IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR IN THE CASE OF INSTRUMENTS OFFERED OR SOLD IN RELIANCE ON CATEGORY 2 OF REGULATION S, TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATIONS S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS TO NON-U.S. PERSONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such offering circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited (together, the "**Arrangers**"), the Dealers (as defined in this Offering Circular), any person who controls the Arrangers or any Dealer, or any director, officer, employee or agent of the Arrangers or any of the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers and the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR **CONFIDENTIAL**

Li & Fung Limited

(incorporated in Bermuda with limited liability)

US$2,000,000,000
Medium Term Note and Perpetual Securities Programme
(the "Programme")

Under the US$2,000,000,000 Programme described in this Offering Circular, Li & Fung Limited (the "**Issuer**" or the "**Company**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") and perpetual securities (the "**Securities**" and together with the Notes, the "**Instruments**") under the Programme.

Approval-in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in, and the quotation of, any Instruments that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Official List of the SGX-ST. In addition, at the relevant time of issue of the Instruments which are agreed at or prior to the time of issue to be listed on the Official List of the SGX-ST, a separate application will be made to the SGX-ST for the permission to deal in, and quotation of, such Instruments on the Official List of the SGX-ST. Such permission will be granted when the Instruments have been admitted to the Official List of the SGX-ST. There is no assurance that the application to the SGX-ST for permission to deal in, and quotation of, the Instruments of any Series (as defined herein) will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. The approval in-principle from, and admission to the Official List of, the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Group (as defined herein), the Programme and/or the Instruments.

The Programme provides that Instruments may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Instruments and/or Instruments not admitted to trading on any market. The relevant Pricing Supplement in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the SGX-ST or any other stock exchange.

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Instruments may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States. Registered Instruments are subject to certain restrictions on transfer, see "*Subscription and Sale*".

The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**" and together with the Temporary Global Note, the "**Global Notes**"). Instruments in registered form ("**Registered Instruments**") will be represented by a global certificate in registered form (each a "**Global Certificate**", one Global Certificate being issued in respect of each Noteholder's and/or Securityholder's entire holding of Instruments in registered form of one Series. Global Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"). The provisions governing the exchange of interests in Global Notes and Registered Instruments for other Global Notes and Registered Instruments and definitive Notes are described in "*Summary of Provisions Relating to the Instruments while in Global Form*".

The aggregate nominal amount of Instruments outstanding will not at any time exceed US$2,000,000,000 (or its equivalent in other currencies), subject to increase as described herein. The Instruments may be issued to any Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis References in this Offering Circular to the "**Relevant Dealer**" shall, in the case of an issue of Instruments being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Instruments.

The Instruments may be assigned ratings by any of Standard & Poor's Rating Services ("**S&P**") and/or Moody's Investors Service, Inc. ("**Moody's**"), in each case as specified in the relevant Pricing Supplement. Tranches (as defined in "*Definitions*") of Instruments to be issued under the Programme may be rated or unrated. Where a Tranche of Instruments are to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold Instruments and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in Instruments issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Instruments in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Instruments. Investors should not purchase Instruments unless they understand and are able to bear risks associated with Instruments. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Circular.

Arrangers

Citi **HSBC**

Dealers

ANZ **Citi** **Goldman Sachs (Asia) L.L.C.** **HSBC** **MUFG** **Standard Chartered Bank**

The date of this Offering Circular is 11 October 2016

IMPORTANT NOTICE

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries taken as a whole (the "**Group**", "**we**" or "**us**") and the Instruments which is material in the context of the issue and offering of the Instruments, (ii) the statements contained in it relating to the Issuer and the Group are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances, are based on reasonable assumptions and are not misleading in any material respect, (iv) there are no other facts in relation to the Issuer, the Group or the Instruments, the omission of which would, in the context of the issue and offering of the Instruments, make any statement in this Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer accepts full responsibility for the information contained in this Offering Circular.

Each Tranche (as defined in "*Definitions*") of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Note Conditions**") and each Tranche of Securities will be issued on the terms set out herein under "*Terms and Conditions of the Securities*" (the "**Security Conditions**" and together with the Note Conditions, the "**Conditions**") as amended and/or supplemented by a document specific to such Tranche by a Pricing Supplement. This Offering Circular and any Pricing Supplement must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Instruments, must be read and construed together with the relevant Pricing Supplement. This Offering Circular and any Pricing Supplement shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular and any Pricing Supplement comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Instruments or the distribution of this Offering Circular and any Pricing Supplement in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Instruments and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the PRC, Hong Kong, Singapore and Bermuda, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Instruments and distribution of this Offering Circular and any Pricing Supplement, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Instruments, other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Arrangers, the Dealers, the Trustee (as defined herein) or the Agents (as defined herein). Neither the delivery of this Offering Circular and any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Instruments shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular and any Pricing Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents to subscribe for or purchase any of the Instruments and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee or the Agents. None of the Arrangers, the Dealers, the Trustee and the Agents has independently verified any of the information contained in this Offering Circular and can give assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Instruments. Each potential purchaser of the Instruments should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Instruments should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisers accepts any responsibility for the contents of this Offering Circular. Each of the Arrangers, the Dealers, the Trustee and the Agents and their respective affiliates, directors or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Instruments of any information coming to the attention of the Arrangers, the Dealers, the Trustee or the Agents.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, THE ARRANGER AND DEALERS DESIGNATED AS THE STABILISING MANAGER(S) (OR ANY PERSON(S) ACTING FOR IT) (THE "STABILISING MANAGER(S)") IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT INSTRUMENTS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED TIME. ANY STABILISATION ACTION OR OVERALLOTMENT MUST BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Instruments.

Each person receiving this Offering Circular and any Pricing Supplement acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee or the Agents or any person affiliated with the Arrangers, the Dealers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision.

The Issuer's consolidated financial statements as of and for the years ended 31 December 2014 and 2015, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers. The consolidated financial statements as of and for the six month periods ended 30 June 2015 and 2016 which are included elsewhere in this Offering Circular, have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagement 2410 — "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA as stated in their report appearing herein.

Unless otherwise indicated, all references in this Offering Circular to "**China**" or the "**PRC**" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of China. References herein to the "**US**","**U.S.**" or the "**United States**" are to the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

Unless otherwise specified or the context requires, references herein to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC, references herein to "**Hong Kong dollars**", "**HK dollars**", "**HK**" or "**HKD**" are to the lawful currency of Hong Kong and references herein to "**U.S. dollars**", "**US$**" or "**USD**" are to the lawful currency of the United States.

This Offering Circular contains translations of certain HK dollar amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of HK dollar amounts into U.S. dollar amounts has been made at the rate of HK$7.75 to US$1.00. These translations should not be construed as representations that the HK dollar amounts could be converted into such U.S. dollar amounts at the rates indicated or at all.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Arrangers, the Dealers, the Trustee, the Agents or their respective directors and advisers, and none of the Issuer, the Arrangers, the Dealers, the Trustee, the Agents and their respective directors and advisers makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements regarding the intent, belief or current expectations of the Issuer with respect to its financial condition and future results of operations. In many cases, but not all, words such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “probability”, “project”, “risk”, “seek”, “should”, “target” and similar expressions are used in relation to the Issuer or Group to identify forward-looking statements. Forward-looking statements may also be identified in discussions of strategy, plans or intentions. These statements reflect the current views of the Issuer or the Group with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, the Issuer’s or the Group’s actual results may vary materially from those it currently anticipates. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Offering Circular. Any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this Offering Circular to reflect future actual events or developments is disclaimed. The information contained in this Offering Circular, including without limitation the information under “*Risk Factors*”, and “*Description of the Group*”, identifies important factors that might cause the forward-looking statements not to be realised.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with:

(i) each relevant Pricing Supplement;

(ii) all amendments and supplements from time to time to this Offering Circular; and

(iii) any annual or interim financial statements (whether audited or unaudited) of the Issuer that are published subsequent to the date of this Offering Circular as amended and supplemented from time to time,

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

Any statement contained in this Offering Circular or in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Offering Circular, except as modified or superseded.

