HTL INTERNATIONAL HOLDINGS LIMITED

2015 RESULTS BRIEFING

Make a Difference to Inspire Life

Agenda

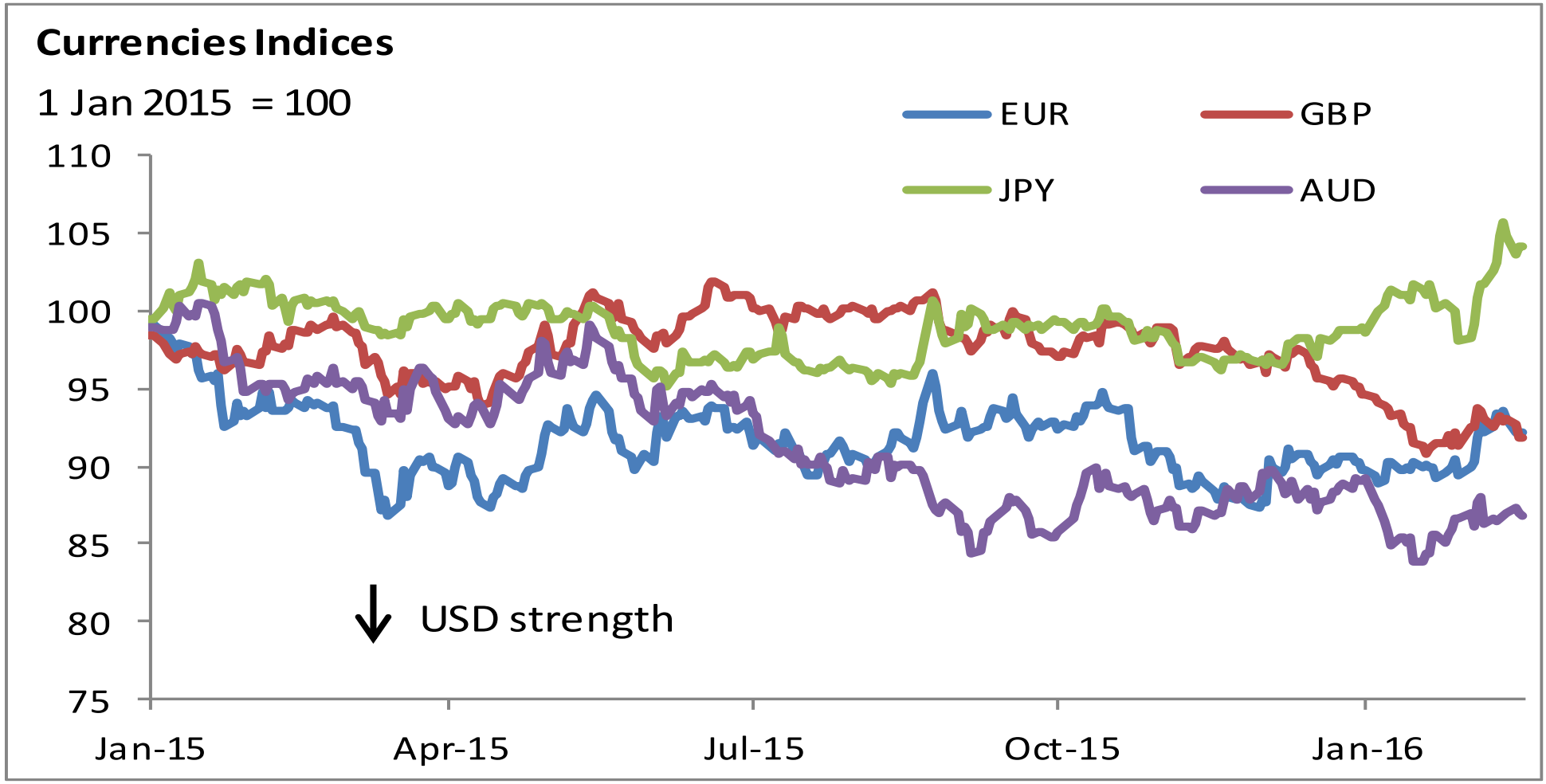
- **Business Conditions**
- **Financial Highlights**
- **Outlook, Initiatives and Challenges**

