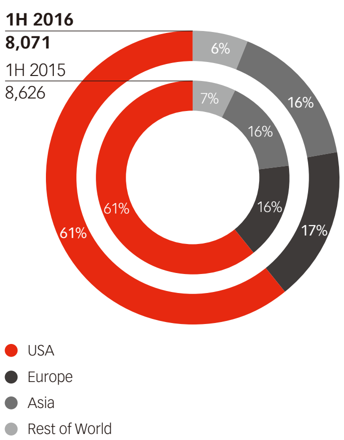

LIFUNG

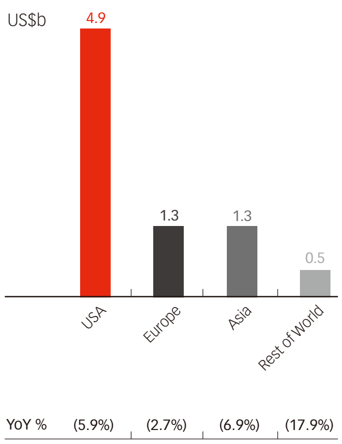

TOWER
利豐大廈

Our performance

Group Geographical Market Turnover

US$m





Results Overview

First Half 2016 Performance

Results

	1H 2016 US$m	1H 2015 US$m	Change %
Turnover	**8,071**	8,626	(6.4%)
Total Margin	**935**	984	(4.9%)
% of Turnover	***11.6%***	*11.4%*	
Operating Costs	**779**	801	(2.8%)
% of Turnover	***9.7%***	*9.3%*	
Core Operating Profit	**156**	182	(14.2%)
% of Turnover	***1.9%***	*2.1%*	
Write-back of acquisition payable	–	60	
Profit attributable to Shareholders	**72**	149	
Adjusted profit attributable to Shareholders*	**92**	110	(16.5%)

* *Excluding non-cash M&A items (write-back of acquisition payable, amortization of other intangible assets and non-cash interest expenses)*

The first six months of the year was the toughest retail and trading period we have operated in since the global financial crisis in 2008. The global retail industry continued to be severely challenged by weak economies, soft consumer sentiment and a highly promotional environment. Our brand and retail customers were affected by subdued consumer demand and inventory build-up. They have therefore been increasingly cautious in placing new orders so as to reduce inventory level, which negatively impacted our top-line turnover.

However, the tough operating environment did not slow down our pace in executing strategic goals outlined in our Three-Year Plan: building a long-term sustainable enterprise, simplifying the business and focusing on organic growth. We successfully completed the divestment of our Asia consumer and healthcare distribution business in June 2016 as part of our strategic goal to focus resources on the core trading and logistics business. This divestment reinforced the Group's strong cash flow and solid balance sheet, and provided additional flexibility for our capital structure to fund future growth. Our Logistics Network continued to sustain growth momentum and generated double-digit organic growth in core operating profit. In addition, our Vendor Support Services (VSS), which leverages our extensive relationship with our vendors and converts them into a new group of customers, continued to stay ahead of plan. We have also continued to reposition our customer base and developed our product vertical expertise; our new customer pipeline remains strong. Additionally, we have focused on increasing productivity, which is helping support our margins and profitability. In particular, with our digitized sourcing platform, we have been able to streamline our cost base and improve operating leverage. It also opens up opportunities to capitalize on the vast amount of data processed through our platform. Speed, innovation and digitalization will play a crucial part in our next Three-Year Plan.

TURNOVER

Our turnover in the first half decreased by 6.4% year-on-year to US$8.1 billion due mainly to the continued deflationary environment and reduced orders from customers as a result of uncertain consumer demand. Reduced orders were exacerbated by customers placing orders closer to the key sales periods as well as their objectives in keeping a lower inventory level on an ongoing basis. From a geographical perspective, the US and Europe remained the largest contributors to our total turnover, contributing 61% and 17%, respectively. Turnover from the Trading Network, representing 95% of our total turnover, declined by 6.2% while turnover from the Logistics Network declined by 10.5%. The continued sharp decline in global freight rates contributed to the overall reduction in turnover from the Logistics Network despite increased business from new and existing customers.

During the period, both our trading and logistics businesses were exposed to considerable volatility in exchange rates, particularly to the British Pound which fluctuated significantly as a result of the Brexit vote. Overall, the weaker European and Asian currencies against the US dollar contributed to lower translated turnover for both our Trading and Logistics Networks.