Any unaudited financial statements should not be relied upon to provide the same quality of information associated with information that has been subject to an audit nor taken as an indication of the expected financial condition and results of operations of the Company for the relevant full financial year. Potential investors must exercise caution when using such data to evaluate the Company's financial condition, results of operations and results.

CONTENTS

SUMMARY OF THE GROUP

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Instruments should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined in this Offering Circular shall have the meanings given to them in "Terms and Conditions of the Notes" and "Terms and Conditions of the Securities" (as applicable).

OVERVIEW

We are the world's leader in consumer goods design, development, sourcing and logistics for major retailers and brands around the world, measured by turnover (approximately US$18.8 billion in the year ended 31 December 2015). We specialise in responsible supply chain management of high-volume, time-sensitive goods for leading retailers and brands worldwide via an extensive global network. We have a history that can be traced back to 1906 and have played a key role in the development of the global supply chain over the past century.

We provide sophisticated, end-to-end supply chain solutions to meet customers' specific needs and plays an instrumental role in orchestrating, coordinating and monitoring the entire manufacturing process by providing crucial support, ranging from product design, raw material sourcing and production management to quality control, logistics, shipping and other important functions.

Our spectrum of services covers the entire supply chain and spans a range of consumer products, from softgoods, such as fashion apparel, children's wear, sportswear, outerwear, handbags and accessories (which constituted around 60% of the Group's business by turnover for the six months ended 30 June 2016), to hardgoods, such as footwear, beauty, home furniture and decor, home textiles, seasonal products and gifts (which constituted around 35% of the Group's turnover for the six months ended 30 June 2016), with the end products being sold to consumers through multiple channels. Turnover from our Logistics Network constituted around 5% of the Group's turnover for the six months ended 30 June 2016.

Our customer base includes a diverse range of brands and retailers including national brands, specialty retailers, department stores, e-commerce retailers, clubs, hypermarkets and off-price retailers.

Business Model

We have over 250 offices and distribution centres and around 22,000 employees in more than 40 economies spanning the Americas, Europe, Africa and Asia. Our global sourcing network of suppliers conforms to strict quality assurance testing through factory evaluations, laboratory testing, on site production monitoring and multiple inspections. With our local market knowledge, our network has the capacity and flexibility to respond rapidly to evolving consumer trends and to react to market disruptions. The Group's turnover for the six months ended 30 June 2016 is divided among geographical areas as follows: U.S. — 61%; Europe — 17%; Asia — 16%; Rest of World — 6%.

We operate through two distinct segments, the "**Trading Network**" and the "**Logistics Network**":

(a) **Trading Network**. As a multi-channel sourcing supplier, our global trading network offers either agency-based sourcing services or product-focused principal solutions over a wide range of products to a diverse mix of global brands and retail customers.

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.

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. 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 programme 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.

Under our Trading Network, we have begun to offer vendor support services.

(b) **Logistics Network**. Our logistics business provides holistic, integrated solutions for logistics customers through in-country logistics and global freight management operating on a pan-Asia basis. The logistics business interacts with the trading business to provide comprehensive in-country logistics solutions and international freight services. Our global freight management business offers full service international freight services including procurement of international freight, freight consolidation and forwarding, and origin and destination cross-border logistics. This network increased significantly following the acquisition of China Container Line ("**CCL**") in 2014.

Financial Performance

For the year ended 31 December 2015, the Group's turnover decreased by 2% compared to the year ended 31 December 2014 to approximately US$18,831 million, largely due to soft macroeconomic conditions and challenging retail environment which adversely impacted our trading customers. For the year ended 31 December 2015, core operating profit decreased by 15% compared to the year ended 31 December 2014 to US$512 million, mainly due to lower turnover, negative foreign exchange impacts and increased costs to support our logistics business expansion. Core operating profit margin decreased from 3.1% to 2.7%.

For the six months ended 30 June 2016, the Group's turnover decreased by 6% to US$8,071 million and core operating profit was US$156 million compared with the same period in 2015 (US$182 million).

As of 30 June 2016, the Group's net gearing ratio was 24%, calculated as net debt divided by total capital. The Group had available bank loans and overdraft facilities of US$1,573 million, out of which US$876 million were committed facilities. As of 30 June 2016, only US$207 million of the Group's bank loan and overdraft facilities has been drawn down with US$175 million from revolving committed facilities with tenor of up to three years due in 2019 and US$701 million in committed facilities remaining undrawn of which US$551 million were unused committed facilities due in 2019.

Based on the closing price of our shares on the Hong Kong Stock Exchange on 11 October 2016, our market capitalisation was approximately HK$32,399 million (US$4,181 million).

RECENT DEVELOPMENTS

As part of our three-year plan for the 2014-16 period (the "**Three-Year Plan**"), we have sought to simplify and restructure our business for sustainable performance.

Simplification and refocus on core business

As part of our Three-Year Plan, we have strategically simplified our business to focus on the Trading Network and the Logistics Network.

Spin off of licensed brand and controlled brands businesses

In July 2014, we spun off our licensed brands and controlled brands businesses under Global Brands Group Holding Limited ("**Global Brands Group**") which is now listed on the Hong Kong Stock Exchange. We continue to provide sourcing services to Global Brands Group.

Strategic divestment of Asia consumer and healthcare distribution businesses

In June 2016, we strategically divested our Asia consumer and healthcare distribution businesses which were acquired by the Company through the privatisation of IDS in 2010. As these distribution businesses are not part of the core sourcing and logistics business of the Group, we decided to divest these businesses. Dah Chong Hong Holdings Limited acquired these distribution businesses for a cash consideration of US$350 million (on a cash-free and debt-free basis and subject to closing adjustments).

COMPETITIVE STRENGTHS

Our key competitive strengths include:

- End-to-end sourcing solution for brands and retailers
- Global scale and efficiency
- Flexibility and risk diversification
- Long standing customer relationships
- Supplier relationships
- Market leading product design and development capabilities
- Experienced management team with proven track record
- Solid financial performance during difficult trading conditions
- Advanced technology infrastructure and applications

BUSINESS STRATEGY

Our key business strategies include:

- Core trading business focused on multi-channel sourcing platform
- Organic growth
- Selective and flexible expansion of our global sourcing network
- Vendor support services
- Continuing to be asset light
- Expanding logistics businesses into Asia
- Investing in infrastructure

SUMMARY OF THE PROGRAMME

The following summary is a brief summary of the programme. For a more detailed description of of the terms of the Notes and the Securities, see "Terms and Conditions of the Notes" and "Terms and Conditions of the Securities (as applicable). Capitalised terms used herein and not defined have the meanings given to them in "Terms and Conditions of the Notes" and "Terms and Conditions of the Securities" (as applicable).

Issuer:	Li & Fung Limited.
Description:	Medium Term Note and Perpetual Securities Programme.
Size:	Up to US$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Instruments outstanding at any one time. The Issuer may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
Arrangers:	Citigroup Global Markets Limited and The Hongkong and Shanghai Banking Corporation Limited.
Dealers:	The Arrangers, Australia and New Zealand Banking Group Limited, Goldman Sachs (Asia) L.L.C., MUFG Securities EMEA plc, Standard Chartered Bank and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Instruments. References in this Offering Circular to "**Dealers**" are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.
Certain Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Instruments and the distribution of offering material relating to the Instruments, see the section on "*Subscription, and Sale*" below. Further restrictions may apply in connection with any particular Series or Tranche of Instruments.
Trustee:	Citicorp International Limited.
Principal Paying Agent, Paying Agent and Transfer Agent:	Citibank, N.A., London Branch.
Registrar:	Citibank, N.A., London Branch.
Method of Issue:	The Instruments may be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a "**Series**") and each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche will be completed in the Pricing Supplement.
Issue Price:	Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Clearing Systems:	Clearstream, Euroclear and in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Principal Paying Agent, the Trustee and the Relevant Dealer.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Instruments may be issued in any currency agreed between the Issuer and the Relevant Dealer.

