2019 Annual Results

LI & FUNG | 20 March 2020

Highlights

- Core Operating Profit declined by 23% and net profit to shareholders returned to positive
- Temasek's US$300M investment in LF Logistics and bond refinancing further strengthened balance sheet and capital structure
- US$932M of cash balance and over US$1.5B banking facilities provide adequate financial flexibility
- New management team improved NPS score and generated record market share gain, but offset by bankruptcies and 2018 market share losses
- Turnaround will take longer than expected due to higher restructuring and digitalization costs
- COVID-19 will cause major uncertainty for 2020 and beyond
- The Board of Directors has received a proposal to privatize Li & Fung

2019 Results Highlights

	2019[1] **US$M**	2018 US$M Restated [2]	Change %
Turnover	**11,413**	12,701	(10.1%)
Total Margin	**1,219**	1,342	(9.1%)
As % of Turnover	***10.7%***	10.6%	
Operating Costs	**992**	1,047	(5.3%)
As % of Turnover	***8.7%***	*8.2%*	
Core Operating Profit	**228**	295	(22.9%)
As % of Turnover	***2.0%***	*2.3%*	
Profit Attributable to Shareholders	**17**	(13)	

(1) Totals may not sum due to rounding
(2) 2018 comparatives restated with adoption of new accounting standard, HKFRS16

- Turnover fell 10.1% mainly due to decline in SCS and Onshore businesses
- Total margin percentage improved due to higher Logistics contribution
- Operating costs decreased with productivity gains, offset by digital and Logistics investment
- Core Operating Profit ("COP") fell by 22.9%
- No final dividend
  - Benchmark against profit attributable to shareholders for 2019
  - Economic uncertainties from COVID-19

2019 Results Net Profit Analysis

	2019 (1) US$M	2018 (1) US$M Restated (2)	Change %
Core Operating Profit	**228**	295	**(22.9%)**
Non-recurring Reorganization Costs	**(47)**	(15)	
Other non-core Operating Expenses	**(6)**	(3)	
Amortization of Other Intangible Assets	**(27)**	(29)	
Write-back of Acquisition Payable	**1**	9	
Operating Profit	**148**	257	
Net Cash Interest Expenses	**(55)**	(45)	
Non-cash Interest Expenses	**(15)**	(15)	
Cost of Early Redemption of Bonds	**(8)**	-	
Taxation	**(16)**	(30)	
Profit for the year (Continuing Operations)	**54**	168	**(67.7%)**
Distributions to Holders of Perpetual Capital Securities	**(34)**	(46)	
Non-controlling Interests	**(3)**	1	
Loss from Discontinued Operations	**-**	(136)	
Profit Attributable to Shareholders	**17**	(13)	

- The Company incurred various one-off non-recurring costs in 2019:
  - Reorg costs of US$47M for SCS restructuring and IT system write-off
  - Transaction costs of US$6M for the Temasek's investment
  - Bond buyback costs of US$8M
- Higher net cash interest expenses offset by lower perp distributions
- Profit attributable to shareholders: US$17M profit vs US$13M loss prior year
- Adjusted net profits attributable to shareholder would be US$74M (3)

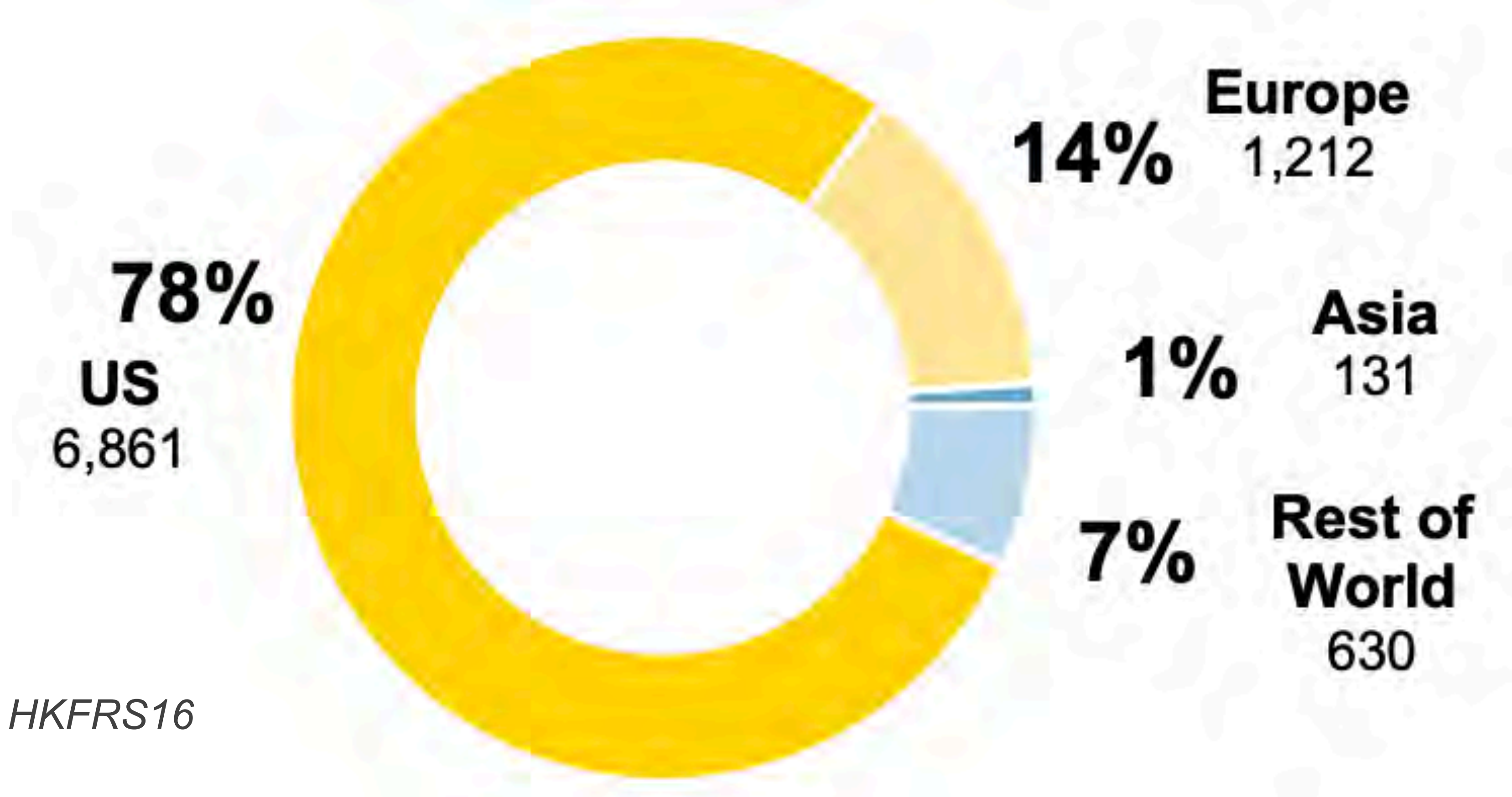
(1) Total may not sum due to rounding
(2) 2018 comparatives restated with adoption of new accounting standard, HKFRS16
(3) Excluding non-recurring reorganization costs, other non-core operating expenses, write-back of acquisition payable, bond redemption and corresponding tax and non-controlling interest impact