Business Conditions

Business Conditions – Macro

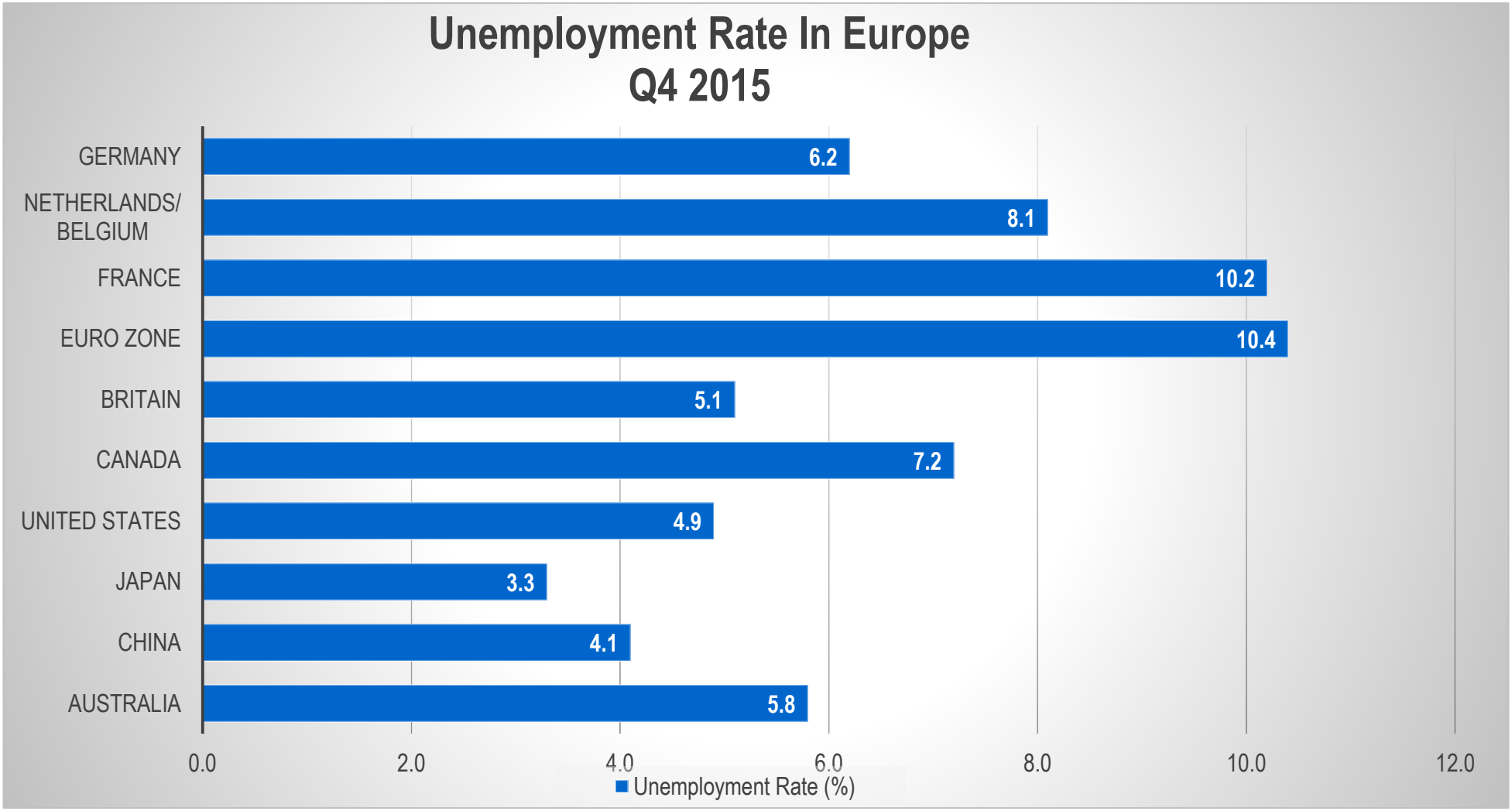
- Uncertain global economic recovery with weaknesses in the major economies of Europe, Asia and Australasia.
- Volatile foreign exchange market with our major sales currencies (notably the Euro, JPY, AUD and GBP) weakened against the USD.
- Persistent high unemployment rate in Europe, our largest market.
- These prolonged conditions continued to dampen consumer confidence and spending on high value and discretionary goods like our leather sofas.

