Li & Fung Overview
Three-Year Plan Target and Key Growth Drivers

**Trading**
- New customer wins
- Further penetration with existing customers
- Vendor Support Services

**LF Logistics**
- Network expansion
- Omni channel logistics
- International freight forwarding
- Strategic acquisitions

**Global Brands Group**
- Further build out portfolio of licensed brands
- Add additional categories to current brand portfolio
- Increase geographic & channel footprint

**Standalone COP**
- COP larger than the entire group today

**2X COP**

**Over 2X COP**
Global Brands Group Spin-off

Li & Fung will benefit from Global Brands Group growth via sourcing arrangement
Spin-off Rationale

• Sourcing and Brands businesses are different in nature, and both are growth areas
• Requires different expertise and management focus

**Sourcing**
Sourcing skills, product development and supply chain management for retailers and brands globally

**Brands**
Fashion design capabilities, responsiveness to fashion trends, brand development and marketing skills for licensed and owned brands globally

• Dedicated management focus on running the two “Pureplays”
• Grow faster by operating separately
• Enhanced financial flexibility
Pro Forma Capital Structure

Consolidation (Dec 2013)

Global Brands Group

Pro Forma Li & Fung

Net Debt/Total Capitalization (3)

COP 871
EBITDA 1,111
Equity (1) 5,550

Bank Cash Perps (1) Bond
0 500 1,000 1,500 2,000
211 1,255 503 460

Bank Cash
0 500 1,000 1,500 2,000
624 (2) 143

Bank Cash
0 500 1,000 1,500 2,000
181 1,255 503 911

(1) Perps are classified as Equity
(2) Includes US$30m bank borrowings and US$594m bank loan for repayment to Li & Fung
(3) Total Capitalization = Net Debt + Equity
Relationship Between Li & Fung and Global Brands Group Post Spin-off

**Buying Agency Agreement**
- Provision of sourcing and supply chain management services by Li & Fung to GBG
- Minimum commitment of 70% of GBG’s sourcing requirements over a 7-year term\(^{(1)}\)
- Cost-effective and ensures certainty of meeting sourcing requirements

**Non-Competition Agreement**
- Li & Fung will not engage in the selling of products under licensed or owned brands as principal or brand management business in the apparel, footwear and fashion accessory segments
- Right of First Offer to GBG on brands business opportunities and disposal of Li & Fung’s licensed men’s branded dress shirt business
- Right of First Offer to Li & Fung on sourcing opportunities

**Other Agreements**
- Master Property Agreement for sub-leasing between Li & Fung and GBG, to and from one another, on a cost basis
- Transitional IT Agreement prior to full physical separation of IT systems on a cost basis
- Transitional Services Agreement prior to full separation of administrative service systems on a cost basis

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\(^{(1)}\) Subsequently amended to a minimum commitment of 50% of GBG’s sourcing requirements over a 3-year term in the final Listing Document post HKSE comments.
Global Brands Group Business Platform

**Licensed Brands**

- Fashion
- Characters
- Accessories & Home
- Footwear

**Controlled Brands**

- Fashion
- Accessories
- Footwear
Platform for Accelerated Brand Growth

Diversified License Portfolio

- Licenses leverage product & distribution platform
- Steady cash flow generation from licensing portfolio
- Active portfolio management to diversify risk
- Allocate capital to develop selected controlled brands
- Controlled brands leverage product & distribution platform
- Potential monetization of developed controlled brands

Product Platform

- Fashion
- Characters
- Accessories & Home
- Footwear

Global Distribution Platform

- US
- Europe
- Asia
- Rest of World

Selected Controlled Brands
Unrivaled Global Network

Headquartered in Hong Kong with Over 50 Offices and Showrooms Around the World

New York
Los Angeles
Greensboro
London
Shanghai
Panyu
Hong Kong
Milan

Fashion Centers
Offices
Operation Support Hub
Global Brands Group Licensing Partnership

Be the “Go-To” partner for Brands to

- Extend into additional product categories
- Distribute brands on a global basis

Deep product expertise in the following categories:

**Fashion**
- Calvin Klein
- TOMMY HILFIGER
- NAUTICA
- JENNIFER LOPEZ
- daisy fuentes
- ELLEN TRACY

**Characters**
- Disney
- MARVEL

**Accessories & Home**
- Calvin Klein
- TOMMY HILFIGER
- MICHAEL KORS
- GUESS
- FRETTE
- LULU

**Footwear**
- Calvin Klein
- COACH

**Other Brand Licensing Companies**

**COTY**
- Beauty & Fragrances
  - MARC JACOBS
  - Calvin Klein
  - NAUTICA
  - BOTTEGA VENETA
  - BALENCIAGA
  - CHLOÉ
  - VERA WANG
  - GUESS
  - DAVID BECKHAM

**LXOTICA**
- Eyewear
  - BURBERRY
  - DKNY
  - CHANEL
  - PRADA
  - COACH
  - RALPH LAUREN

**FOSSIL GROUP**
- Watches
  - MICHAEL KORS
  - BURBERRY
  - DKNY
  - DIESEL
  - FENDI
Global Brands Group Unique Licensing Model

- All brands have a lifecycle
- License portfolio of brands to build a sustainable business
  - Steady cash flow generation
  - Capture value at every stage of the brand lifecycle
- Grow portfolio with product and global distribution platform
- Management has extensive history working with brands and retailers
Licensed Brands Growth Drivers

**Growth Drivers**

- Further build out portfolio of licensed brands
- Add additional categories to our current brand portfolio
- Increase geographic and channel footprint

**Some Examples:**

- **Michael Kors**: Design, develop & distribute Women’s belts and Women’s / Men’s cold weather accessories
- **Disney & Marvel**: Design, develop & distribute portfolio of character products across categories & geographies
- **Nautica**: Design, develop & distribute children apparel in US & accessories in Asia
- **Tommy Hilfiger**: Design, develop & distribute soft home & children apparel
PVH Case Study: 15+ Year Relationship

15+ Year Relationship

IZOD

Categories

Boy’s Tailored Clothing, Uniforms
Sportswear
Performance Sportswear
Accessories

Calvin Klein

10+ Year Relationship

Footwear
Belts & Small Leather Goods
Boys Clothing & Sportswear
Table Top

Boys & Girls Clothing
Home Products

Geography & Channel

U.S.A

North America, Central America, Europe, Middle-East, Russia, India, South Africa, Worldwide (for selected categories)

calvinklein.com

U.S.A, Canada

1) Via Fishman & Tobin acquisition (2011)
2) Via Cipriani / Max Leather & Jimlar acquisition (2010)
Controlled Brands Growth Drivers

Grow by Leveraging Product Platform & Global Distribution

FRYE
150+ years heritage boots brand
• 40% sales CAGR last 3 years
• Develop into lifestyle brand
• Expand into new product categories
• Open additional strategic retail stores1
• Expand eCommerce offering on new platform

Juicy Couture
High-end contemporary casual wear
• Develop & distribute expanded premium international product line
• Increase distribution in European, Middle Eastern & Asian markets

Performance skiwear
• Develop into lifestyle brand
• Extend to new sport segments
• Develop product line for multiple seasons
• Distribute in new US channels and expand international markets

1) Currently 4 retail stores
Global Brands Group Pro Forma 2013 Financials

**Net Sales**: US$3.3bn

**Margin**: US$1.0bn

**COP**: US$134m

* Based on company filings
Calendar year 2013 sales except for PVH, Guess and GIII are based on latest fiscal year end.
Exchange rate for EURUSD at 1.3764 and HKDUSD at 0.1290, as at December 31, 2013, respectively.
Global Brands Group Financial Track Record

**Turnover**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(US$m)</td>
<td>2,809</td>
<td>3,119</td>
<td>3,288</td>
</tr>
</tbody>
</table>

**Total Margin**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(US$m)</td>
<td>33.9%</td>
<td>27.5%</td>
<td>30.7%</td>
</tr>
</tbody>
</table>

**Core Operating Profit**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(US$m)</td>
<td>178</td>
<td>(96)</td>
<td>134</td>
</tr>
</tbody>
</table>

**Operating Cash Flow**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(US$m)</td>
<td>63</td>
<td>23</td>
<td>90</td>
</tr>
</tbody>
</table>
## Adjustment of Non-Cash Items