Supply Chain Solutions (SCS)

	2019 US$M	2018 US$M Restated (1)	Change %
Turnover	**8,834**	9,933	(11.1%)
Total Margin	**534**	647	(17.5%)
As % of Turnover	***6.0%***	*6.5%*	
Operating Costs	**443**	499	(11.3%)
As % of Turnover	***5.0%***	*5.0%*	
Core Operating Profit	**91**	148	(38.4%)
As % of Turnover	***1.0%***	*1.5%*	

- Turnover fell 11.1% due to customer turnover, destocking, bankruptcies and exiting non-strategic customers
- Offset by new customer wins and market share gain on key customers
- Operating costs decreased by US$56M with savings from productivity

2019 Geographical Market Turnover
US$M



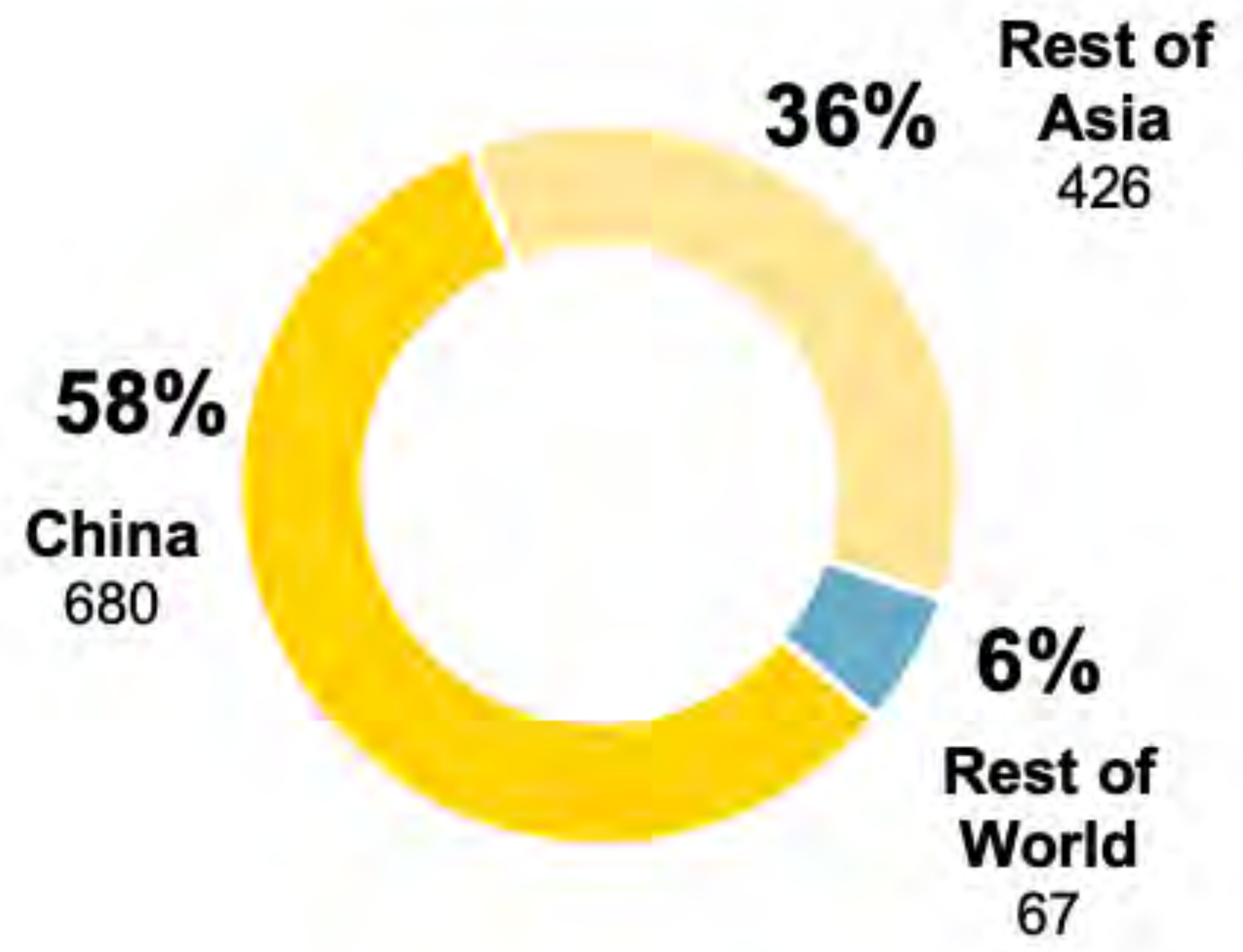
(1) 2018 comparatives restated with adoption of new accounting standard, HKFRS16