Specified Denomination:	Instruments will be issued in such denominations as may be agreed between the Issuer and the Relevant Dealer save that the minimum denomination of each Instruments will be such as may be allowed or required from time to time by the central banks (or equivalent body) or any laws or regulations applicable to the relevant currency (see "*Certain Restrictions*" above).
Withholding Tax:	All payments of principal, premium (if applicable), distribution and interest in respect of the Instruments will be made free and clear of withholding taxes of Bermuda or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding is required by law. In that event, the Issuer shall (subject to the Note Conditions and Security Conditions, as applicable) pay such additional amounts as will result in the holders of the relevant Instruments receiving such amounts as they would have received in respect of such Instruments had no such withholding been required.
Governing Law:	The Instruments, the Trust Deed and the Agency Agreement, and any non-contractual obligations arising out of or in connection with them, will be governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Security Condition 4 and certain clauses of the Trust Deed relating to subordination shall be governed by, and construed in accordance with, Bermuda law.
Listing and Admission to Trading:	Approval-in-principle has been received from the SGX-ST for permission to deal in, and the quotation for, any Instruments that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Official List of the SGX-ST. In addition, at the relevant time of issue of the Instruments which are agreed at or prior to the time of issue to be listed on the Official List of the SGX-ST, a separate application will be made to the SGX-ST for the permission to deal in and quotation of such Instruments on the Official List of the SGX-ST. Such permission will be granted when such Instruments have been admitted to the Official List of the SGX-ST. There is no assurance that the application to the Official List of the SGX-ST will be approved. The approval in-principle from, and admission to the Official List of the SGX-ST and quotation of any Instruments on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Group, the Programme and/or such Instruments. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. If the application to the SGX-ST to list a particular series of Instruments is approved, such Instruments listed on the SGX-ST will be traded on the SGX-ST in a board lot size of at least S$200,000 (or its equivalent in other currencies).

The Instruments may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the Relevant Dealers in relation to each Series of Instruments. The Pricing Supplement relating to each Series of Instruments will state whether or not the Instruments of such Series will be initially listed on any stock exchange(s) and, if so, on which stock exchange(s) the Instruments are to be initially listed. Unlisted Series of Instruments may also be issued pursuant to the Programme.

THE NOTES

Status of Notes: The Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See "*Terms and Conditions of the Notes — Status of the Notes*".

Maturities: Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer and the Relevant Dealers.

Form of Notes: The Notes will be issued in bearer or registered form as described in "*Form of the Pricing Supplement in relation to Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes: Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the Relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as specified in the relevant pricing supplement.

Floating Rate Notes: Floating Rate Notes will bear interest payable in arrear and determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(ii) by reference to LIBOR, EURIBOR or HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or

(iii) on such other basis as may be agreed between the Issuer and the Relevant Dealer.

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes: Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "*Terms and Conditions of the Notes*") will be made in such currencies, and based on such rates of exchange as the Issuer and the Relevant Dealer may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Partly Paid Notes:	In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the relevant Pricing Supplement.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the Relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year are subject to certain restrictions on their denomination and distribution. See "*Selling Restrictions — United Kingdom*".
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement and subject to Note Condition 9.
Tax Redemption:	Notes will be redeemable at the Issuer's option prior to maturity for tax reasons as described in Note Condition 9.
Negative Pledge:	The Notes will contain a negative pledge provision, each as described in Note Condition 5.
Cross Default:	The Note Conditions will contain a cross default provision as described in Note Condition 13.
THE SECURITIES	
Status of the Securities:	The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Obligations of the Issuer. The rights and claims of the Holders in respect of the Securities are subordinated as provided in Security Condition 4.

Ranking of claims in respect of the Securities:	In the event of the Winding-Up of the Issuer, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of the Issuer, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (and if more than one class of preference shares is outstanding, the most junior ranking class of such preference shares) ("**Issuer Notional Preference Shares**") having an equal right to return of assets in the Winding-Up of the Issuer and so ranking *pari passu* with the holders of that class or classes of preference shares (if any) which have a preferential right to return of assets in the Winding-Up over, and so rank in priority to the holders of Junior Obligations of the Issuer, but subordinated to the claims of all other present and future creditors of the Issuer (other than Parity Obligations of the Issuer), on the assumption that the amount that such Holder of a Security was entitled to receive in respect of each Issuer Notional Preference Share on a return of assets in such Winding-Up were an amount equal to the principal amount of the relevant Security (or the Make Whole Amount if applicable) together with accrued and unpaid Distributions (including any Arrears of Distributions or any Additional Distribution Amount (each as defined Security Condition 5(d)(iv)).
Maturity Date:	The Securities are perpetual securities in respect of which there is no maturity date.
Form of Securities:	The Securities will be issued in registered form only.
Distribution Basis:	Subject to Security Condition 5(a), the Securities confer a right to receive distributions (each a "**Distribution**") from the Distribution Commencement Date at the Rate of Distribution (as specified in the relevant Pricing Supplement) in accordance with Security Condition 5. Subject to Security Condition 5(d), Distribution shall be payable in arrear on each Distribution Payment Date.
Distribution Deferral:	The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Holders unless, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, during the Dividend Pusher Lookback Period ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred.
Compulsory Distribution Payment Event:	A Compulsory Distribution Payment Event occurs if either or both of the following criteria are met: (a) a dividend, distribution or other payment is declared, paid or made on any Relevant Obligations (Pusher) (as defined in the applicable Pricing Supplement) (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or

(b) the Issuer redeems, reduces, cancels, buys-back or acquires for any consideration any of its Relevant Obligations (Pusher) (except for a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants).

No Obligation to Pay: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Security Condition 5(d)(i) and Condition 5(d)(ii).

Cumulative Deferral: Any distribution deferred pursuant to Security Condition 5(d) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to defer further any Arrears of Distribution by complying with the relevant notice requirements applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution may be deferred pursuant to Security Condition 5(d) except that Security Condition 5(d)(v) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall accrue additional distribution amounts at the Distribution Rate as if it constituted the principal of the Securities and the amount of such additional distributions accrued (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to Security Condition 5 and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of Security Condition 5. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

Satisfaction of Arrears of Distribution by payment: The Issuer:

(A) may satisfy any Arrears of Distribution and Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Security Condition 17), the Trustee and the Principal Paying Agent not more than 20 nor less than 10 business days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice); and

(B) in any event shall satisfy any outstanding Arrears of Distribution deferred in accordance with the Terms and Conditions of the Securities (in whole but not in part, and including any Additional Distribution Amount) on the earliest to occur of:

1. the next Distribution Payment Date falling immediately after a breach of Security Condition 5(d)(i);

2. the date on which the Securities are redeemed at the option of the Issuer pursuant to Security Condition 6(b);

3. a Special Event Redemption Date; and

4. the Winding-Up of the Issuer.

Restrictions in the case of an Optional Deferral:

If the Dividend Stopper is specified in the Pricing Supplement as applicable, then if on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Security Condition 5(d)(i), the Issuer shall not:

(a) declare, pay or make any dividends, distributions or other payments on, and will procure that no dividend, distribution or other payment is declared, paid or made on any of its Relevant Obligations (Stopper) (except in relation to the Parity Obligations of the Issuer, on a pro-rata basis), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(b) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Relevant Obligations (Stopper) (except in relation to the Parity Obligations of the Issuer, on a pro-rata basis), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants,

in each case, unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.

