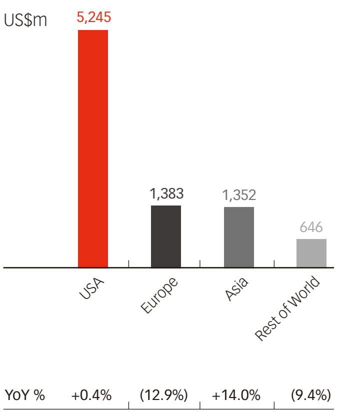
Interim Highlights

- Macro environment and global retail disruption present a mix of challenges and opportunities
- Turnover resilient despite deflationary environment and European currencies depreciation
- Core customers continue to grow and business foundation is solid with strong pipeline for new business
- Core operating profit impacted by annualization of operating costs associated with investments
- Strong growth in logistics business and Vendor Support Services (VSS) ahead of plan

Group Geographical Market Turnover

US$m





TURNOVER

During the first half of 2015, turnover held up with a 1% reduction despite our customers being affected by a subdued macroeconomic and retail environment, as well as turnover decline in Europe due to currency depreciation. Turnover in our Trading Network fell 3%. That was mainly impacted by the depreciation in the European currencies and a heightened deflationary environment, exacerbated by the drop in raw material prices. During the same period, turnover in our Logistics Network increased 36%. Turnover in the US was flat while Europe fell 13%. Turnover in Asia grew 14% and the rest of the world decreased by 9%.

The fall in oil prices was expected to be positive for consumer spending as it should leave consumers with more money to spend in other areas. However, that expected trend failed to translate into any significant improvement in retail sales in the US. Instead, much of the savings from lower oil prices were used to pay down household debts or were converted into savings. Set against this weak consumer retail environment, our US business, which represented 61% of our total turnover, remained flat.

Political uncertainty around Greece and the Eurozone intensified at the end of 2014. Negotiations on whether Greece would stay in the Eurozone and the potential knock-on effect to the rest of Europe caused a rapid decline in the value of the European currencies. While our operations are hedged from a currency perspective, our results denominated in US dollars were affected by the currency translation. During the interim period, our turnover in Europe, which accounted for 16% of our total turnover, decreased 13%.

Our turnover in Asia, which represented 16% of total turnover, increased 14%. Business in Asia was largely boosted by our logistics business, and continued to deliver strong performance with increased sales from existing customers together with new customer wins. In addition, following the acquisition of CCL last year, we have started to cross-sell global freight management services to our global customer base.

TOTAL MARGIN

Total margin declined by 1% due to the decrease in turnover, while the overall total margin percentage was stable at 11.4%. Total margin was further impacted by a larger contribution from the lower-margin global freight management business.

OPERATING COSTS

Operating costs increased by 4%, mainly attributable to the increase in costs to support the growth of our logistics business, including the full period operations of CCL, which was acquired at the end of the first half of 2014. Additionally, we strategically increased spending in 2014, which was the investment year of our current Three-Year Plan, to improve infrastructure, build out our VSS team, as well as to develop new product categories, new markets and services. The full period impact of these investments increased our operating costs in the first half of 2015. The increase in operating costs was alleviated by cost efficiencies from our existing business, which will continue going forward.

CORE OPERATING PROFIT

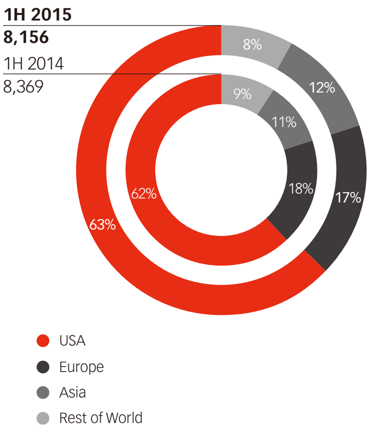
Core operating profit decreased by 20% mainly due to the margin decline in the Trading Network and increase in operating costs from the Logistics Network and investments made since 2014.