Business Conditions – Macro (Cont'd)



Source: DBS

Business Conditions – Macro (Cont'd)



Business Conditions – Micro

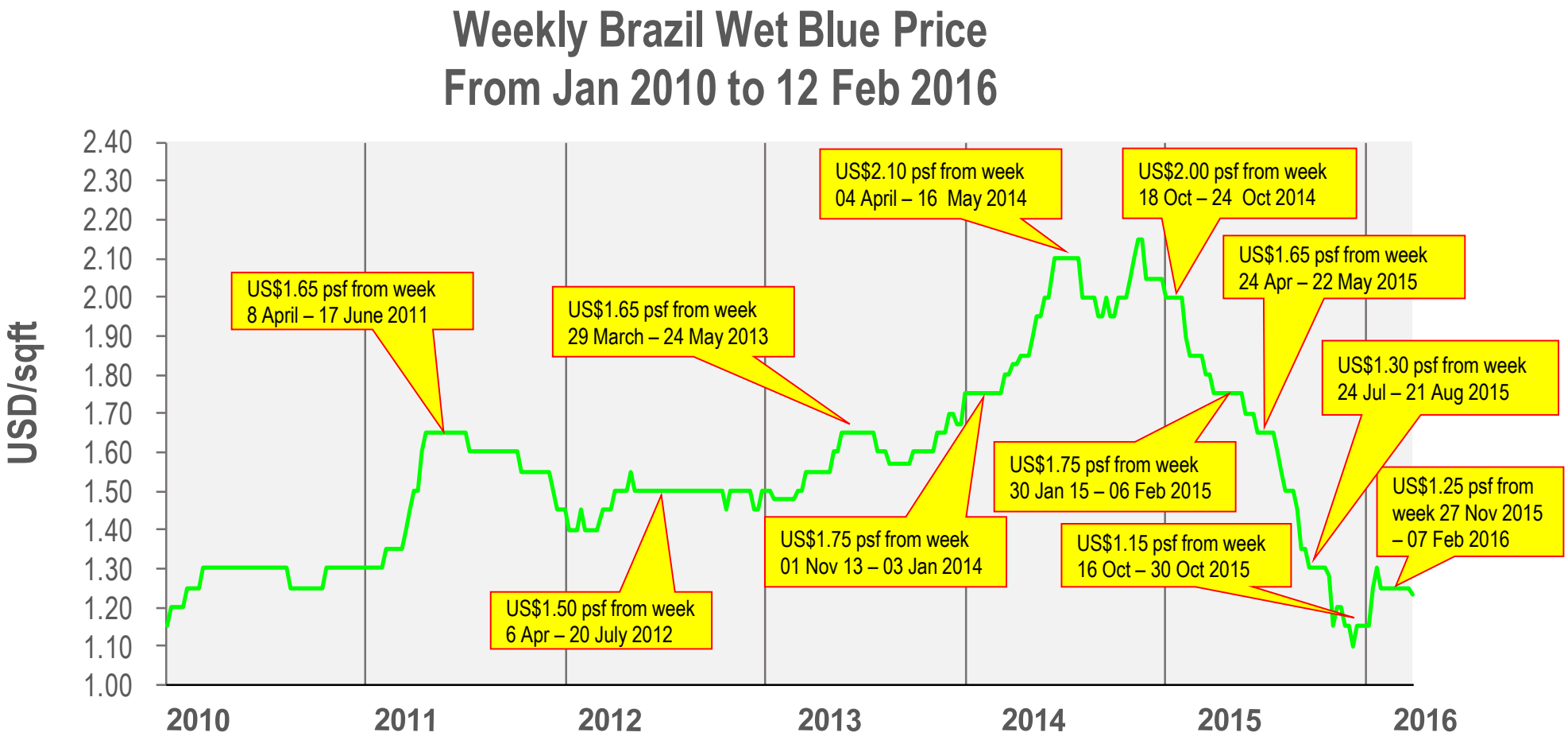
- Despite recent price moderation, our raw leather hide costs continued to stay at near all-time high as we use average costing for our leather.

- Basic wage rate in major cities in China rose by a further 10% from November 2014.

- For Yangzhou and Huai An where one of our tannery and sofa plant are located respectively, labour costs increased further from March and June 2015 respectively following an increase in the minimum social security contribution rates by the local authorities.