Redemption at the Option of the Issuer:	The Securities may be redeemed at the option of the Issuer (either in whole or in part to the extent specified in the relevant Pricing Supplement and subject to Security Condition 6(c)) on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities or, as the case may be, the Securities specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).
Tax Redemption	The Securities will be redeemable at the Issuer's option for tax reasons as described in Security Condition 6(b).
Redemption upon a Capital Event	If the Capital Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, as described in Security Condition 6(c), if, immediately before giving such notice, the Issuer satisfies the Trustee that an amendment, clarification or change has occurred in the rules of relevant Rating Agencies or any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Securities than the equity credit assigned on the Issue Date.
Redemption upon an Accounting Event	If the Accounting Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, as described in Security Condition 6(e), if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any changes or amendments to HKFRS) or any other accounting standards that may replace HKFRS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard (an "**Accounting Event**").
Limited Rights to Institute Proceedings	The right of the Trustee or any Securityholder to institute Winding-Up proceedings is limited to certain circumstances. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Security Condition 5(d).
Redemption in the case of minimal outstanding amount	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, as described in Security Condition 6(f), if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 20 per cent. of the aggregate principal amount originally issued (including any further securities issued in accordance with Security Condition 16).

Right of Securityholders	No Securityholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up of the Issuer or to prove or claim in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove or claim in such Winding-Up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in Security Condition 14.
Proceedings for Winding-Up	Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or (ii) the Issuer failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Security Condition 13(d), institute proceedings for the Winding-Up of the Issuer and/or prove and/or claim in the Winding-Up of the Issuer for the principal amount of the Securities (or the Make Whole Amount if applicable) together with Distribution, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up.

SELECTED FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information as of and for the year ended 31 December 2014 set forth below is derived from the audited consolidated financial statements of the Group for the year ended 31 December 2014 which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2014, including the notes thereto, which are included elsewhere in this Offering Circular.

The summary consolidated financial information as of and for the year ended 31 December 2015 set forth below is derived from the audited consolidated financial statements of the Group for the year ended 31 December 2015 which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2015, including the notes thereto, which are included elsewhere in this Offering Circular.

The summary consolidated financial information as of and for the six months ended 30 June 2015 and 2016 set forth below is derived from the unaudited consolidated interim financial information of the Group for the six months ended 30 June 2016 which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with the Hong Kong Standard on Review Engagement 2410 — " Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and should be read in conjunction with the unaudited interim consolidated financial information of the Group for the six months ended 30 June 2016, including the notes thereto, which are included elsewhere in this Offering Circular. Such unaudited interim consolidated financial information as of and for the six months ended 30 June 2016 should not be taken as an indication of the expected business, financial condition and results of operations for the full year ending 31 December 2016.

The Group's audited consolidated financial statements prepared and presented in accordance with HKFRS and the Group's unaudited interim consolidated financial information were prepared in accordance with HKAS 34.

Summary income statement information

	2014	2015	Six months ended 30 June 2015	Six months ended 30 June 2016
	US$'000	US$'000	US$'000	US$'000
	(audited)		(unaudited)	
Continuing Operations				
Turnover	19,288,499	18,830,835	8,625,611	8,070,733
Cost of sales	(17,106,990)	(16,671,655)	(7,664,676)	(7,150,033)
Gross profit	2,181,509	2,159,180	960,935	920,700
Other income	62,724	29,645	22,616	14,776
Total margin	2,244,233	2,188,825	983,551	935,476
Selling and distribution expenses	(617,178)	(633,653)	(315,139)	(290,945)
Merchandising and administrative expenses	(1,022,912)	(1,042,748)	(486,142)	(488,093)
Core operating profit	604,143	512,424	182,270	156,438
Gain on remeasurement of contingent consideration payable	176,007	116,973	60,151	—
Amortization of other intangible assets	(35,462)	(34,412)	(17,742)	(17,337)
One-off reorganisation costs	(19,763)	—	—	(5,863)
Gain on disposal of business	—	—	—	7,871
Other non-core operating expenses	(1,300)	—	—	—
Operating profit	723,625	594,985	224,679	141,109
Interest income	6,984	9,761	2,971	5,611
Interest expenses				
Non-cash interest expenses	(9,976)	(6,662)	(3,750)	(2,247)
Cash interest expenses	(95,203)	(92,879)	(44,916)	(44,732)
	(105,179)	(99,541)	(48,666)	(46,979)
Share of profits less losses of associated companies	1,373	1,570	1,475	1,582
Profit before taxation	626,803	506,775	180,459	101,323
Taxation	(59,035)	(57,890)	(17,866)	(14,595)
Profit for the year/period from Continuing Operations	567,768	448,885	162,593	86,728
Discontinued Operations				
Loss for the period from Discontinued Operations	(98,122)	—	—	—
Net profit for the year/period	469,646	448,885	162,593	86,728
Attributable to:				
Shareholders of the Company	441,276	421,046	148,685	72,315
Holders of perpetual capital securities	30,000	30,000	15,000	15,000
Non-controlling interests	(1,630)	(2,161)	(1,092)	(587)
	469,646	448,885	162,593	86,728

	2014	2015	Six months ended 30 June 2015	Six months ended 30 June 2016
	US$'000	**US$'000**	**US$'000**	**US$'000**
	(audited)		**(unaudited)**	
Attributable to Shareholders of the Company arising from:				
Continuing Operations	539,398	421,046	148,685	72,315
Discontinued Operations	(98,122)	—	—	—
	441,276	421,046	148,685	72,315
Earnings/(losses) per share for profit/(loss) attributable to the Shareholders of the Company during the year/period				
Basic	41.1 HK cents	39.1 HK cents	13.8 HK cents	6.7 HK cents
(equivalent to)	5.29 US cents	5.04 US cents	1.78 US cents	0.87 US cents
− from Continuing Operations	50.3 HK cents	39.1 HK cents	13.8 HK cents	6.7 HK cents
(equivalent to)	6.46 US cents	5.04 US cents	1.78 US cents	0.87 US cents
− from Discontinued Operations	(9.2) HK cents	—	—	—
(equivalent to)	(1.17) US cents	—	—	—
Diluted	41.1 HK cents	39.0 HK cents	13.8 HK cents	6.7 HK cents
(equivalent to)	5.29 US cents	5.02 US cents	1.78 US cents	0.86 US cents
− from Continuing Operations	50.3 HK cents	39.0 HK cents	13.8 HK cents	6.7 HK cents
(equivalent to)	6.46 US cents	5.02 US cents	1.78 US cents	0.86 US cents
− from Discontinued Operations	(9.2) HK cents	—	—	—
(equivalent to)	(1.17) US cents	—	—	—

Summary balance sheet information

	As at 31 December		As at 30 June
	2014	2015	2016
	US$'000	US$'000	US$'000
	(audited)		(unaudited)
Non-Current Assets			
Intangible assets	4,349,083	4,266,863	3,955,857
Property, plant and equipment	244,907	241,626	213,027
Prepaid premium for land leases	2,498	1,942	132
Associated companies	11,890	10,070	11,502
Joint venture	—	313	925
Available-for-sale financial assets	3,709	3,854	3,940
Other receivables, prepayments and deposits	7,570	26,217	30,291
Deferred tax assets	32,493	36,527	29,912
	4,652,150	4,587,412	4,245,586
Current Assets			
Inventories	565,291	566,002	385,753
Due from related companies	511,965	486,939	588,163
Trade and bills receivable	1,864,021	1,689,413	1,268,472
Other receivables, prepayments and deposits	333,743	256,818	242,606
Derivative financial instruments	11,323	4,272	3,100
Cash and bank balances	538,529	342,243	530,958
	3,824,872	3,345,687	3,019,052
Current Liabilities			
Due to related companies	48	1,038	1,767
Trade and bills payable	2,561,172	2,464,785	2,144,447
Accrued charges and sundry payables	692,427	601,129	408,271
Purchase consideration payable for acquisitions	134,468	86,266	74,772
Taxation	116,719	56,463	45,136
Bank advances for discounted bills	33,834	33,681	31,313
Short-term bank loans	162,850	95,819	32,093
Current portion of long-term notes	—	—	499,578
	3,701,518	3,339,181	3,237,377
Net Current Assets/(Liabilities)	123,354	6,506	(218,325)
Total Assets Less Current Liabilities	4,775,504	4,593,918	4,027,261
Financed by:			
Share capital	13,398	13,487	13,487
Reserves	2,585,086	2,489,386	2,356,970
Shareholders' funds attributable to the Company's Shareholders	2,598,484	2,502,873	2,370,457
Holders of perpetual capital securities	503,000	503,000	503,000
Non-controlling interests	8,594	4,293	(1,044)
Total Equity	3,110,078	3,010,166	2,872,413
Non-Current Liabilities			
Long-term notes	1,254,369	1,253,823	753,972
Purchase consideration payable for acquisitions	323,612	156,236	154,161
Other long-term liabilities	25,375	116,420	185,460
Post-employment benefit obligations	22,299	21,909	20,779
Deferred tax liabilities	39,771	35,364	40,476
	1,665,426	1,583,752	1,154,848
	4,775,504	4,593,918	4,027,261

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The Issuer and the Group believe that the following factors may affect their ability to fulfil their obligations under the Instruments issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer and the Group are not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer and the Group believe may be material for the purpose of assessing the market risks associated with the Instruments issued under the Programme are also described below.