TOTAL MARGIN

Total margin decreased by 4.9% to US$935 million during the first half of 2016, mainly due to the decline in total turnover. We improved our total margin percentage from 11.4% to 11.6% during the period, supported by an increase in the Logistics Network's total margin percentage due to a better customer mix, more efficient freight procurement, and increased sales of value-added services in our global freight management business.

OPERATING COSTS

Operating costs decreased by 2.8% to US$779 million as a result of our sustained efforts to improve operating efficiency and productivity through the use of technology. This was particularly evident in our Trading Network in which operating costs declined by 5.2%. In the meantime, our Logistics Network continued to make investments with 13.3% increase in operating costs in order to support its geographical expansion and organic growth.

CORE OPERATING PROFIT

Core operating profit decreased by 14.2% year-on-year to US$156 million due to a lower contribution from our Trading Network. The decline in Trading Network turnover dragged down the Trading Network's core operating profit by 19.1%. This was offset by the 20.8% surge in the Logistics Network's core operating profit.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Since the profit attributable to Shareholders of US$72 million as reported in first half of 2016 did not include any write-back of consideration payable, our reported profit attributable to Shareholders decreased by 51.4% year-on-year, as prior year's profit attributable to Shareholders incorporated US$60 million of write-back of consideration payable. Excluding write-back of consideration payable, as well as other non-cash M&A items, such as amortization of M&A related intangible assets and non-cash interest expenses, the adjusted profit attributable to Shareholders declined by 16.5% when compared to the same period last year.

Segment Analysis

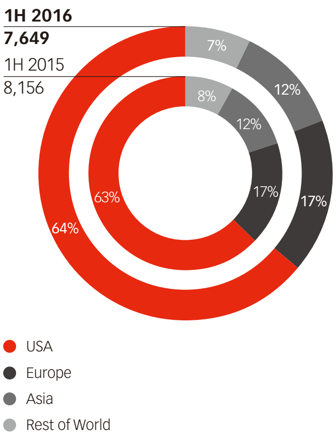
Trading Network

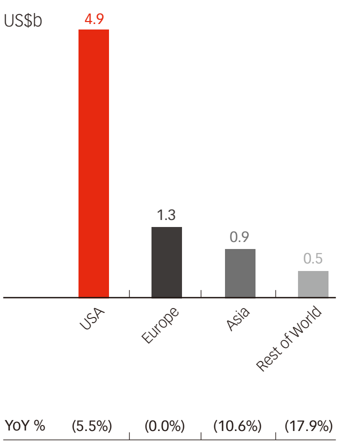
Results

	1H 2016 US$m	1H 2015 US$m	Change %
Turnover	**7,649**	8,156	(6.2%)
Total Margin	**788**	855	(7.8%)
% of Turnover	***10.3%***	*10.5%*	
Operating Costs	**659**	695	(5.2%)
% of Turnover	***8.6%***	*8.5%*	
Core Operating Profit	**129**	160	(19.1%)
% of Turnover	***1.7%***	*2.0%*	

Trading Network Geographical Market Turnover

US$m





In our Trading Network, we provide end-to-end sourcing solutions through our global network for a diverse mix of global brands and retail customers. The retail landscape has been evolving as it adapts to changes in consumption behavior and our customers are actively adjusting their supply chains to remain competitive. Our multi-channel sourcing business model enables us to provide customers with both agency and principal-trading services regardless of how they source their products. To solidify our leadership position in specific product categories, we continued to deepen our product expertise through focused product verticals, namely sweaters, furniture and beauty. During the first half of 2016, we have made significant progress in our product verticals, especially our furniture business where our product innovation allowed us to improve margin and increase market share with key furniture customers.

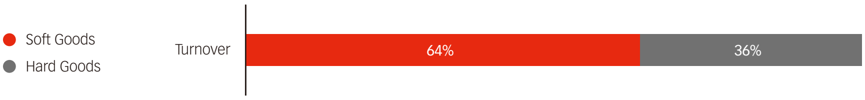
Our agency-based sourcing services, in which we act as a strategic sourcing agent for our customers under multi-year contracts, provide a steady turnover base and represent a significant part of our Trading Network business. In our product-focused principal trading business, we act as either an onshore importer or an offshore supplier to our customers, where the terms of each order are mutually agreed on a per program basis. As a principal trader, we sell to our customers' in-house buying offices. In contrast to our agency role, we are responsible for product design all the way to local logistics tailored to specific customers' requirements.