Logistics

	2019 US$M	2018 US$M Restated (1)	Change %
Turnover	**1,173**	1,133	+3.5%
Total Margin	**422**	390	+8.2%
As % of Turnover	***36.0%***	*34.4%*	
Operating Costs	**328**	297	+10.4%
As % of Turnover	***28.0%***	*26.2%*	
Core Operating Profit	**94**	93	+1.0%
As % of Turnover	***8.0%***	*8.2%*	

- Turnover increased by 3.5%; or 6.0% on a constant currency basis
- In-country logistics achieved another year of double-digit growth on the back of new business wins and strong e-commerce growth
- Global freight management was negatively impacted by the slowdown in global trade and depressed freight rates
- COP increased by 1.0%, or 3.9% on a constant currency basis
- Investment by Temasek to accelerate business expansion and solidify long-term prospects

2019 Geographical Market Turnover
US$M



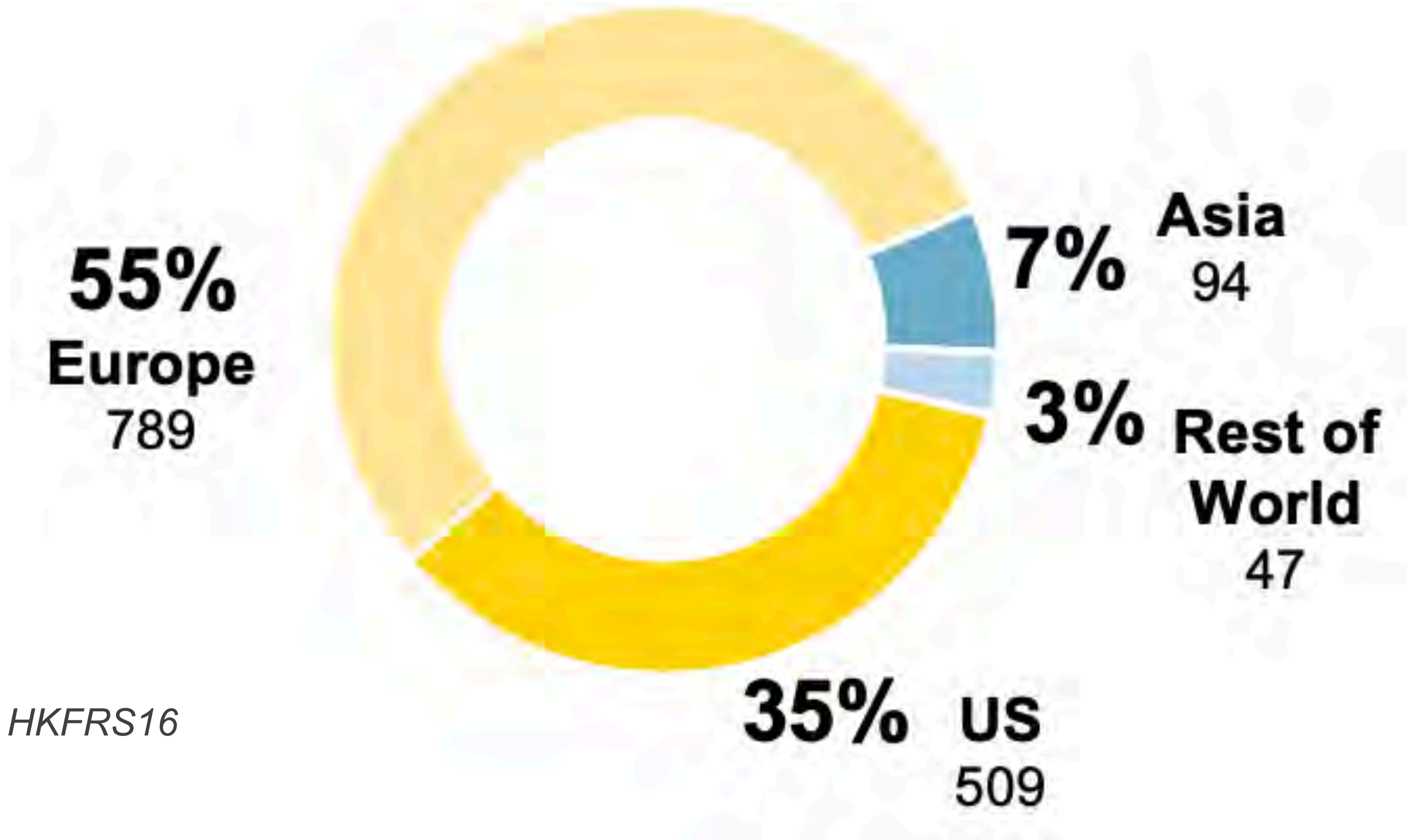
(1) 2018 comparatives restated with adoption of new accounting standard, HKFRS16

Onshore Wholesale

	2019 US$M	2018 US$M Restated [1]	Change %
Turnover	**1,439**	1,667	(13.6%)
Total Margin	**263**	305	(13.6%)
As % of Turnover	***18.3%***	*18.3%*	
Operating Costs	**220**	250	(11.9%)
As % of Turnover	***15.3%***	*15.0%*	
Core Operating Profit	**43**	55	(21.7%)
As % of Turnover	***3.0%***	*3.3%*	

- Turnover fell 13.6% affected by weak environment in Europe and exit of non-strategic customers in Asia
- Total margin percentage remained stable despite pricing pressure
- Operating costs reduced by US$30M due to restructuring