The Issuer and the Group believe that the factors described below represent the principal risks inherent in investing in Instruments issued under the Programme, but the inability of the Issuer to pay principal, interest (if any), distribution (if any) or other amounts or fulfil other obligations on or in connection with any Instruments may occur for other reasons and the Issuer and the Group do not represent that the statements below regarding the risks of holding the Instruments are exhaustive.

RISKS RELATING TO THE GROUP

Key market concentration and customer retention

We have significant geographic concentration as the U.S. market as a whole represented 61%. of our turnover for the six months ended 30 June 2016. A deterioration of the economic condition in the U.S. affecting consumer confidence and spending and leading to a general reduction in disposable income may in turn adversely affect our business, operational results and financial position.

For the six months ended 30 June 2016, our largest customer constituted approximately 12% of our total turnover. We have had long-term relationships with many of our customers but the commercial arrangements must be renewed on a regular basis. If our key customers terminate or fail to renew their commercial arrangements with us and we fail to find other comparably-sized customers, it may adversely affect our business, results of operations and financial position.

In addition, we are exposed to credit risk associated with our customers particularly where we trade as principal, as opposed to agent. In our principal business under the Trading Network, we assume liability for inventory and account receivable risk if the customer gets into financial difficulty and does not ultimately pay for the goods. If our key customers become insolvent and we fail to find other comparably-sized customers, our business results may be adversely affected.

Reliance on key personnel

Our effective operation is, to a certain extent, dependent upon the expertise and experience of our key management personnel, including Dr. Victor Fung Kwok King (Honorary Chairman), Dr. William Fung Kwok Lun (Group Chairman) and Mr. Spencer Theodore Fung (Group Chief Executive Officer), Mr. Marc Robert Compagnon (President of LF Sourcing), the members of our Board of Directors and the members of senior management. If any such key management personnel ceases to participate in our management, our business operations and financial position may be adversely affected.

Failure to successfully acquire or integrate businesses

We have acquired companies or businesses to strengthen key areas of our existing business and to acquire companies or businesses when strategic opportunities arise. There are risks and difficulties associated with the execution of acquisitions. Such acquisitions are opportunistic and therefore not readily identifiable, and the lead time for discussions and negotiations to conclude a transaction may extend over several years. The execution of acquisitions and the subsequent integration of the businesses may also place additional demands on management attention and time. Difficulties may be encountered in integrating the acquired businesses, including difficulties in retaining experienced personnel and making adjustments to distribution, operation and management procedures.

There can be no assurance that any future acquisitions can be executed and integrated successfully, which may in turn adversely affect our business, results of operations and financial position.

Distressed global shipping industry

We are a global sourcing company and rely on third party shipping to deliver our products to customers. The global shipping industry has experienced significant fluctuations over the last decade. Due to increasing world trade volumes prior to the global financial crisis, shipping companies have invested heavily in new freight capacities. The global financial crisis resulted in a sharp decrease in demand. The resulting imbalance in supply particularly as the ships ordered in the last decade are delivered and an extended period of subdued demand for goods has placed severe strain on many shipping companies.

Freight lines are also trying to cut costs and are increasing orders for ships with more fuel efficient technologies. However, sharply decreasing metal prices have reduced the value of scrapping older vessels.

The global shipping industry has experienced, and is expected to continue to experience, severe disruptions as individual companies are no longer able to remain in business. For our principal business, dealing with distressed shipping lines can result in potential delays in the delivery of our goods to customers. Any significant disruption to the timely delivery of our goods may adversely affect the Group's business operations, reputation and financial position.

Reliance on the Group's information technology systems

The Group relies extensively on its technology infrastructure and applications for both communications and all supply chain activities, and as such has invested in ancillary network lines providing spare capabilities in the event of any network point failure. In addition, the Group has onsite and offsite application backups/disaster recovery platforms and procedures. The reliability and capacity of information systems are critical. Despite our preventative efforts, our systems are vulnerable from time to time to damage or interruption from, among other things, security breaches, computer viruses, power outages and other technical malfunctions. Any disruptions affecting our information systems, or any delays or difficulties in transitioning to new systems or in integrating them with current systems, could have a material adverse impact on our business. In addition, our ability to continue to operate our business without significant interruption in the event of a disaster or other disruption depends in part on the ability of our information systems to operate in accordance with our disaster recovery and business continuity plans.

Interests of major shareholders

The direct and indirect interests of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun in the Company presently account for over 30%, of the issued share capital of the Company. They are also Honorary Chairman and Group Chairman, respectively. As a result and subject to applicable rules and regulations, they have the ability to influence certain matters submitted to the Company's shareholders for approval and to exert a controlling influence over the Company's management and affairs, including in relation to overall strategic and investment decisions. Material transactions involving any conflict of interest of the major shareholders are subject to approval by a Board Committee of independent directors. Victor Fung Kwok King, William Fung Kwok Lun and Spencer Theodore Fung were each deemed to have more than 5% interest in Global Brands Group, which is one of the Group's five largest customers. There is no assurance that the interests of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun will always coincide with the interests of our other shareholders or directors of the Company or of the holders of the Instruments.

Although we are not aware of any current plans for Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun to dispose of or reduce their shareholdings in the Company, there is no assurance that such sale may not occur in the future, and such disposal may adversely impact us.

Fluctuations in foreign exchange rates

We operate a global business and are exposed to currency risk on purchases and borrowing that are denominated in a currency other than U.S. dollars. In addition, we are exposed to translation risk arising from the preparation of our financial statements in U.S. dollars.

Most of our cash balances are deposits in Hong Kong dollars and U.S. dollars with major global financial institutions, and most of our borrowings are denominated in U.S. dollars. Our turnover and payments are transacted mainly in the same currency, and are predominantly in U.S. dollars. There are small portions of sales and purchases transacted in different currencies for which we arrange hedging by means of foreign exchange forward contracts. There can be no assurance that these hedging arrangements will be effective at fully hedging our foreign exchange rate exposure.

Since our functional currency is in U.S. dollars, we are subject to exchange rate exposure from translation of foreign operations' local results to U.S. dollars at average rate for the period for group consolidation. Our net equity investments in non- U.S. dollar denominated businesses are also subject to unrealised translation gain or loss on consolidation. Fluctuation of relevant currencies against the U.S. dollars 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.

Significant fluctuations in the foreign exchange rates when translated to U.S. dollars can impact, and have impacted, our results of operations and financial position.

The recognition of gains on remeasurement of contingent consideration payable relating to our acquisitions is uncertain and likely to fluctuate from time to time and may decrease significantly in the future, which may adversely impact our profitability

Our results of operations include gain on remeasurement of contingent consideration payable relating to our acquisitions which are based on estimates of the future performance of acquired businesses. These remeasurement gains reflected the amount that we would no longer be required to pay based on contractual arrangements with the seller or management estimates according to the terms and conditions of the purchase agreement. Such gains or losses on remeasurement of contingent consideration payable do not change our cash position and, therefore, do not increase or decrease our liquidity despite the increased or decreased profit. Therefore, such gains would not generate a flow of funds from which dividends could be paid. The amount of remeasurement gain has been, and will continue to be, subject to estimates of the performance of the underlying acquired businesses and factors outside of our control.