TURNOVER

Turnover of the Trading Network, comprising 64% soft goods and 36% hard goods, decreased by 6.2% to US$7.6 billion during the first half of 2016. Our agency business, which contributed approximately two-third of the total Trading Network turnover, continued to be adversely affected by ongoing deflationary input prices. For our principal business, selling prices remained under pressure due to soft retail demand and the highly promotional retail environment. The slowdown in the retail environment, high inventory level and uncertain consumer demand caused our brand and retail customers to be more cautious in placing orders. The emergence of e-commerce and our customers' desires to reduce overall inventory level had led to a shorter order cycle. This adversely impacted volume placement for both our agency and principal businesses. We expect this destocking cycle will continue to impact us until the supply chain order cycle is totally adjusted.

European and Asian currencies continued to be volatile in the first half. The brief stabilization of these currencies in the first quarter was quickly interrupted by the UK Brexit vote, which led to further weakness. The relative strength of the US dollar led to an unfavorable translation impact for our non-US dollar denominated transactions.

Product Mix



Despite the challenging operating environment in our Trading Network, we continue to serve a diversified group of customers globally, ranging from brands, department stores, specialty stores, clubs, hypermarkets, and pure-play e-commerce. We continued to reposition our customer base and expand our turnover proportionate percentage in brands, clubs, off-price discount stores, and e-commerce players. In addition, our prospective customer pipeline remained strong across various product verticals and business units. Pure e-commerce players are also accelerating the development of their own private label strategies and we are well placed to service them.

Turnover from our US business, which is predominantly agency-based, decreased by 5.5% year-on-year to US$4.9 billion, as a result of deflationary prices and lower unit volumes. The lower unit volumes were mainly driven by our customers' lower retail sales volumes. Our customers are buying more cautiously, reflecting ongoing weak consumer demand and high inventory levels.

Our European business remained flat year-on-year at US$1.3 billion as supported by our increased market share in our core European customers despite the unfavorable foreign exchange translation, as well as volatile macro environment and uncertain political conditions. Our European trading business is predominantly principal-based with orders transacted in local currencies. The depreciation of European currencies against the US$, our reporting currency, had a significant adverse translation impact on our reported European business turnover.

Turnover in Asia decreased by 10.6% year-on-year to US$0.9 billion, of which approximately US$569 million was attributed to our Asia consumer and healthcare distribution business which was divested on 30 June 2016, as part of the strategic re-alignment of Li & Fung. As a result of this strategic divestment, the financial results of our Asia consumer and healthcare distribution business will no longer contribute to the Trading Network going forward. Turnover in Asia was negatively impacted by the subdued economic environment across Asia, particularly in China, and the depreciation of Asian currencies against the US$. Turnover in the Rest of World decreased by 17.9% year-on-year to US$0.5 billion due mainly to the negative foreign currency impact.

TOTAL MARGIN

Total margin across the Trading Network decreased by 7.8% year-on-year to US$788 million as a result of turnover decline and the continued margin pressure on our principal business. The negative foreign exchange impact on turnover had a direct corresponding impact on total margin. Total margin percentage decreased from 10.5% to 10.3% during the first half of 2016 as compared to the corresponding period in 2015. The continued margin pressure was driven by our brand and retail customers, who faced their own pricing pressures in the challenging retail environment. In response to such margin pressure, we continued to work closely with our customers to optimize their supply chains as well as to provide differentiated, innovative and well-designed products to support higher margins.

OPERATING COSTS

Operating costs in our Trading Network declined by 5.2% to US$659 million as we continued to streamline our operations and look for process efficiency to reduce operating costs amid the challenging market conditions. We also increased provision in accounts receivable to cover the credit risk with a customer in the Chapter 11 process in the US. From the overall operating efficiency perspective, we were able to use technology to realize productivity gains and improve operating leverage. We continued to invest prudently to fuel our growth in new customer accounts and deepen our product expertise. In particular, we invested in the required infrastructure and resources for our VSS unit to scale.