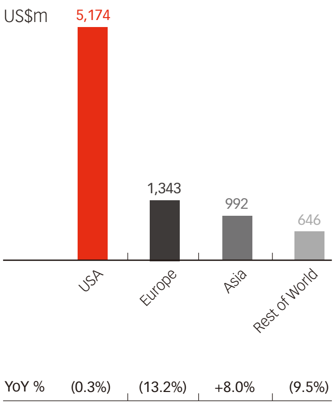
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders increased by 33% from US$111 million to US$149 million, which included a non-cash gain of US$60 million on the write-back of contingent considerations during this period, as compared to US$98 million in 2014, as well as the loss from discontinued operations of US$98 million in 2014 relating to Global Brands. Excluding results from Discontinued Operations, profit attributable to shareholders decreased from US$210 million to US$149 million.

Trading Network Geographical Market Turnover

US$m





Segment Analysis

Trading Network

Results

	1H 2015 US$m	1H 2014 US$m	Change %
Turnover	**8,156**	8,369	(2.5%)
Total Margin	**855**	893	(4.3%)
% of Turnover	***10.5%***	*10.7%*	
Operating Costs	**695**	685	+1.5%
Core Operating Profit	**160**	208	(23.4%)
% of Turnover	***2.0%***	*2.5%*	

As a multi-channel sourcing supplier, our Trading Network offers customers both agency-based sourcing services and product-focused principal solutions over a wide range of product categories. We act as a strategic supply chain manager responsible for the buying needs of our brand and retail customers.

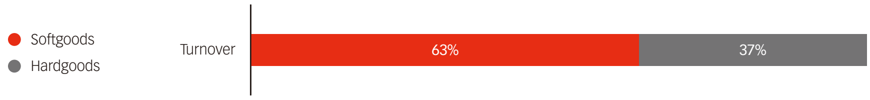
Our agency-based sourcing business provides our customers with a flexible outsourcing service and global network to optimize their sourcing strategy. That gives customers the opportunity to simplify their organization and focus on their core strengths in retail. Our principal trading business, where we operate as either a domestic (onshore) or overseas (offshore) trader, provides customers fully developed and market-ready products based on their needs and brand image.

TURNOVER

Turnover in the Trading Network, comprised of 63% softgoods and 37% hardgoods, decreased by 3%. The decline in turnover was due to multiple cyclical factors, predominately due to the negative translation impact from the weaker European currencies. The drop in oil and other raw material prices also led to an unexpected deflationary environment, which served as a headwind for our agency business. The weak and highly promotional global retail landscape resulted in a relatively muted sales environment for our customers in the first half. The European political uncertainty and the resulting decline in local currencies have impacted our business in Europe. Nevertheless, our core customers, who served as a foundation for our sourcing business, continued to grow with us. By region, turnover in our US business remained flat while turnover in our European business decreased by 13%. Turnover in Asia remained stable with 8% growth.

Our new business pipeline remains strong, and we successfully converted some new customers. Amid increasing competition in a fast-evolving retail landscape and the growing importance of e-commerce, our customers' online sales continued to increase. Many of the products we source for our customers are sold through their e-commerce channels. In addition, we continue to make inroads into e-commerce pure play customers. These customers are beginning to develop private label lines to capture higher margins on their customer traffic, and to differentiate their products from their peers. In China, many Chinese retailers are also looking to develop private and proprietary brands to stand out from their competitors, boost margins and improve customer loyalty. We have developed partnership relationships with various retailers in China to target the growing Chinese consumer retail market.

Product Mix



TOTAL MARGIN

Total margin decreased by 4% as a result of the decrease in total turnover and continued margin pressure on our principal business. We serve customers on a multi-channel sourcing basis across both agency and principal trading business and where margins differ. The continued shift in our turnover mix in the first half of 2015 impacted our overall total margin. The promotional retail environment continues to apply pressure to retailers' gross margins. As a result, our product-led principal business faced pricing pressure during this period.

OPERATING COSTS

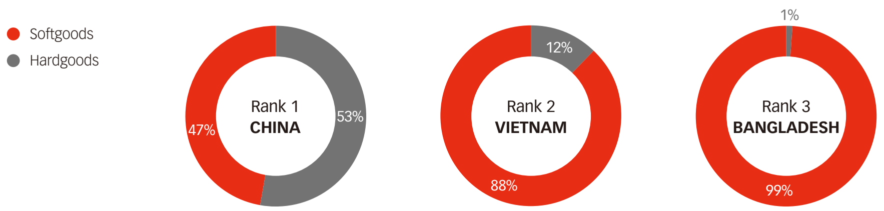
Operating costs increased by 2% as a result of annualization of the investments made last year; which was offset by the continued cost efficiency improvement throughout our global platform. While the Trading Network invested in many growth initiatives, we remained focused on controlling costs and increasing productivity through technology and other innovative processes.