- To address the additional pressure on profit margins, HTL continued to improve on its operational efficiency and cost effectiveness.

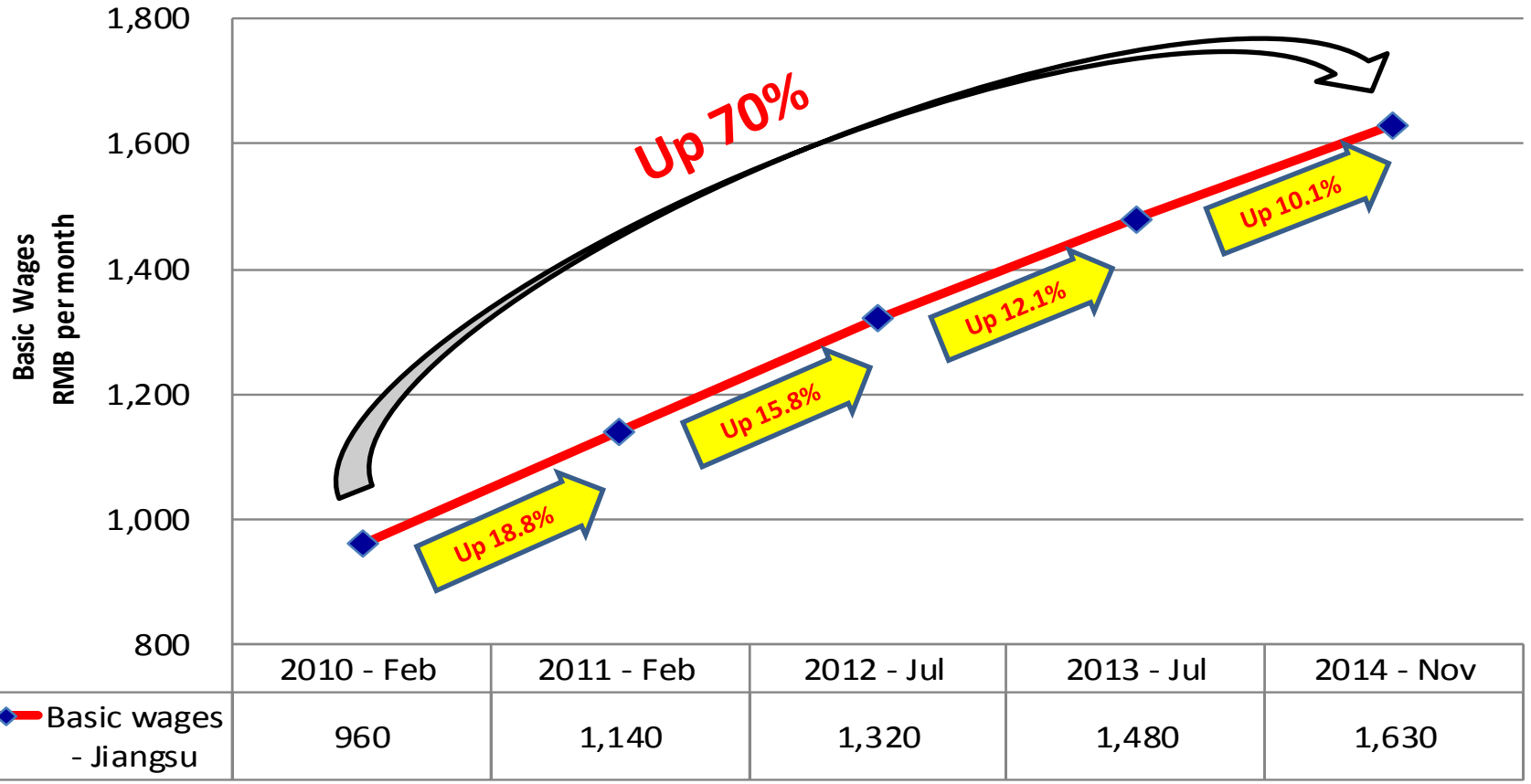
Business Conditions – Micro (Cont'd)



Source: www.hidenet.com

Business Conditions – Micro (Cont'd)

Basic Wage Rate in RMB (2010 to 2014)