RISKS RELATING TO THE GROUP'S BUSINESS

Adverse developments and conditions in key markets

The U.S., Europe and Asia are our principal export markets. The U.S., European and Asian markets represented 61%, 17% and 16%, respectively, of our turnover for the six months ended 30 June 2016. Deterioration in the economic environment in the U.S., Europe or Asia, insolvency of U.S., European or Asian retailers, as well as any changes in the demand from, or shopping habits of, consumers in these markets due to reductions in their disposable income or their confidence in the economy, may materially and adversely affect our business, operational results and financial position.

Consumer purchases of retail goods generally decline during recessionary periods and other periods where disposable income is adversely affected. The demand for retail products and brands is subject to factors including unemployment, consumer credit availability, fuel and energy prices, interest rates, consumer confidence in future economic and political conditions, perceptions of security and other macroeconomic factors.

The global retail industry has faced significant headwinds which have affected demand for brands and retail products. This in turn has impacted our business, results of operations and financial condition. There is no assurance that the macroeconomic environment and demand for retail goods will improve, which may continue to impact our business, results of operations and financial condition.

Competitive developments in the retail markets

The retail markets have experienced increased competitive pressure in recent years due to various factors, including the expanding market share of e-commerce. E-commerce represents an increasing element of retail sales particularly in the United States and often at the expense of profits of retailers. In the United States, e-commerce contributed approximately 10% of total retail sales in 2015 excluding petrol and automobiles.

At the retail level, online retailers have transformed the market, fighting for market share and competing largely on price and providing pricing transparency while traditional retailers have added online channels. This has greatly intensified price competition which coupled with a generally weak consumption market has resulted in a persistently highly-promotional marketplace and reduced margins for brands and retailers.

In addition, to compete with e-commerce developments, retailers are required to hold a broader range of products and continue to adapt their method of ordering. Retailers increasingly require lower volume minimums and shorter delivery time as consumers shop online and demand timely access to a broad range of products across multiple channels.

If highly promotional activities by brands and retailers persist for extended periods of time or if we do not successfully adapt to the changing demands of our customers and retail consumers, it may have an adverse impact on our business, operational results and financial position.

Adverse developments in global trade issues

We are generally exposed to global trade issues affecting industries (and, in particular, the textiles industry) in countries where we source or exports goods. We are therefore impacted by actual and threatened trade protectionism borne out of the current economy environment globally and issues between individual countries. Any potential cessation, fluctuation or disturbance of world trade may adversely affect our business operation and financial position. Our reliance on the U.S. as an export market exposes us to changes in U.S. trade policy and, in particular, U.S. trade policies towards China. As U.S. international trade policies continue to change and develop, including through the trend towards bilateral trading agreements and imposition of anti-dumping measures, there can be no assurance that we will in all cases be favourably impacted by, or be able to capitalise on opportunities created by, such developments.

For example, in 2014, the U.S. Department of Commerce implemented anti-dumping measures on boltless steel shelving units prepackaged from the PRC. This required us to source metal racks for our products from other locations. There can be no assurance that we will be able to source goods from alternative vendors or locations at a reasonable cost, or at all, in response to changes in international trade policies.

Our increasing reliance on Europe as an export market also means that we are exposed to developments in EU-China trade relations. In recent years, trade relations between the EU and China have gained momentum, although numerous issues remain to be resolved, including in relation to EU access to the Chinese market, investment conditions in the telecommunications and construction design sectors imposed by the Chinese government, and payments by Chinese companies for the use of foreign patents. The EU-China trade relationship has also in recent years been affected by issues in relation to EU anti-dumping measures against Chinese manufactured leather shoes and other products. There can be no assurance that there will not, in the future, be developments that create or increase barriers for Chinese goods to be imported into the EU. Such developments may have an adverse impact on our business, operational results and financial position.

In addition, new multilateral trade agreements and arrangements such as the Trans-Pacific Partnership and China's One Belt, One Road development strategy and framework will continue to impact our business, where we source our goods and how we interact with customers.

Adverse developments and conditions in sourcing markets, including emerging market countries

We source production for our customers from over 40 economies. These sourcing markets include the PRC, Bangladesh, Cambodia, Guatemala, India, Indonesia, Malaysia, Pakistan, Philippines, Thailand, Turkey and Vietnam. Governments in emerging markets frequently impose measures in order to control factors affecting their economies such as inflation, and to effect domestic and international policies and interests. Such measures include wage and price controls, limits on imports, tariffs, exchange controls and tax policies. Further, many emerging markets have legal systems that are still developing and are untested. The outcome of proceedings with government agencies and regulators and claims brought before courts in these jurisdictions is therefore often uncertain and may limit the legal protection available to foreign entities, including our business. Such sourcing markets may also see rising labour activism which may lead to labour or workforce unrest.

In addition, continued unrest and instability in sourcing markets including wars and terrorist attacks could adversely affect these emerging economies or our ability to reliably and responsibly source products in these locations and have an adverse impact on the financial performance of governments and our sourcing companies in the regions.

The impact on us of such risks may be increased if we are not able to locate, or we encounter difficulties in moving to, new sourcing markets.

Fluctuations in the prices of raw materials and commodities

The prices for raw materials and commodities continue to fluctuate. In 2014, the price of oil and related commodities decreased significantly. These decreases created a significant deflationary headwind for our agency business. As raw material sourcing plays a key part in our supply chain, the Group's business operations and financial position may be affected by fluctuations in the price of raw materials and commodities.

Reliance on third party suppliers

All of our products are sourced from third party suppliers. We do not have long-term written agreements with any of our third party suppliers. As a result, any of these third party suppliers may unilaterally terminate its relationship with us at any time. Any failure of these third party suppliers to meet required quality standards could damage our relationships with our customers. In addition, the failure by these third party suppliers to ship products to us in a timely manner could cause us to miss the delivery date requirements of our customers. The failure to make timely deliveries could cause customers to cancel orders, refuse to accept delivery of products or demand reduced prices or margin support.

We are also dependent on our third party suppliers for compliance with our policies and the policies of our licensors and customers regarding labour, environmental and safety practices employed by factories that supply products for us. Any failure by these third party suppliers to comply with required standards or any other divergence in their practices from those generally considered ethical in developed countries, and the potential negative publicity relating to any of these events, could result in a violation by us of our licence agreements and harm us and our reputation. In addition, a third party suppliers' failure to comply with safety or content regulations and standards could result in substantial liability and harm to our reputation.

Our business may be affected by macroeconomic events effecting global credit markets

Changes in the global credit and financial markets, including regulatory changes on banks and the wider financial sector have in recent years affected and may continue to affect the availability of credit and led to an increase in the cost of financing. In the past, the deterioration in the financial markets has contributed to a recession in the U.S. and the global economy, which has led, and may continue to lead, to significant declines in employment, household wealth, consumer demand and lending and as a result may adversely affect economic growth in Hong Kong, the PRC and elsewhere.

Whilst we currently have committed facilities available that enable us to meet our current funding needs and future business expansion, we may have difficulty in the future in accessing the financial markets, which could make it more difficult or expensive to obtain funding. There can be no assurance that we will be able to continue to raise financing at a reasonable cost, or at all. We may also be subject to solvency risks of its banks and counterparts in its financial investments and arrangements. These may have an adverse effect on our business, financial condition and results of operations.

In recent years, the PRC has experienced a slowing in the rate of economic growth. Periodically, the PRC government has introduced a number of measures, including increasing and decreasing interest rates and the deposit reserve requirement of commercial banks and allowing the currency to fluctuate in a wider range. If the PRC's economic growth continues to slow down in the future, or its government discontinues the stimulus package or continues to tighten its monetary policies, our business in the PRC and its ability to implement its growth strategies in the PRC could be materially and adversely affected.