CORE OPERATING PROFIT

The 23% decline in core operating profit was mainly attributable to the fall in total margin as a result of the reduction in turnover. Coupled with higher operating costs as a percentage of turnover, core operating margin decreased from 2.5% to 2.0%.

TOP SOURCING COUNTRIES

We have a global Trading Network spanning over 40 economies, giving us flexibility when moving orders between production bases. This allows us to serve our customers in the most effective and efficient way. Within this global network, our top three sourcing countries remain to be China, Vietnam and Bangladesh. While China continues to be our largest sourcing base, we have been increasingly switching from vendors located in coastal areas to those further in-land. In the meantime, we continue to expand our sourcing with vendors in the frontier markets.



Logistics Network

Results

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

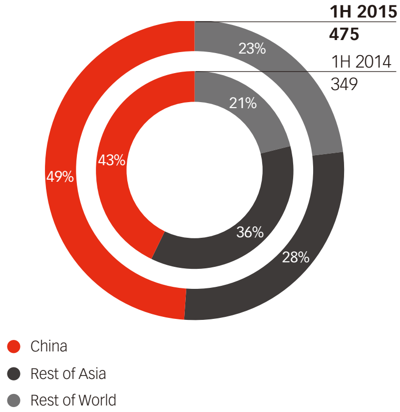
Our Logistics Network comprises of in-country logistics and global freight management businesses. It continues to be one of the Group's high growth and high potential areas.

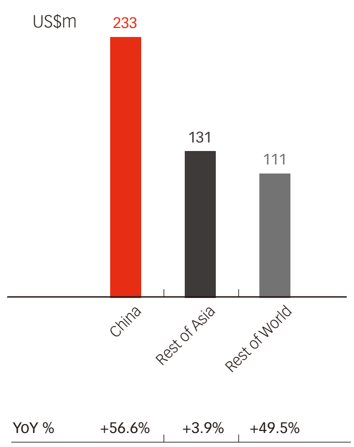
In-country logistics offers Asia-focused logistics and supply chain solutions, and specializes in the key verticals of footwear and apparel, fast-moving consumer goods, food and beverage, retail and electronics. Our Pan-Asian network and deep market knowledge allow us to customize hub-and-spoke logistics solutions for our customers. Riding on the rise of e-commerce and omni-channel retailing, we have deployed our best-in-class technology solutions to re-design our distribution center and operational flow. This has allowed our e-logistics business to optimize order fulfillment processes for both store distribution and direct-to-consumer delivery.

Global freight management offers cross-border logistics services at origin and destination to supplement our in-country logistics solutions. This is particularly relevant for our sourcing customers. The scale of this business has increased significantly following the acquisition of CCL, a leading sea-freight forwarder in China, in the first half of 2014. This increased scale has given us the volume necessary to obtain highly favorable commercial arrangements with the global ocean carriers. As a result, we can offer our customers full container loads or consolidate less-than container load freight services in a cost effective and competitive manner.

Logistics Network Geographical Market Turnover

US$m





TURNOVER

Turnover increased by 36%. All businesses and geographies experienced strong organic growth driven by new customer wins, increased market share of existing customers, new geographic entries, as well as the expanded freight forwarding business via the CCL acquisition. In addition, the design and operations of our Logistics Network and IT system are quickly differentiating us as the leader in Asian e-logistics. This allows us to benefit from the booming e-commerce segment in both domestic and cross-border sales.

Post CCL integration, we were able to offer competitive shipping rates and started to cross sell our global freight management to our sourcing customers. We are only at the very beginning of providing this incremental value-added service to our global customer base.

CORE OPERATING PROFIT

Core operating profit increased 21% and core operating margin declined from 5.3% to 4.8%. The decrease in margin mainly resulted from full period contribution from the lower-margin freight management business. Given the tremendous opportunity ahead, we have also been investing in our warehouse capacity and infrastructure to support the growth of the business.

People

As an asset-light business, our success is dependent on our people. We are very grateful for their expertise, dedication and hard work. As at 30 June 2015, we had a total workforce of 25,065, of which 6,605 were warehouse-related employees for our logistics and distribution businesses. In terms of geography, 4,031 of our employees were based in Hong Kong, 9,265 were based in Mainland China and 11,769 were based overseas.