2019 Geographical Market Turnover
US$M



(1) 2018 comparatives restated with adoption of new accounting standard, HKFRS16

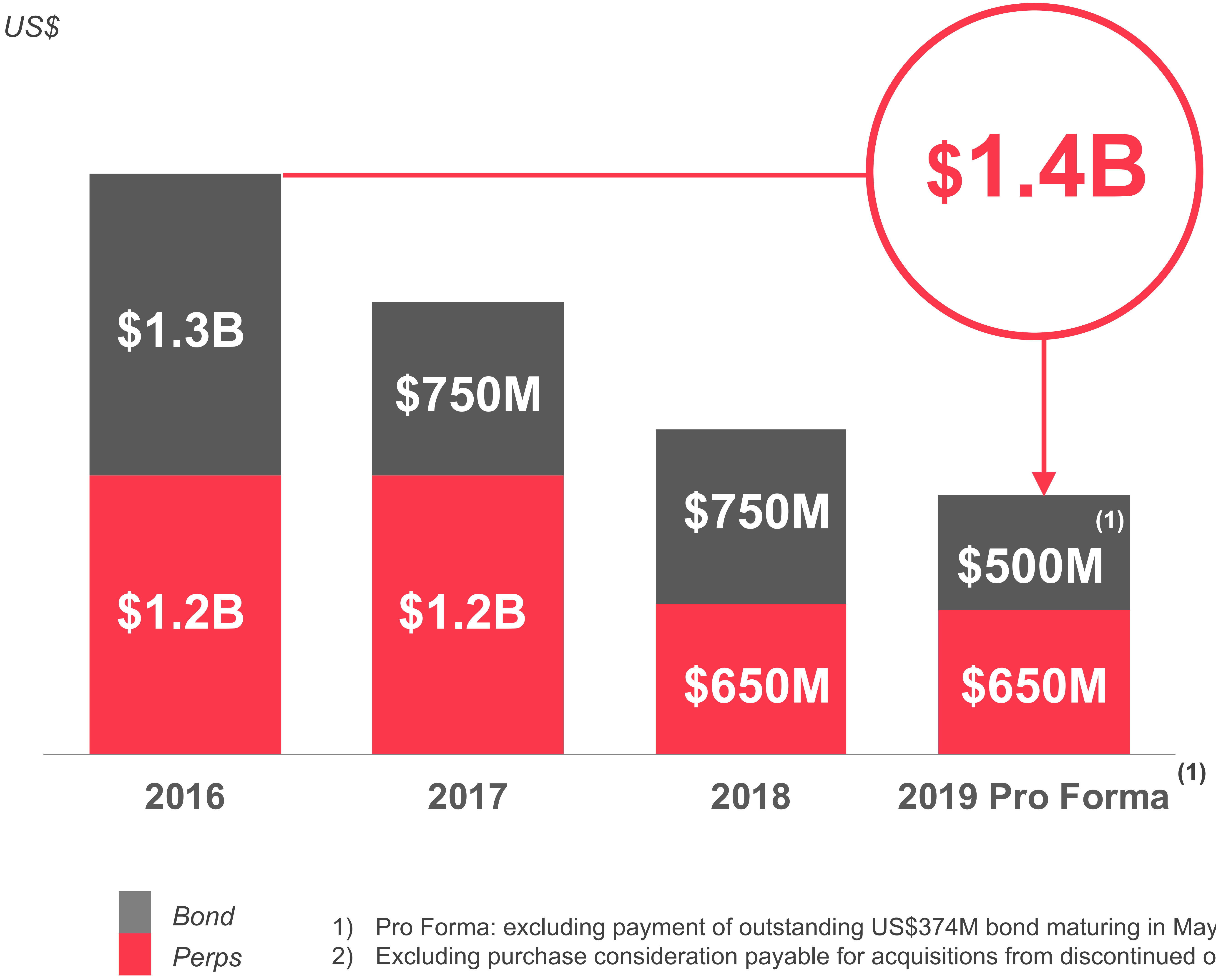
Capital Structure

	Dec 2019 US$M	Dec 2018 US$M Restated (1)
Bonds	**871**	751
Bank Loans	**305**	274
Total Debt	**1,176**	1,025
Cash	**932**	612
Net Debt	**244**	413
Total Equity	**2,113**	1,855
Total Capital (2)	**2,357**	2,268
Gearing Ratio (3)	**10%**	18%

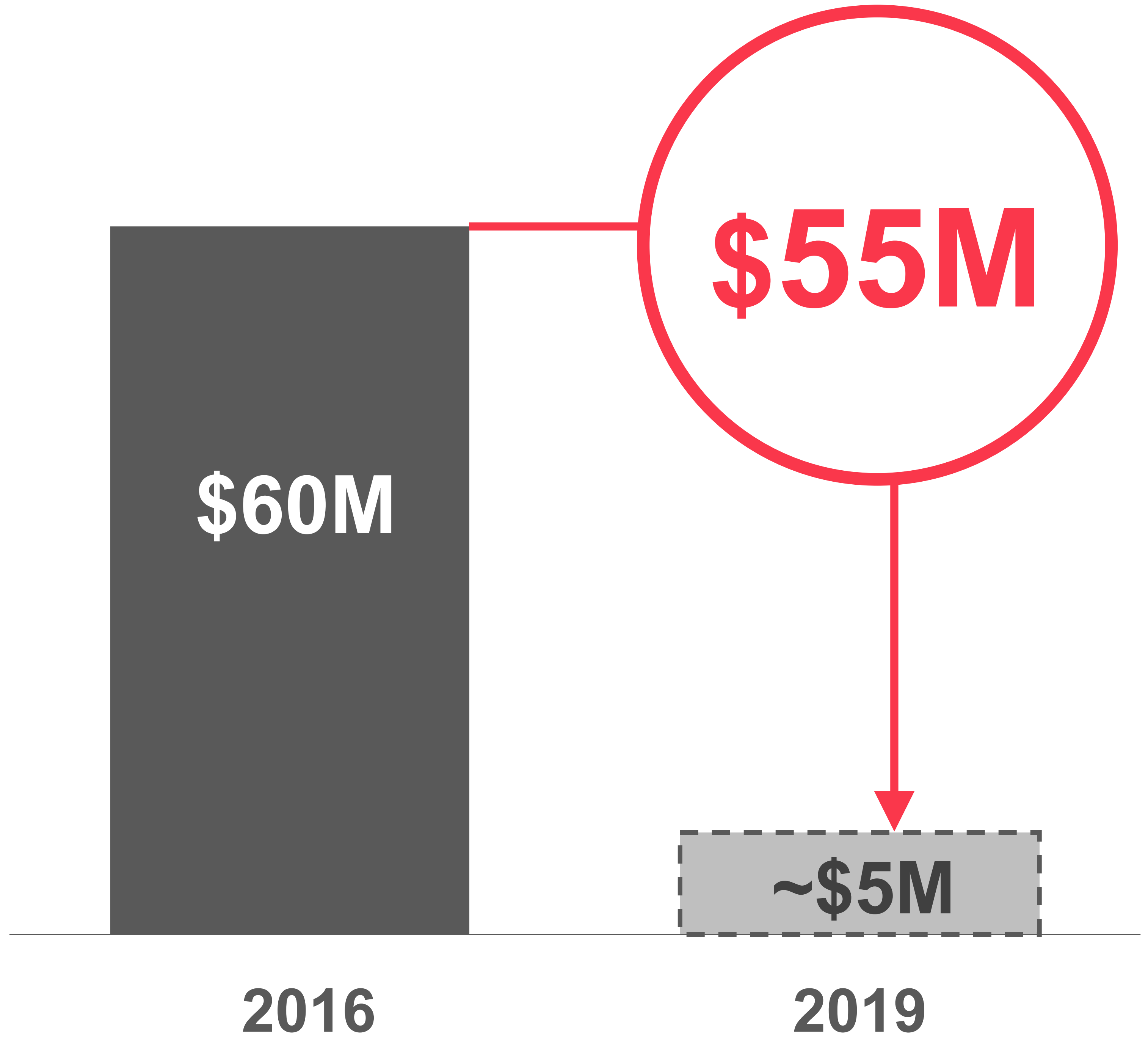
- Balance sheet strengthened by Temasek's investment in Logistics and bond refinancing
- New bond issuance extended debt maturity with lower interest rate
- Net debt reduced to US$244M; with gearing lowered to 10%
- Ample liquidity with US$932M of cash balance; sufficient to redeem US$374M bonds maturing in May 2020
- Total available bank facilities was over US$1.5B, of which US$856M was committed facilities (US$556M unused)