Since 2010, the global markets and economic conditions have also been periodically impacted by uncertainty relating to the ability of certain European Union Member States (including Greece, Ireland, Italy, Spain and Portugal) to service their sovereign debt obligations. The continued uncertainty over the outcome of the EU governments' financial support programmes and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets. In particular, it has and could in the future disrupt equity markets and result in volatile bond yields on the sovereign debt of EU members.

On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. The result of the referendum does not legally obligate the United Kingdom to exit the European Union, and it is unclear if or when the United Kingdom will formally serve notice to the European Council of its desire to withdraw, a process that is unprecedented in European Union history and one that could involve months or years of negotiation to draft and approve a withdrawal agreement in accordance with Article 50 of the Treaty on European Union. As a result of the uncertainty in the immediate wake of the United Kingdom referendum, the pound experienced sharp depreciation following the vote, with the pound/U.S. dollar exchange rate falling to its lowest levels since the 1980s. This significant depreciation of the pound has negatively impacted our business.

In addition, as production is primarily based in emerging markets, the global supply chain is prone to uncertainty and disruption. Over the last few years, we witnessed this with riots, terrorist attacks, corruption inquiries, political scandals or military coups in Bangladesh, Indonesia, Malaysia, Thailand or Vietnam.

These macroeconomic factors, or market perceptions concerning such matters, could have an adverse effect on our liquidity, which could in turn adversely impact on our business, financial position and, operating results, as well as our future prospects.

Changes in economic and political environment in the PRC and policies adopted by the PRC government

More than 50% of the goods from our business were sourced from the PRC for the six months ended 30 June 2016. The PRC economy differs from the economies of most countries in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Although state-owned enterprises still account for a substantial portion of the PRC industrial output, in general, the PRC government is reducing the level of direct control which it exercises through state plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production and management and a gradual shift in emphasis to a "market economy" and enterprise reform. There can be no assurance that the PRC government will continue to pursue a policy of economic reform. We may not in all cases be able to capitalise on the economic reform measures adopted by the PRC government.

Our operations and financial results could be adversely affected by changes in the political, economic and social conditions in the PRC or the relevant policies of the PRC government, such as changes in laws and regulations (or their interpretation), in particular changes in labour laws which may result in wage increases in factories, inflationary measures, changes in the rate or method of taxation, further foreign exchange restrictions and the imposition of additional import restrictions.

Uncertainties in the PRC legal system

Over the last four decades, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite this, the PRC's system of laws is not yet fully developed. Even where an adequate set of regulations exists, enforcement of such PRC regulations may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a foreign judgment. The PRC judiciary, with limited experience, in many cases creates further uncertainty as to the outcome of any litigation. In addition, interpretation of PRC statutes and regulations may be subject to government policies reflecting domestic political changes.

Our operations, and the operations of the factories from which we source goods, in the PRC are subject to application of such laws and regulations including administrative review and approval by various national and local agencies of the PRC Government. The uncertainties of and changes occurring in the PRC's legal and regulatory systems may adversely affect the conduct and performance of our business.

The effects of war, acts of terrorism or natural disasters could adversely affect our business and results of operations

The continued threat of terrorism, heightened security measures and military action in response to acts of terrorism or civil unrest has, at times, disrupted commerce and intensified concerns regarding the United States, European and UK economies. Any further acts of terrorism or new or extended hostilities may disrupt commerce and undermine consumer confidence, which could negatively impact our sales and results of operations. Similarly, the occurrence of one or more natural disasters, such as hurricanes, fires, floods or earthquakes could result in the closure of one or more of our distribution centres, our corporate headquarters or a significant number of stores or impact one or more of our key suppliers. In addition, these types of events could result in increases in energy prices or a fuel shortage, temporary or long-term disruption in the supply of products, disruption in the transport of products from overseas, delay in the delivery of products to our factories, our customers or our stores and disruption in our information and communication systems. Accordingly, these types of events could have a material adverse effect on our business, financial condition and results of operations.

Recurrence of highly contagious diseases in Asia and elsewhere

The outbreak of any contagious disease such as SARS, MERS, influenza, Ebola or Zika that escalates into a regional or global pandemic, or the fear of such events, may have an adverse impact on our business.

The outbreak of SARS that began in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. The outbreak of SARS led to a significant decline in travel volumes and business activities throughout most of the Asian region. The occurrence of another outbreak of SARS or of another highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business operations and consequently have an adverse effect on its financial condition and operating results.

There can be no assurance that there will not be a serious outbreak of contagious diseases in Hong Kong or the PRC in the future. There can be no assurance that our business and financial condition would not be adversely affected if another outbreak occurs.

RISKS RELATING TO THE INSTRUMENTS ISSUED UNDER THE PROGRAMME

The Instruments may not be a suitable investment for all investors.

Each potential investor in any Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Instruments, the merits and risks of investing in the relevant Instruments and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Instruments and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Instruments, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Instruments and be familiar with the behaviour of any relevant indices and financial markets; and be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Instruments may be complex financial products and such products may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Instruments which are complex financial products unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Instruments are legal investments for it, (2) the Instruments can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase of any Instruments. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Instruments under any applicable risk-based capital or similar rules.

Modification and waivers are binding on all holders of Instruments.

The Conditions contain provisions for calling meetings of Noteholders and Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders and Securityholders including Noteholders and Securityholders who did not attend and vote at the relevant meeting and Noteholders and Securityholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders and Securityholders, Receiptholders or Couponholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed and the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to interests of the relevant Noteholders or Securityholders, as the case may be) or (ii) any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law.

The Notes may be represented by Global Notes or Global Certificates, the Securities may be represented by Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of registered Notes). Securities issued under the Programme will be in registered form and represented by one or more Global Certificates. Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**"), as the case may be. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Instruments. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Instruments are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Instruments are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Instruments by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Instruments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the respective Global Notes or Global Certificates to take enforcement action against the Issuer in the event of a default under the relevant Instruments but will have to rely upon their rights under the Trust Deed.

Holders of Instruments should be aware that definitive Instruments which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

In relation to any issue of Instruments which have a denomination consisting of a minimum Specified Denomination (as defined in the applicable Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Instruments may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Holder of Instruments who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Instrument in respect of such holding (should definitive Instruments be printed) and would need to purchase a principal amount of Instruments such that it holds an amount equal to one or more Specified Denominations. If definitive Instruments are issued, holders should be aware that definitive Instruments which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Trustee may request that the Noteholders and Securityholders provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request the Noteholders or the Securityholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Noteholders or Securityholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity and/or security or prefunding to it, in breach of the terms of the Trust Deed constituting the relevant Instruments and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders or Securityholders to take such actions directly.

The Instruments are unsecured obligations.

As the Instruments are unsecured obligations, the repayment of the Instruments may be adversely affected if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness; or there is an acceleration of any of the Issuer's indebtedness.

If any of these events were to occur, the Issuer's assets may not be sufficient to pay amounts due on the Instruments.

RISKS RELATING TO THE MARKET FOR THE INSTRUMENTS GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Instruments issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Instruments issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Instruments are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application will be made for the Notes issued under the Programme to be admitted to listing on the SGX-ST, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Instruments issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Instruments.

This is particularly the case for Instruments that are especially sensitive to interest rate, currency or market risks, designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Instruments generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal, distribution (if applicable) and interest (if applicable) on the Instruments in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Instruments, (ii) the Investor's Currency equivalent value of the principal payable on the Instruments and (iii) the Investor's Currency equivalent market value of the Instruments.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive no or less interest (if applicable), distribution (if applicable) or principal than expected.

RISKS RELATING TO THE SECURITIES

Securities issued under the Programme may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

Securities may be issued for which investors have no right to require redemption.

The Securities are perpetual and have no fixed final maturity date. Securityholders have no right to require the Issuer to redeem Securities at any time, and an investor who acquires Securities may only dispose of such

Securities by sale. Securityholders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of Securities should be aware that they may be required to bear the financial risks of an investment in Securities for an indefinite period of time.