Total manpower costs for the first half of 2015 were US$495 million, compared with US$479 million for the first half of 2014.

Balance Sheet and Capital Structure

Stable Cash Flow

We have a strong and stable cash flow conversion business, which more than adequately funded its working capital, interest expenses and capital expenditure in the first half of 2015.

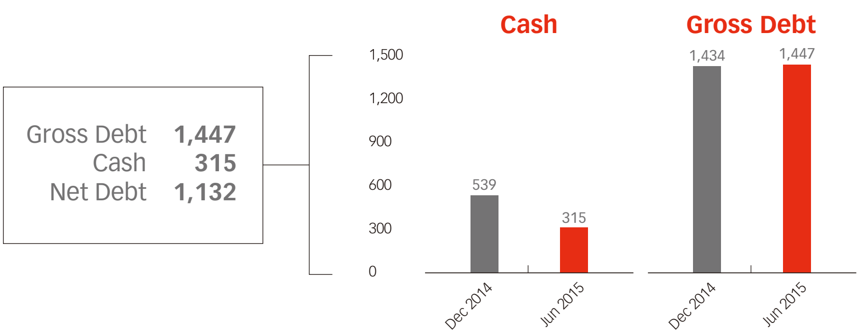
- Operating cash flow of US$180 million in line with core operating profit after working capital and depreciation adjustments and tax payments
- Capital expenditure and acquisition-related payments of US$53 million, including consideration payable for previous acquisitions
- Interest expenses paid and distribution to perpetual capital securities holders of US$60 million

Balance Sheet

Our balance sheet remained solid with a cash position of US$315 million after payment of the 2014 final and special dividends of US$303 million during the first half of 2015. Gross debt remained largely unchanged at US$1,447 million as of 30 June 2015, with weighted average tenor of over 3 years. The majority of our debt is at a fixed rate and denominated in US dollars. As a result of the payment of the 2014 final and special dividends with existing cash on hand, our net debt (total borrowings minus cash) increased from US$896 million as of 31 December 2014 to US$1,132 million as of 30 June 2015.

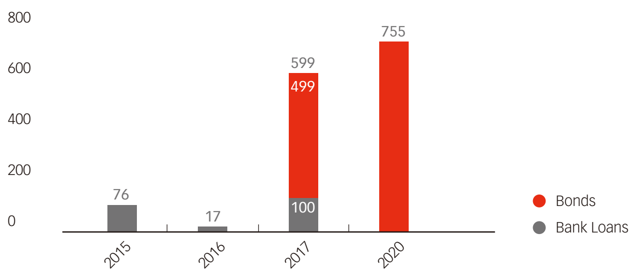
Cash and Net Debt

US$m

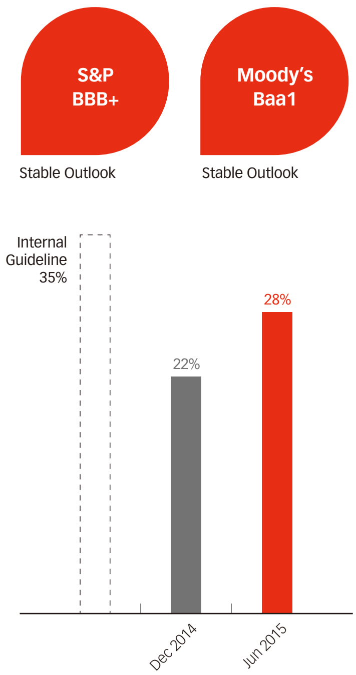


Debt Maturity Schedule

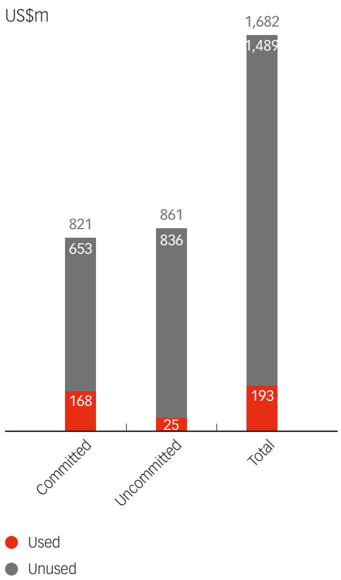
US$m



Net Gearing Ratio



Unused Bank Loans



Net Gearing Ratio and Net Current Assets

Our net gearing ratio, as stated in the unaudited consolidated balance sheet, was 28% as of 30 June 2015 (versus 22% as of 31 December 2014).