	2010 - Feb	2011 - Feb	2012 - Jul	2013 - Jul	2014 - Nov
Basic wages - Jiangsu	960	1,140	1,320	1,480	1,630

Financial Highlights

Financial Highlights

(US$ million)	FY 2015 (a)	FY 2014 (b)	Changes (%) (a-b)/b
Turnover	454.9	500.6	(9.1)
EBITDA	10.4	20.2	(48.5)
Operating loss before net forex and tax	(4.4)	(2.4)	81.0
(L)/PAT	(1.6)	5.3	NM
Free Cash Flow	(2.2)	32.7	

NM: Not Meaningful

Financial Highlights (Cont'd)

- **Turnover**

  Turnover fell by 9.1% to US$454.9 million in 2015, mainly due to the weaker sales in Europe, Asia (excluding China) and ANZ coupled with weaker Euro, JPY and AUD against the USD.

- **Profitability**

  With lower revenue, gross profit and other operating income, the Group's operating loss before net foreign exchange gain and tax increased by US$2.0 million from US$2.4 million in 2014 to US$4.4 million in 2015. This was net of the savings from lower SG&A, other operating and net finance expenses.

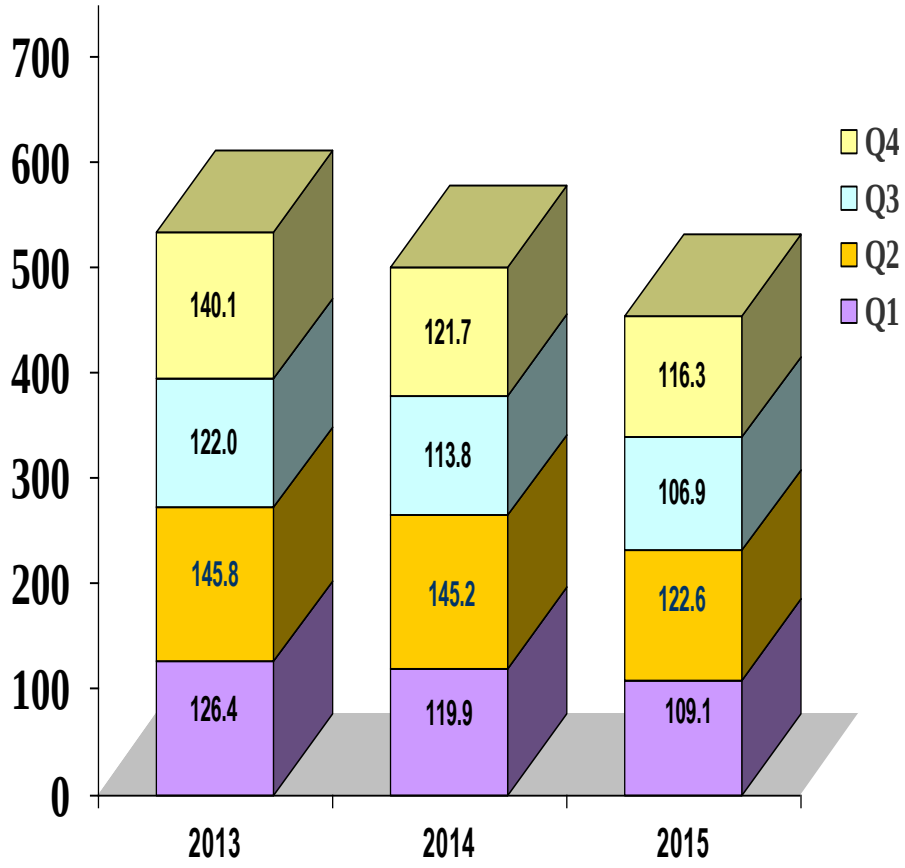
  After accounting for a net forex gain of US$7.0 million (2014: a net forex gain of US$13.2 million), the Group incurred a net loss of US$1.6 million for 2015, compared to a net profit of US$5.3 million in 2014.

- **Free Cash Flow ("FCF")**

  The Group reported a negative FCF of US$2.2 million in 2015 compared to a positive FCF of US$32.7 million in 2014 mainly due to lower profitability and higher capital expenditure in 2015 compared to 2014.