(1) 2018 comparatives restated with adoption of new accounting standard, HKFRS16
(2) Sum of net debt and total equity
(3) Net debt divided by total capital

Continued Deleveraging Trend



Purchase Consideration Payable for Acquisitions (2)



1) Pro Forma: excluding payment of outstanding US$374M bond maturing in May 2020 with cash at hand
2) Excluding purchase consideration payable for acquisitions from discontinued operations

Solid Capital Structure and Strong Operating Cash Flow

Net Debt

$244M

Gearing Ratio

10%

Investment Grade[1]

Baa3 / BBB

Cash

$932M

Operating Cash Flow

$281M

Bank Lines

$1,5B+

Committed	Committed & Unused
$856M	$556M

(1) Baa3 is Moody's rating; BBB is S&P Global's rating

Recap
Three-Year Plan (2017-2019)

2017-2019 3YP

To create the Supply Chain of the Future and help our customers navigate the digital economy and to improve the lives of one billion people in the supply chain

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- We did not meet our financial targets
- We are now the clear leader in digitalizing the supply chain

Create the Supply Chain of the Future

SPEED

- Accelerate speed to market
- Speed up operations

INNOVATION

- Innovate new products for customers
- Innovate new business models

1010

DIGITALIZATION

- 3D Design
- Trend Engine

Create The Supply Chain of The Future

Data

- Built up data team and Trend Engine

Ecosystem

- Mapped out 1000+ tech companies
- Started partnerships with complementary ecosystem players

Global Business Development

- Joint roadshows with SCS & Logistics

Supply Chain Solutions

- Moving away from analog agent to new digital supply chain solution service provider

Productivity

- Restructured into 2 teams: Account Management, Sourcing and Production Platform
- Increased productivity by delayering and leveraging

3YP (2017 – 2019)

Positive

- 2017 was a good first year for SCS
- Restructured with new management team
- Bridged silos to fully leverage our scale
- SCS gained market share in 2019 due to improved KPIs, global network and digital services
- Attained clear leadership in 3D design
- Logistics registered solid double-digit growth
- Raised US$300M from Temasek and refinanced bond to strengthen capital structure

Negative

- Experienced multiple customer turnover, bankruptcies and margin squeeze
- Market share loss triggered before the restructuring began to impact turnover in 2019 & 2020
- Onshore wholesale had a tough 2019
- Some digital experiments did not materialize
- Freight business declined due to trade war

Global Trading Environment in Constant Disruption

- Global trade moving away from the WTO multilateral system
- Bilateral trade agreements and trade disputes are proliferating
- Global trade now more complex than the 1974 – 2004 quota era
- Retail & digital disruption continues to put pressure on customers
- COVID-19 is creating a simultaneous supply and demand disruption

Strategic Direction for 2020 & Beyond

Winning Aspiration

Our goal is to create the **Supply Chain of the Future** to help our customers navigate the digital economy and to improve the lives of **one billion people** in the supply chain

SPEED

INNOVATION

1010

DIGITALIZATION

Strategic Direction

- Further leverage our global network to help our customers to navigate the highly disruptive global trading environment
- Extending our leadership in 3D digital product development with new tools and services to start monetization
- Creating 3 Centers of Excellence that fully leverage the true scale of LF's US$10B platform
- LF Logistics to drive organic growth in new countries, verticals and the transport business
- Building an industry unique end-to-end supply chain service augmented by our digital platform

Strategic Framework

Organic Growth

Strategies

- Account Management
- Business Development
- Vendor Management
- Risk Mitigation

Centers of Excellence

- Denim
- Costing
- Fabric

Enablers

- Operational Excellence
- Digital Services

People First

Global Diversified Network Mitigates Risk

Largest network in the industry with 50+ production economies

- A highly diversified network is needed under disruptive global trading environments with full flexibility
- Our network will continue to help retailers diversify across multiple economies during time of trade uncertainty
- China penetration decreased from 50% to 43% in 2019
- New regional structure is allowing us to respond to global disruptions on a daily basis and faster than most competitors
- We proactively started to address the current disruption caused by global slowdown in demand before retailers realized it was a problem
- Will start to build global category management to further strengthen the network

3D Digital Product Development

- Established leadership in 3D with the largest and most advanced team
- Adoption of 3D increasing especially with the COVID- 19 crisis
- Achieving cost and time savings, while uplifting sales and reducing markdowns
- Next step is monetization of service

Digital is Delivering Tangible Benefits to Our Customers

The impact of our 3D services & Digital Platform is directly contributing to our customer's financial performance. Recent events affecting global trade is accelerating adoption

3.7%
Reduction in Cost of Goods

2-3%
Sales Uplift from Speed

4%
Decrease in Returns

Reaching into the Digital Wallet

We are productizing & monetizing our capabilities as retailers allocate an increasing share of their wallets to digital across multiple functions.