We continued to adopt a conservative approach in managing our balance sheet and capital structure. As at 30 June 2015, we maintained credit ratings from Moody's Baa1 (stable outlook) and Standard & Poor's BBB+ (stable outlook). We are committed to maintaining a solid balance sheet, healthy cash flow and strong credit ratios, with the overall long-term target of retaining an investment grade rating to support our growth.

Our current ratio as stated in the unaudited consolidated balance sheet was 1.0 as of 30 June 2015.

Banking Facilities

Bank Loans and Overdrafts

We had available bank loans and overdraft facilities of US$1,682 million, out of which US$821 million were committed facilities. As at 30 June 2015, US$193 million of our bank loans and overdraft facilities were drawn down, with US$168 million being committed facilities. The unused limits on bank loans and overdraft facilities amounted to US$1,489 million, with US$653 million being unused committed facilities.

Trade Finance

Our normal trading operations are well supported by circa US$2.6 billion in bank trading facilities including mainly letters of credit issued to suppliers and bills discounting. A letter of credit is a common means of payment to suppliers to support cross-border trades. Our payment obligations on letters of credit issued to suppliers is only crystalized when our suppliers have delivered the merchandise to our customers or to us in accordance with all of the terms and conditions specified in the related contractual documents. As at 30 June 2015, approximately 26% of the bank facilities were utilized.

Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

Given the unique nature of our acquired businesses are private enterprises relying on their respective entrepreneurs' commercial skills to drive success, we generally structure our acquisitions with incentive schemes and contingent payments. These are based on purchase consideration payables that are then tied 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 Combination."

Our contingent consideration payables are performance-based payments in the form of "earn-out" and "earn-up" payments. These are dependent on a set of predetermined performance targets mutually agreed with the entrepreneurs and in accordance with the sale & purchase agreement.

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

Earn-up payments have a higher performance target threshold and 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 consideration payable. That is on the condition that the acquired businesses are unable to achieve the predetermined performance threshold within the specific timeframe, as stipulated in the sale & purchase agreement. Given that the contingent consideration entitlement is usually contractual in nature and is based on a specific formula linking to a particular threshold, the underlying business performance of the acquired businesses could continue to perform and grow. At the same time, we may still be required to adjust the consideration payable, especially if the high performance thresholds of earn-ups are not reached. As at 30 June 2015, there were approximately US$60 million of write-back of contingent considerations, the majority of which was in the form of earn-ups.

Goodwill Impairment Tests

We performed goodwill impairment tests based on the cash generating units (CGU) which manage the acquired businesses in accordance with HKAS 36. Based on the assessment of all of the CGUs under the current operating structure, we have determined that there is no goodwill impairment as of 30 June 2015, 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 ongoing basis.

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. We have stringent policies in place to manage its credit risk with such receivables, which include, but are not limited to, the measures set out below:

- We select customers in a cautious manner. Our credit control team has implemented 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 a small number of our customers who fall short of the required minimum score under our risk assessment system;
- A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;
- A credit risk system with a dedicated team and tightened policies has been established to ensure on-time recoveries from trade debtors; and
- Rigid internal policies which govern provisions made for both inventories and receivables are in place 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 deposits in HK$ and US$ with major global financial institutions, and most borrowings are denominated in US$.

Our revenues and payments are transacted mainly in the same currency, and are predominantly in US$. 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 by means of foreign exchange forward contracts.

Our functional currency is in US$. We are subject to exchange rate exposure from translation of foreign operations' local results to US$ at average rate for the period for group consolidation. In order to mitigate the impact on selected sourcing countries that are subject to significant exchange rate exposure, we regularly review our operations in these selected countries and make necessary hedging arrangements in certain currencies against the US$. From a medium to long-term perspective, we manage our operations in the most cost effective way possible within our global network.

In general, we do not enter into foreign currency hedges with respect to non-US$ foreign operations' local result and long-term equity investments. In particular, our net equity investments in non-US$ denominated on-shore wholesale businesses are subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US$ 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.

We strictly prohibit any financial derivative arrangement merely for speculation.