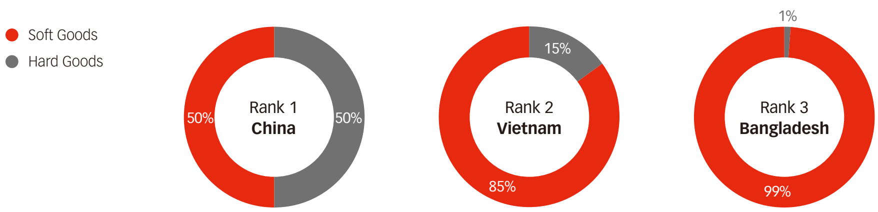
CORE OPERATING PROFIT

Core operating profit decreased by 19.1% year-on-year to US$129 million during the first half of 2016, due to a decline in turnover of 6.2% and total margin of 7.8% despite a 5.2% reduction in operating costs.

Correspondingly, core operating profit margin decreased from 2.0% in the first half of 2015 to 1.7% in 2016 as a result of total margin percentage decreased from 10.5% to 10.3% and operating costs percentage increased from 8.5% to 8.6%.

TOP SOURCING COUNTRIES

Our global vendor network covers more than 40 economies, which allows for flexibility when moving orders from one production country to another to handle capacity constraints and satisfy customers' needs. Within this global network, our top three sourcing countries continue to be China, Vietnam and Bangladesh. While China accounted for more than 50% of our sourcing unit volume, we are one of the largest exporters of the product categories in which we trade in most of our sourcing countries. This comprehensive global network with a strong local presence, critical mass and long operating history is one of our key competitive strengths. As the sourcing landscape continues to evolve with the moving of sourcing away from China and multiple trade agreements in play, we are well positioned to scale our existing operations in individual countries to meet our customers' changing sourcing needs.



VENDOR SUPPORT SERVICES

Our VSS unit was formed in the first year of our current Three-Year Plan to tap into the potential of converting our vendor base of more than 15,000 to a new customer base for services that can improve their operational efficiencies and compliance levels. Following the initial investments, pilot programs were launched in selected markets in 2015. We rolled out our digital total sourcing portal to connect with all our vendors, launched bulk purchase programs in raw materials procurement and product liabilities insurance, developed working capital management tools and services for our suppliers, and initiated various vendor compliance services. The results of our initial pilot phase in 2015 were better than expected, and we continued our global roll-out during the first half of 2016. Our VSS unit is profitable and tracking ahead of plans to deliver 5% of core operating profit.

Logistics Network

Results

	1H 2016 US$m	1H 2015 US$m	Change %
Turnover	**425**	475	(10.5%)
Total Margin	**148**	129	+14.6%
Operating Costs	**120**	106	+13.3%
Core Operating Profit	**27**	23	+20.8%
% of Turnover	***6.4%***	*4.8%*	

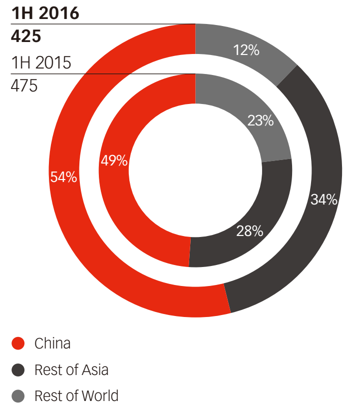
Our Logistics Network provides fully integrated solutions to our logistics customers through our in-country logistics and global freight management services. Operating as part of a total supply chain solution, we are able to leverage our deep understanding of our customers' business and service needs. Our knowledge and network along the entire global supply chain combined with our strength in Asia allow us to offer unique and bespoke solutions to our customers, making us the logistics partner of choice. We create value through operational excellence, best-in-class IT systems and data analytics. These are further enhanced with an established e-commerce trade partner platform and capabilities.

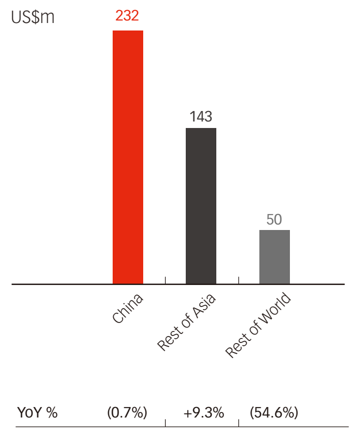
Our in-country logistics business offers logistics and supply chain solutions in Asia focusing on our core verticals – footwear and apparel, fast-moving consumer goods, food and beverage, and retail and healthcare products. We serve a strong portfolio of blue chip multinational customers and continued to win new ones in our respective verticals during the first half of 2016. Our menu of service includes distribution center management, order management, local transportation (including last mile), reverse logistics as well as innovative and sophisticated services, such as hubbing and consolidation, data analytics e-commerce and omni-channel retail fulfillment services.