Turnover

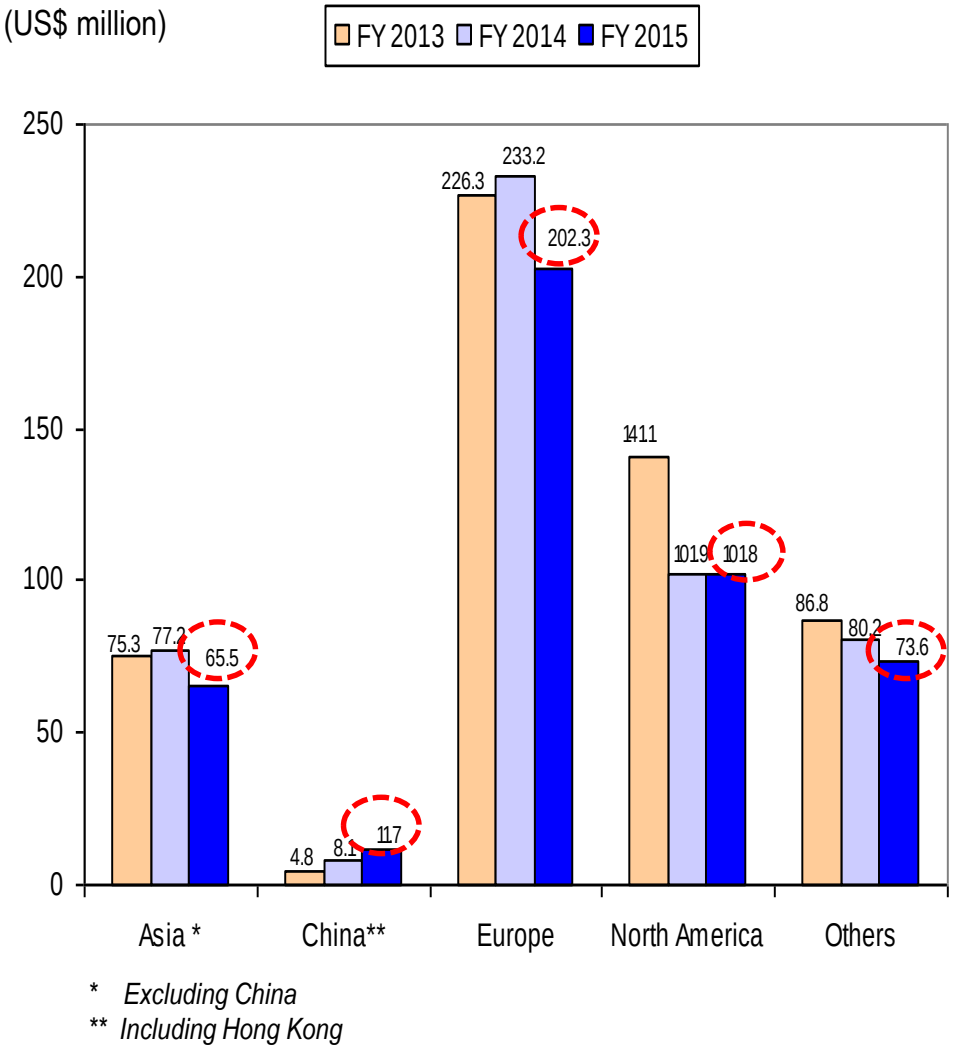
(US$ million)



FY 2015 vs FY 2014

- Revenue fell by 9.1% to US$454.9 million.
- The decrease was primarily due to lower sales in Europe, Asia (excluding China) and ANZ coupled with weaker Euro, JPY and AUD against the USD. This was partially offset by higher sales in China.
- Sofa BU still accounted for over 95% (95.9%) of Group's turnover.