Li & Fung Digital Offering

3D

Platform

Advisory

Target Retail Digital Spend in...

Sourcing

Merchandising

I.T.

Product Development

E-Commerce

Marketing

Logistics & Distribution

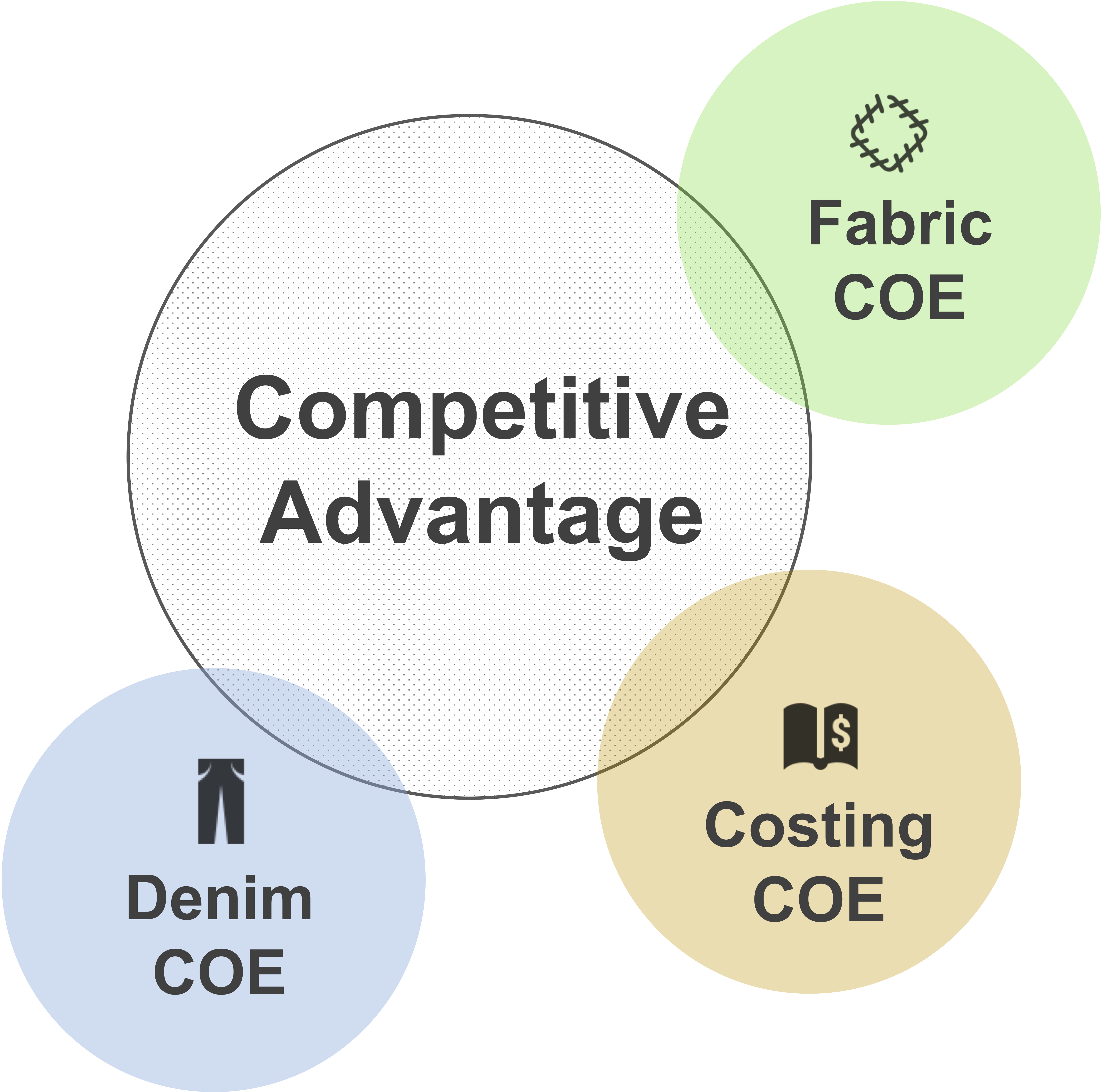
Consumer Analytics

Skills & Learning

Leveraging Our Scale & Scope

A unified platform leveraging the true scale of Li & Fung

- New structure allows LF to truly leverage scale for the first time
- Leverages US$2B+ purchasing power across the company
- Consolidated fabric mills and countries of origin
- Drives savings opportunity to offer the best price in the industry
- Improves quality by focusing on a smaller number of partners
- Drives a lower FOB costs for customers