Our global freight management business offers full service international freight solutions, including freight forwarding, buyer consolidation and deconsolidation, customs brokerage, order management and inter-modal transportation services. The scale of this business increased significantly following the acquisition of China Container Line in 2014. With more than half a million TEUs of shipping volume, we are now one of the leading freight forwarders in China.

Logistics Network Geographical Market Turnover

US$m





TURNOVER

Turnover of our Logistics Network decreased by 10.5% year-on-year to US$425 million, mainly attributable to the substantial drop in global freight rates, improved customer mix, and unfavorable foreign currency translation. As more than 80% of our Logistics Network turnover was generated in Asia in local currencies, our reported turnover was also exposed to currency volatility.

Our in-country logistics business maintained its strong organic growth momentum especially at the core operating profit level, driven by new customer wins, wallet share gains from existing customers and the increasing trend toward the fast growing e-commerce market where we possess leadership capabilities. We also improved our customer mix by focusing on higher margin customers and exiting unprofitable ones. The first half of 2016 also witnessed our expansion into Korea and Japan, and the inauguration of our state-of-the-art distribution hub in Singapore.

Global freight rates in the first half of 2016 continued to be under pressure across all routes and were below the average rates observed in the same period in 2015. Nevertheless, our global freight management business continued to focus on gaining market share through geographical expansion and cross-selling of our freight services to both in-country logistics and Trading Network's customers. To mitigate margin impact from low freight rates, we undertook proactive measures including prudent freight procurement, active contract management, and value-added services such as buyer consolidation solutions to drive core operating profit growth.

CORE OPERATING PROFIT

Core operating profit increased by 20.8% year-on-year to US$27 million despite a decrease in turnover, largely as a result of an improvement in core operating profit margin from 4.8% to 6.4% during the first half of 2016. The higher margin in in-country logistics business was mainly due to our increased scale, continued focus on optimizing our customer portfolio and enhanced productivity through improved operating efficiency of our distribution centers. Prudent freight procurement, active contract management, and value-added services also allowed us to improve our margin in the global freight management business.

Balance Sheet and Capital Structure

Strong Cash Position

Li & Fung has a strong and stable cash flow conversion business which, together with cash on hand carried forward from the previous year, more than adequately funded our working capital, dividends, interest expenses and capital expenditure in the first half of 2016.

- Operating cash flow of US$152 million is in line with core operating profit after working capital and depreciation adjustments and tax payments
- Capital expenditures of US$44 million and payments for consideration payable for previous acquisitions of US$14 million
- Net cash proceeds of US$301 million from the disposal of the Asia consumer and healthcare distribution business
- Dividends paid of US$163 million
- Net interest expenses paid of US$39 million, and distribution to perpetual capital securities holders of US$15 million

In terms of future commitments, the remaining balance of total purchase consideration payable for acquisitions was reduced to US$229 million by the end of June 2016, of which US$169 million are earn-out payments to be paid over the course of the next three years. We remain asset-light and our on-going total capital expenditures are mainly comprised of upgrade of IT systems, expansion of our logistics business and ongoing maintenance capital expenditures.

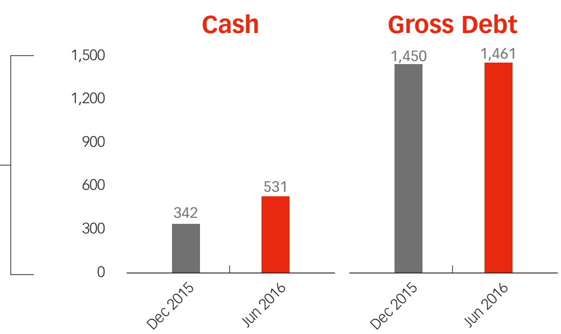
Solid Balance Sheet

Our solid balance sheet was enhanced by cash proceeds received from the divestment of our Asia consumer and healthcare distribution business. Our cash position was US$531 million as of 30 June 2016 after payment of the 2015 final dividend. Our total borrowing remained stable at US$1,461 million with a weighted average tenure of over three years. With the US$500 million bond due in May 2017, we have secured over US$700 million of three-year committed facilities with tenure up to 2019 to provide us with the maximum flexibility in deciding on the timing of either refinancing or repayment of such bonds to reduce our overall leverage. The majority of our debt is at a fixed rate and denominated in US$. Our net debt (total borrowings minus cash) was at US$930 million as of 30 June 2016. Given the macroeconomic and political uncertainties we have witnessed this year, we remain cautious in managing our balance sheet and maximize flexibility to provide comfort to both our customers and vendors.