Turnover By Key Markets



* *Excluding China*
** *Including Hong Kong*

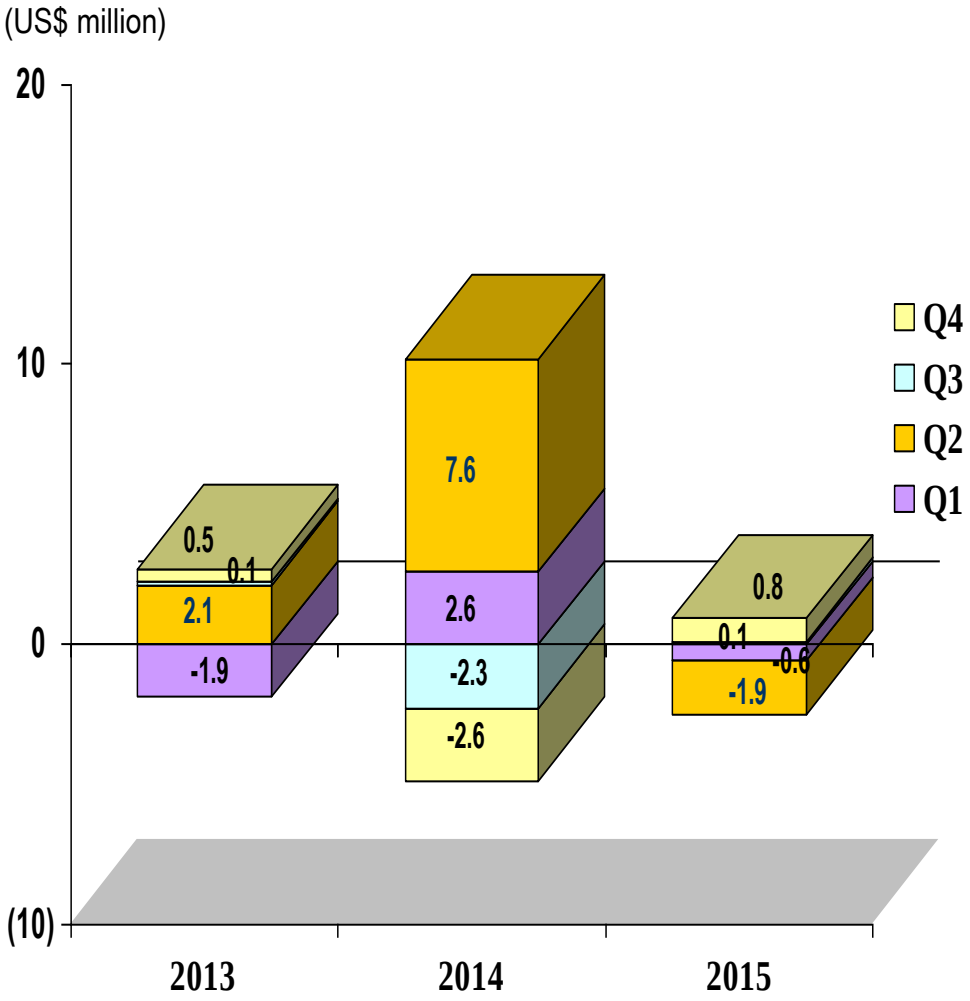
FY 2015 vs FY 2014

- Lower turnover was led by Europe (down 13.2%), Asia (down 15.3%) and ANZ (down 7.6%).
  - Germany down 47.7% (US$ 5.2m)
  - Benelux down 28.2% (US$ 8.2m)
  - France down 25.1% (US$ 9.4m)
  - Korea down 19.3% (US$ 2.4m)
  - Japan down 14.9% (US$ 7.0m)
  - ANZ down 7.6% (US$ 5.9m)
  - UK down 5.7% (US$ 8.6m)
- Sales from China climbed 44.9% to US$11.7 million (2014: US$8.1 million).
- Europe remained the Group's single largest market, contributing 44.5% (2014: 46.6%) to the Group's turnover.

Turnover By Nominal Currencies

Major invoicing currency	FY 2015		FY 2014		(Reduction)/Growth in source currency FY 15 vs 14
	In source curr (Million)	Total sales %	In source curr (Million)	Total sales %	
USD	310.8	65.4%	327.4	68.3%	-5.1%
EURO	50.6	15.5%	57.2	12.7%	-11.5%
JPY	4,343.8	8.6%	4,479.8	7.9%	-3.0%
AUD	26.2	4.7%	25.9	4.4%	1.2%

Profitability



- As a result of lower revenue, gross profit and other operating income, partially mitigated by the savings from lower SG&A, other operating and net finance expenses, the Group registered operating loss before net foreign exchange gain and tax of US$4.4 million in 2015 (2014: US$2.4 million).

- With a net forex gain of US$7.0 million (2014: net forex gain of US$13.2 million), the Group incurred a net loss of US$1.6 million for 2015, compared to a net profit of US$5.3 million in 2014.