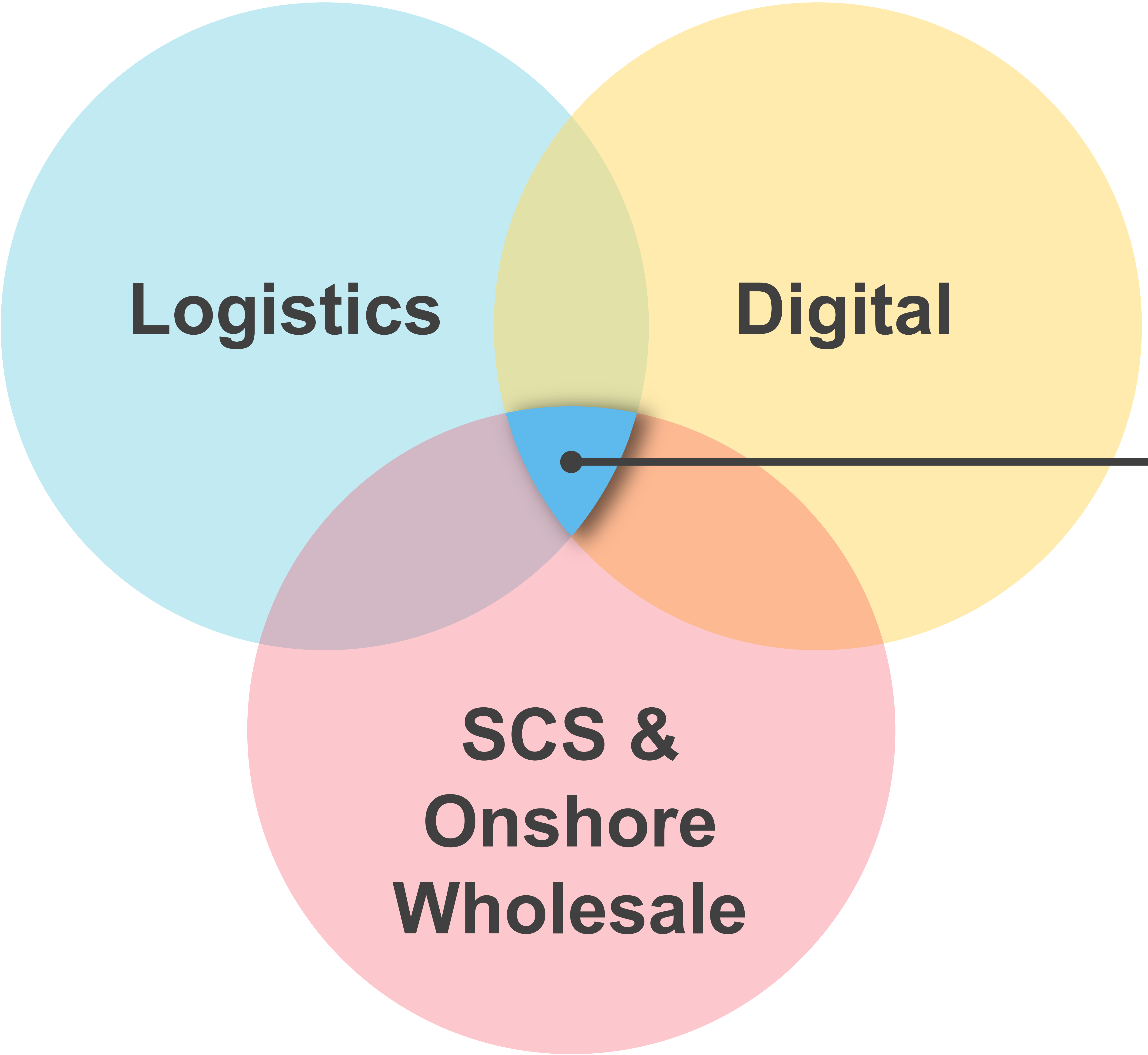


LF Logistics Focuses on Organic Expansion

- Continue to ride the wave of rising consumerism in Asia
- China and In-country maintain strong growth momentum and will continue to take market share
- e-Commerce logistics continues high double digit growth and expansion out of China
- Japan, Korea, Vietnam, Indonesia, India and Australia are all starting to contribute to the growth engine
- New electronics vertical and transport business will also provide more organic growth
- Global freight management will focus more on higher margin air-freight service

- **17** jurisdictions *(incl. US and UK)*
- **221** Distribution centers
- **29M** sq. ft DC space & **500,000** TEUs

End-to-End Supply Chain Service



- Intersection of all LF services in SCS, Onshore, Logistics and Digital forms an end-to-end solution that is unique in the industry
- Will overlay new digital solutions like 3D and digital control tower on top of the 3 analog services
- This will provide customers with a large-scale one stop shop that is unique in the market
- Will start to pilot with a few customers in 2020

COVID-19

COVID-19 is one of the most disruptive events in history

- COVID-19 is causing unprecedented, global, simultaneous supply and demand disruption
- Disruption started in China but is now seeing a quick rebound and normalization of supply and demand
- Global demand is slowing simultaneously and causing major disruption to global supply chains
- Multiple production counties are also starting to shut down which will further complicate the situation
- Impact is still unknown but this will cause major uncertainty in global economy
- Key for governments to take decisive actions to stop the spread of the virus for a quicker recovery

LF Actions

Our Deep Global Network Provided Swift Contingency Plans and Actions Against COVID-19 Disruptions

- Quickly set up global crisis management team to ensure business continuity and health and safety of staff
- Work from home and use of various digital technology ensured that no operations were disrupted
- Daily updates to customers proved to be extremely helpful since most do not have boots on the ground
- Quickly minimized delays from China as our teams were almost fully operational throughout the crisis
- Moved some production out of China during the initial phase of the factory closures
- Best practice from China and Hong Kong now used across the world as more countries go through the same crisis
- Deferred all non-essential expenses and capital expenditures and focus on cash preservation

Specialty Retailer

Coordinated with suppliers, forwarders, digital teams, sourcing & production teams outside of China to tackle widespread delays

Before	*Now*
10%	**83%**
ON TIME	**ON TIME!**
Majority of orders delayed by **2 - 4 weeks**	Most of the delays compressed to **ONLY 1 week**

Outlook for Next 6 Months

- China supply chain will be fully functional soon but most other countries are beginning the same cycle of supply disruption
- Global demand will drop for a few months causing major uncertainty
- Most retailers are reassessing their supply chains for the next few months
- Mid-tier and non-essential consumer goods will be hit the hardest
- Logistics in China recovering fast but uncertainties rising for the rest of Asia