Cash and Gross Debt

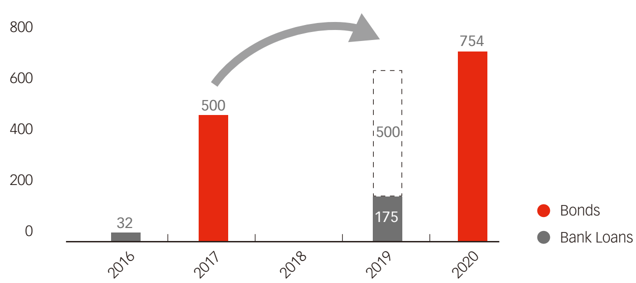
US$m

Gross Debt	**1,461**
Cash	**531**
Net Debt	**930**



Debt Maturity Schedule

US$m



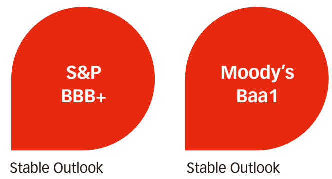
Net Gearing and Net Current Assets

Our net gearing ratio as stated in the unaudited consolidated balance sheet was 24% as of 30 June 2016 (31 December 2015: 27%).

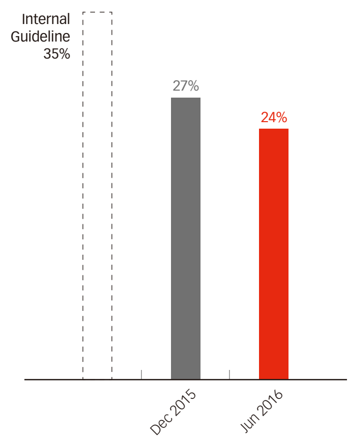
We continued to adopt a conservative approach in managing our balance sheet and capital structure. As at 30 June 2016, our credit ratings from Moody's is Baa1 (stable outlook) and Standard & Poor's is BBB+ (stable outlook). We are committed to maintaining a solid balance sheet, healthy cash flow and strong credit ratios, with the overall long-term target of retaining an investment grade rating to support our growth.

We have three-year unused committed facilities up to 2019 which allow us to have maximum flexibility to determine the exact refinancing timing and amount of our US$500 million bond due in May 2017. Excluding this bond, our pro-forma current ratio would be 1.1 as at 30 June 2016.

Credit Rating



Net Gearing Ratio



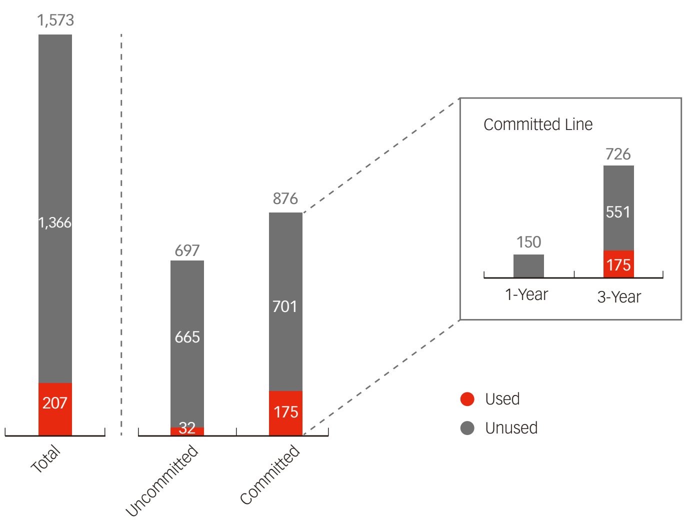
Banking Facilities

Bank Loans and Overdrafts

As at 30 June 2016, we had available bank loans and overdraft facilities of US$1,573 million comprising US$876 million committed and US$697 million uncommitted facilities. At 30 June 2016, US$207 million of our bank loans and overdraft facilities were drawn down, with US$175 million from revolving committed facilities with tenure of up to three years due in 2019. The unused limits on bank loans and overdraft facilities amounted to US$1,366 million and this includes US$701 million unused committed facilities, of which $551 million were part of the three-year committed facilities.