<table>
<thead>
<tr>
<th></th>
<th>2011 (US$m)</th>
<th>2012 (US$m)</th>
<th>2013 (US$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Operating Profit</td>
<td>178</td>
<td>(96)</td>
<td>134</td>
</tr>
<tr>
<td>Add: Amortization of computer software and system development costs</td>
<td>6</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Add: Amortization of brand licenses and distribution rights</td>
<td>93</td>
<td>121</td>
<td>127</td>
</tr>
<tr>
<td>Add: Depreciation of Property, Plant &amp; Equipment</td>
<td>22</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>EBITDA¹</td>
<td>299</td>
<td>54</td>
<td>296</td>
</tr>
<tr>
<td>Net Profit for the Year</td>
<td>100</td>
<td>28</td>
<td>114</td>
</tr>
<tr>
<td>Less: Gain on Remeasurement of Contingent Consideration Payable</td>
<td>-</td>
<td>(108)</td>
<td>(75)</td>
</tr>
<tr>
<td>Add: Non-cash Interest Expenses</td>
<td>18</td>
<td>21</td>
<td>16</td>
</tr>
<tr>
<td>Add: Amortization of Other Intangible Assets</td>
<td>31</td>
<td>43</td>
<td>46</td>
</tr>
<tr>
<td>Adjusted Net Profit</td>
<td>148</td>
<td>(16)</td>
<td>101</td>
</tr>
</tbody>
</table>

¹ EBITDA is defined as net profit before net interest expenses, tax, depreciation and amortization. This also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain or loss on remeasurement of contingent consideration payable.
Capturing Value in the Entire Brand Lifecycle

Global Brands Group platform can serve brands’ needs across the entire brand lifecycle

**Start-up Phase**
- Funding for growth
- Find distribution partners
- Scale with professional infrastructure

**Growth Phase**
- Product category extensions
- Expand to new markets / channels
- Brand extensions / derivatives

**Mature Phase**
- More affordable products
- New channels of distribution

**Rebirth Phase**
- New marketing / brand rejuvenation
- Develop new product line

Sales

Time

Global Distribution Platform

Product Platform
- Fashion
- Characters
- Accessories & Home
- Footwear

US
Europe
Asia
Rest of World
History of Global Brands Group

GBG Started in 2005 to Capitalize on Li & Fung’s Expertise, Networks and History in the Global Apparel Industry

- Acquired SICEM International S.r.l.
- Entered long-term licenses for Spyder and Juicy Couture
- Acquired TVMania and its licenses in Europe
- Acquired Jimlar which owns Frye and licenses of Coach and Calvin Klein footwear
- Acquired Assets of Pacific Alliance Manufacturing Group, LLC, Regatta (USA) LLC and American Marketing Enterprises

- Acquired Rosetti handbags and accessories
- Started to build brand business in the US
- Acquired Briefly Stated Holdings and its portfolio of >40 cartoon character licenses

2005
2006
2007
2010
2011
2013

Continue to identify and assess further brand, product and geographical market-driven acquisitions to extend brand platform

✓ Multiple acquisitions to build product platform and brand portfolio
✓ Organic growth as brands are brought onto the platform and benefit from global scale and specialized expertise

* Selected acquisitions
Highly Experienced Management Team

Extensive industry experience with the ability to leverage relationships with brands and retailers worldwide

William FUNG
Non-executive Chairman
- Provide strategic advice and guidance on the business and operations of the Group

Bruce Philip ROCKOWITZ
Vice Chairman / Chief Executive Officer
- Overall strategic direction and business operations of the Group

Dow Peter FAMULAK
President
- Manage the Group’s business operations

LEONG Kwok Yee
Chief Financial Officer
- Overall management of all aspects of the Group’s finance and treasury matters

Jason Andrew RABIN
Chief Merchandising Officer
- Oversee the Group’s merchandising strategy and global brand portfolio

Ronald VENTRICELLI
Chief Operating Officer
- Oversee the Group’s overall operating platform and business support
Segment Analysis

**Licensed Brands**

- **Turnover**
  - 2011: 2,353 (US$m)
  - 2012: 2,608 (US$m)
  - 2013: 2,680 (US$m)

- **Total Margin**
  - 2011: 35.8%
  - 2012: 28.1%
  - 2013: 30.7%

- **Core Operating Profit**
  - 2011: 179 (US$m)
  - 2012: (75) (US$m)
  - 2013: 98 (US$m)

**Controlled Brands**

- **Turnover**
  - 2011: 456 (US$m)
  - 2012: 511 (US$m)
  - 2013: 608 (US$m)

- **Total Margin**
  - 2011: 24.1%
  - 2012: 24.0%
  - 2013: 30.7%

- **Core Operating Profit**
  - 2011: (1) (US$m)
  - 2012: (20) (US$m)
  - 2013: 36 (US$m)
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