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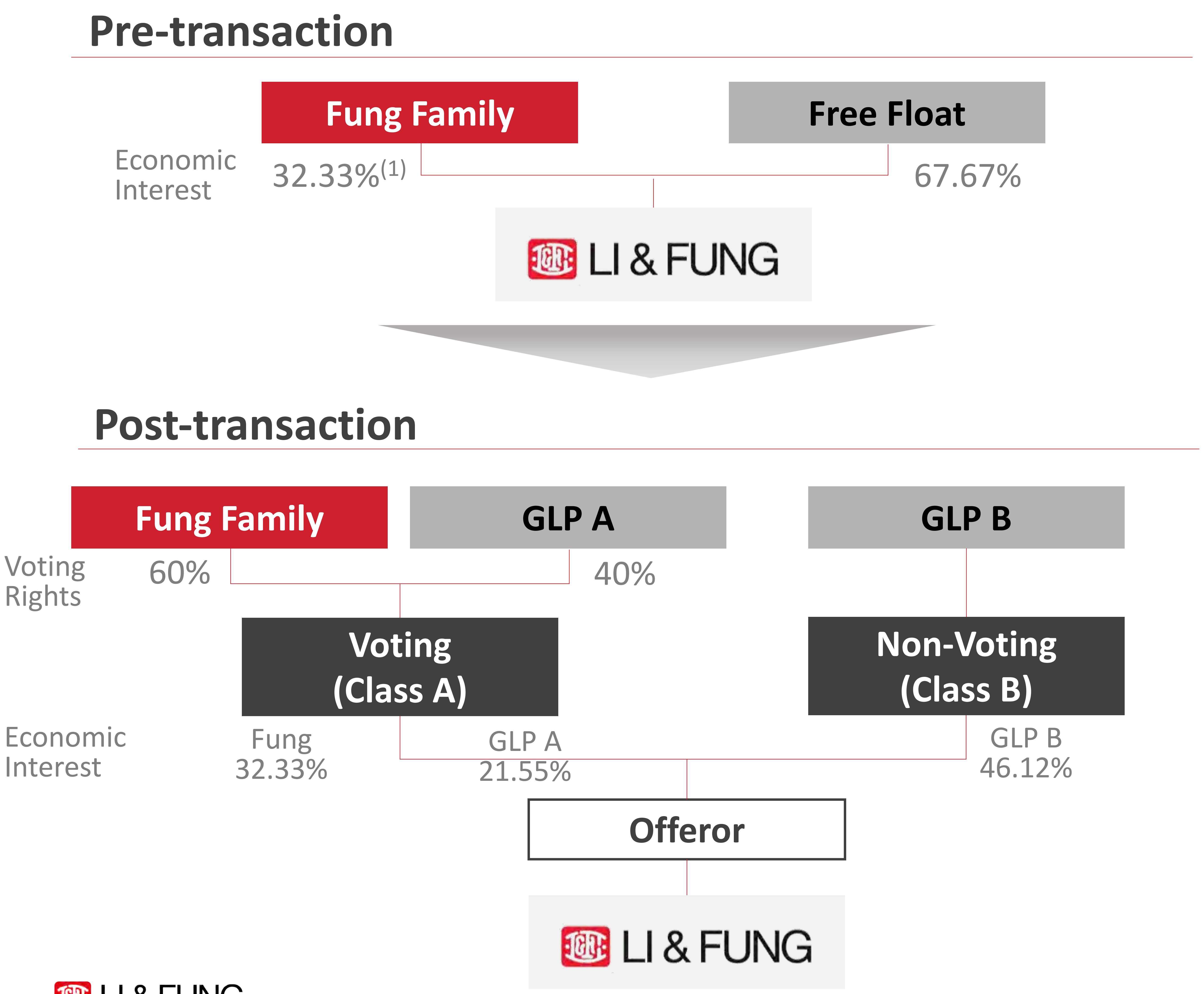
Proposed transaction

Privatization of Li & Fung By Way of a Scheme of Arrangement



- Fung Family is partnering with GLP ("Offeror") to propose for the privatization of Li & Fung by way of a scheme of arrangement
- Fung Family will remain in control post-privatization with 60% voting shares
- GLP to invest equity through a combination of voting (40% of voting shares) and non-voting shares (100% of non-voting shares), resulting in an effective economic ownership of 67.67%
- The Offeror does not intend to, and will not require the Company to increase its financial indebtedness in order to implement the proposal

LI & FUNG

Notes:
1.Refers to Founder Scheme Shares held by the Founder Group (Fung Family), including Dr. William Fung Kwok Lun, Dr. Victor Fung Kwok King, SDEL, GSL, Fung 1937, Fung Distribution and FIDL, less 48,857,908 Scheme Shares held by SDEL

Privatization of Li & Fung By Way of a Scheme of Arrangement (cont.)

- Shares of public shareholders will be cancelled and paid in cash at a price of HK$1.25 per share
- Proposal is subject to approval by disinterested shareholders and other conditions. No increase in debt leverage of the Company as a result of this proposal
- An Independent Board Committee established by the Board will appoint an Independent Financial Advisor and make a recommendation to the disinterested shareholders

Rationale for the Proposal by the Offeror

Proposal to facilitate a necessary transformation of the business alongside a highly accomplished partner, amid a challenging market environment

1 Digital Disruption to Retail and Ongoing Economic Headwinds

- Disruption to retail by digitalization and changing behaviour have put significant pressure on financial performance
- The ongoing economic headwinds are having a further adverse impact

2 The Transformation Requires a Longer Period to Materialize

- Transformational efforts will require a longer period to carry out deeper restructuring efforts and further investments
- The required restructuring efforts involve execution risk, which may be more effectively conducted away from public equity markets

3 Strategic Partnership with Common Objective

- Partnership with GLP would be beneficial for the Company's restructuring efforts
- By leveraging combined strengths, Offeror hopes to realize the ambition of establishing the digital supply chain of the future

GLP is a Leading Global Logistics Warehouse Operator and Investor

- As a Singapore entity, GLP Pte is a leading global operator and investor in logistics, real estate, infrastructure, finance and related technologies
- Operates and manages 62 million sqm of global logistics property portfolio in China, Japan, US, Europe, Brazil, and India
- 2,000 completed properties across 630 logistics parks globally
- Invested heavily in global logistics infrastructure, related technologies, as well as supply chain related businesses; managing over US$89 billion[1] of assets

Brazil

China

United States

India

Japan

Europe

Notes:
1. Upon completion of a previously announced transaction

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