Unused Bank Loans

US$m



Trade Finance

Our normal trading operations are well supported by approximately US$2.5 billion in bank trading facilities including mostly letters of credit issued to suppliers and bills discounting. Letters of credit are a common means of payment to suppliers to support cross-border trades. Our payment obligations on letters of credit issued to suppliers are only crystallized when our suppliers have delivered the merchandise to our customers, or to us, in accordance with the terms and conditions specified in the related contractual documents. As at 30 June 2016, approximately 22% of the trade facilities were used.

Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

Given the unique nature of our acquired businesses, which are private enterprises relying 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 linking 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 depending on a set of predetermined performance targets mutually agreed with the entrepreneurs 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 high performance target threshold and are typically payable over a period of up to five to six years upon completion of a transaction if earned.

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 should the acquired businesses be 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, yet we may still be required to adjust the consideration payable, especially if the high performance thresholds of earn-ups are not reached. For the half year ended 30 June 2016, there was no write-back of contingent consideration.

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 our assessment of all of the CGUs under the current operating structure, we have determined that there is no goodwill impairment as of 30 June 2016, 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.

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 we are acting as a supplier and we therefore take full counterparty risk of our customers in terms of accounts receivable and inventory. With the increased insolvency risk among global brands and retail customers, we have deployed a global credit risk management framework with tightened risk profile, and applied prudent policies to manage our 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 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
- 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

With the increased credit risk profile of selected customers, we have taken a cautious approach in our provision in accounts receivable, and we will continue to monitor closely the development of the Chapter 11 bankruptcy proceedings of one of our key customers, which continues to conduct business as usual during the Chapter 11 process while completing its financial and operational reorganization.

Foreign Exchange Risk Management

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

Our revenues and payments are predominantly transacted 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.

For transactions subject to foreign exchange risk, we fully 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 selected countries and make necessary hedging arrangements in certain currencies against the US$. However, we do not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of our non-US$ foreign operations for both our income statements and balance sheet reporting purposes. Since 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. Our net equity investments in non-US$ denominated businesses are also 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.

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.

People

As an asset light business, our success is overwhelmingly dependent on our people. We are very proud of and grateful for their expertise, dedication and hard work. As at 30 June 2016, we have a total workforce of 21,982, of which 6,377 are warehouse related employees for our logistics and distribution businesses. In terms of geography, 3,490 of our people were based in Hong Kong, 8,740 were based in Mainland China and 9,752 were based overseas.

Total manpower costs for the first half of 2016 were US$504 million, compared with US$495 million for the first half of 2015, with the majority of the increase due to increase in direct labor cost associated with warehouse related employees as well as full period financial impact resulting from the adoption of new share award scheme in May 2015.

Outlook

We expect the rest of 2016 to remain challenging. The global retail market continues to struggle with soft consumer demand and geopolitical instability will weigh on consumer sentiment. We expect highly promotional activities and the deflationary environment to continue, and our trading volume will be under pressure given brands and retailers are transitioning through a destocking cycle. In the meantime, we are focused on new areas of growth such as focused product verticals, logistics and VSS, as well as on increasing our turnover mix in high-growth segments such as e-commerce and off-price retailers, to counteract these headwinds. In addition, we will continue targeting the expansion of our customer base and converting our strong customer pipeline. As a global leader in supply chain management, we continue to be prudent in managing customer credit risks as we continue to expand our customer base. The more challenging environment will also provide VSS with more opportunities to help our global vendor network.

Building a sustainable business for the long term remains a key theme. The long-term investments in IT and backend infrastructure will provide our business with the runway to improve our productivity by automating processes and workflow. As a result, we expect to reap the benefits of this productivity and operating leverage in the coming years.

As we approach the end of the current Three-Year Plan, we are on track in meeting our strategic goals. We are in the process of developing our next Three-Year Plan for 2017-2019, which will be announced early next year. Speed, innovation and digitalization of our business will be a key theme. For example, our presence in Silicon Valley, established to encourage and facilitate partnerships and collaboration in innovation initiatives, has expanded to data analytics which is a crucial part of our supply chain digitalization efforts. These initial efforts will ramp up over time and we are excited about the related potential new business opportunities on the horizon.