Performance By Key Business Units

(US$ million)

	FY 2015 a	FY 2014 b	% (a-b)/b
Turnover			
Sofa*	**441.5**	**485.1**	**(9.0)**
Leather*	**138.1**	**135.1**	**2.2**
Home Furnishing Retail*	**18.7**	**18.8**	**(0.5)**
Segment Result			
Sofa	**9.5**	**13.2**	**(28.0)**
Leather	**2.9**	**(0.2)**	**NM**
Home Furnishing Retail	**(14.3)**	**(12.5)**	**14.4**

Note:

**** Includes inter segment sales***

NM: Not meaningful

Financial Ratios

	FY 2015	FY 2014
Return on Assets ("ROA") (%)	(0.6)	1.7
Return on Equity ("ROE") (%)	(1.0)	3.0
Return on Capital Employed ("ROCE") (%)	2.3	7.2
Debtors' Turnover ("DSO") (mths)	1.3	1.3
Inventory Turnover ("DIO") (mths)	4.9	5.1

(i) Negative ROA and ROE due to net loss in FY 2015.

(ii) ROCE fell due to lower profit before tax in FY 2015.

(iii) DSO remained stable.

(iv) DIO improved further.

Inventory – Analysis By Category

	Dec-15	Dec-14
Raw Materials	61.7	65.5
Work In Progress	20.7	23.6
Finished Goods	50.8	58.8
Total	133.2	147.9
DIO (mths)	4.9	5.1

- Approximately 70% (2014: 70%) of the Group's total raw materials comprise raw leather hides.
- Raw materials and WIP fell from further reduction in leather inventory.

Leverage and Liquidity Ratios

	Dec-15	Dec-14
Leverage Ratio		
Net Gearing (%)	**3.6**	**0.1**
Liquidity Ratios		
Interest Cover (times)	**2.9**	**7.0**
Current Ratio (times)	**1.9**	**1.9**
Quick Ratio (times)	**0.8**	**0.8**

- Net gearing was higher in 2015 due to higher trade financing to fund higher leather procurement activities.
- Interest cover was lower as a result of lower profitability.
- Current and quick ratios remained stable.

Cash Flow Statement

(US$ million)	FY 2015	FY 2014
NET (LOSS)/PROFIT	**(1.6)**	**5.3**
Add/(Less):		
Depreciation & amortisation	6.5	7.6
Net fair value loss/(gain) on foreign exchange derivative instruments	3.8	(2.3)
Income taxes paid	(5.7)	(1.5)
Working capital changes:	(5.1)	9.9
Inventories	14.7	6.9
Trade and other receivables	5.2	14.0
Provision for warranty	(12.4)	(10.2)
Trade and other payables	(12.6)	(0.8)
Other non-cash items	10.8	19.1
OPERATING CASH FLOW	**8.7**	**38.1**
Less: CAPEX & Intangible assets	(10.9)	(5.4)
FREE CASH FLOW	**(2.2)**	**32.7**

- The Group reported a negative free cash flow ("FCF") of US$2.2 million in 2015 compared to a positive FCF of US$32.7 million in 2014.
- This was primarily due to lower profitability and higher capital expenditure in current year.

Outlook, Initiatives & Challenges

Business Outlook

- Consumer sentiment worldwide remains soft against the backdrop of global economic uncertainty and slowdown in China.

- Major trading currencies (notably the Euro, JPY, AUD and RMB) will remain volatile given the uncertainty of further US interest rate hikes.

- These external factors will put a further strain on our revenue and profitability.

- However, input costs particularly raw leather hide prices as well as freight rates have been moderating. These will help to ease the pressure on our profit margins.

- Outlook for sofa business remains positive. However, the expansion into the retail business will continue to affect the Group's overall performance until better economies of scales are achieved.

Our Initiatives & Challenges

- Complete the major restructuring of under-performing overseas business units to achieve better cost efficiency.
- Recalibrate capacity at our factories to be more in line with demand.
- Develop new customers and markets.
- Strengthen our design and product development capability.
- Broaden our product range, offering complementary furniture and accessories.
- Expand direct retail and franchise business in China and Singapore to achieve better economies of scale, and optimise cost effectiveness.

END OF PRESENTATION
THANK YOU

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HTL