Securityholders may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Security Conditions.

The Issuer may, at its sole discretion and subject to certain conditions as set out in the Securites Conditions and, where applicable, specified in the applicable Pricing Supplement, elect to defer any scheduled Distribution on the Securities for any period of time. Subject to the Pusher (if applicable), the Issuer is subject to certain restrictions in relation to the payment of dividends on its Junior Securities or its Parity Securities, the redemption and repurchase on its Parity Securities prior to their stated maturity or Junior Securities until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Terms and Conditions of the Securities. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Security Conditions, subject to compliance with certain restrictions. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Security Conditions, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distribution shall not constitute a default for any purpose.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

The Securities may be redeemed at the Issuer's option on the date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events.

The Securities will be redeemable at the option of the Issuer on certain dates as specified in the applicable Pricing Supplement. The date(s) on which the Issuer elects to redeem the Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the Securityholders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for default under the Securities.

Any scheduled Distribution will not be due if, as provided for in the relevant Pricing Supplement, the Issuer elects not to pay all or a part of that distribution pursuant to the Security Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings is limited to circumstances where payment under the Securities has become due and the Issuer fails to make the payment when due. The only remedy against the Issuer available to any Securityholder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be proving in such Winding-Up and/or claiming in the liquidation of the Issuer in respect the Securities.

The Issuer may raise or redeem other capital which affects the price of the Securities.

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or pari passu with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a Winding-Up or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Securityholders to sell their Securities.

The Securities are subordinated obligations.

The obligations of the Issuer under the Securities will constitute unsecured and subordinated obligations of the Issuer. In the event of the Winding-Up of the Issuer, the rights of the holders of Securities to receive payments in respect of the Securities, will rank senior to the holders of all Junior Securities and pari passu with the holders of all Parity Securities, but junior to the claims of all other creditors, including, for the avoidance of doubt, the holders of Notes. In the event of a shortfall of funds or a Winding-Up, an investor in the Securities may lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution.

Additional Distribution Amounts or accrued distribution.

In addition, subject to the limit on the aggregate principal amount of Securities that can be issued under the Programme (which can be amended from time to time by the Issuer without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Securities on a winding-up of the Issuer and/or may increase the likelihood of a non-payment under the Securities.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES UNDER THE PROGRAMME

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Dual Currency Notes have features which are different from single currency issues.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Notes carrying an interest rate which may be converted from fixed to floating interest rates, and vice versa, may have lower market values than other Notes.

Fixed Rate Notes and Floating Rate Notes (as defined in the Note Conditions) may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate.

The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

RISKS RELATED TO RENMINBI DENOMINATED INSTRUMENTS

A description of risks which may be relevant to an investor in Instruments denominated in Renminbi ("**Renminbi Instruments**") are set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Instruments.

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar. However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Instruments denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Instruments and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Instruments.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Instruments. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Instruments, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Instruments is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Instruments unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Instruments in that foreign currency will decline.

Payments with respect to the Renminbi Instruments may be made only in the manner designated in the Renminbi Instruments.

All payments to investors in respect of the Renminbi Instruments will be made solely for so long as the Renminbi Instruments are represented by global certificates held with the common depositary for Clearsteam Banking S.A. and Euroclear Bank S.A./N.V. or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement or (ii) for so long as the Renminbi Instruments are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Remittance of proceeds in Renminbi into or out of the PRC.

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC Government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC Government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Instruments, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

FORM OF PRICING SUPPLEMENT IN RELATION TO THE NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme:

[Date]

Li & Fung Limited
(the "Issuer")
Issue of *[Aggregate Nominal Amount of Tranche] [Title of Notes]*
under its US$2,000,000,000
Medium Term Note and Perpetual Securities Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") referred to in the trust deed dated 11 October 2016 between, *inter alia,* the Issuer and Citicorp International Limited as trustee (the "**Trust Deed**") and set forth in the Offering Circular dated 11 October 2016 (the "**Offering Circular**") [and the Supplemental Offering Circular]. This document contains the final terms of the Notes described herein and must be read in conjunction with such Trust Deed and such Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular [as so supplemented].

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Trust Deed dated 11 October 2016. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Trust Deed and the Offering Circular dated [*current date*] [and the Supplemental Offering Circular], save in respect of the Conditions which are extracted from the Trust Deed dated 11 October 2016 and are attached hereto.]

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered, sold or delivered within the United States [or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**"))] except in certain transactions exempt from the registration requirements of the Securities Act.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	(i)	Issuer:	Li & Fung Limited
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).
3.		Specified Currency or Currencies:	[●]
4.		Aggregate Nominal Amount:	[●]
	[(i)]	Series:	[●]
	[(ii)]	Tranche:	[●]]

5.	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] in the case of fungible issues only, *(if applicable*)]
	[(ii)	Net proceeds:	[●] (required only for listed issues)
6.	(i)	Specified Denominations:[1, 2]	[●]
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*specify/Issue* Date/Not Applicable]
8.	Maturity Date:		[*Fixed rate — specify date/Floating rate* — Interest Payment Date falling on or nearest to [*specify month*]][3]
9.	Interest Basis:		[[●] per cent. Fixed Rate] [[LIBOR/EURIBOR/HIBOR] +/- [●] per cent. Floating Rate] [Zero Coupon] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11.	Change of Interest Basis or Redemption/ Payment Basis:		[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis*]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Date of [Board] approval for issuance of Notes and Guarantee obtained:		[●] [and [●], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
14.	Listing:		[Singapore/*specify other*/None] (For Notes to be listed on the SGX-ST, insert the expected effective listing date of the Notes)
15.	Method of distribution:		[Syndicated/Non-syndicated]

[1] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

[2] If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000. In relation to any issue of Notes which are a "Global Note exchangeable to Definitive Notes" in circumstances other than in the limited circumstances specified in the Global Note, such Notes may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and multiples thereof.

[3] Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 5*)
	(ii)	Interest Payment Date(s):	[[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted*] (*N.B.: This will need to be amended in the case of long or short coupons*)
	(iii)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form*)	[●] per Calculation Amount[4]
	(iv)	Broken Amount(s): (*Applicable to Notes in definitive form*)	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA/ISDA) or Actual/ 365 (Fixed) [5] or [*specify other*]]
	(vi)	Determination Date(s):	[●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*] (*N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration*) (*N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
17.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]

---

4 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

5 Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ [*specify other*]]
(iii)	Additional Business Centre(s):	[●]
(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[●]
(vi)	Screen Rate Determination:	
	— Reference Rate:	[●] (*Either LIBOR, EURIBOR, HIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement*)
	— Interest Determination Date(s):	[●] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), first day of each Interest Period if Sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
	— Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(vii)	ISDA Determination:	
	— Floating Rate Option:	[●]
	— Designated Maturity:	[●]
	— Reset Date:	[●]
(viii)	Margin(s):	[+/-] [●] per cent. per annum
(ix)	Minimum Rate of Interest:	[●] per cent. per annum
(x)	Maximum Rate of Interest:	[●] per cent. per annum
(xi)	Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA) Actual/365(Fixed) Actual/365(Sterling) Actual/360 30/360, 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other] (*See Condition 5 for alternatives*)

	(xii)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Accrual Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
	(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 6(B)(i) and Condition 7 *apply/specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
19.	Dual Currency Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●]
		(b) Maximum Redemption Amount:	[●]

	(iv) Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent.*)
21.	Investor Put:	[Applicable/Not Applicable] (If not applicable, delete the remaining sub- paragraphs of this paragraph)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
	(iii) Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent.*)]
22.	Final Redemption Amount:	[[●] per Calculation *Amount/specify other*/see Appendix]]
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Condition):	[[●] per Calculation *Amount/specify other*/see Appendix]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	[**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●]days' notice[6]] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [**Registered Notes:** Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]

6 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000", the Temporary Global Note shall not be exchangeable on [●] days' notice.

25.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17 (iii) and 19(vii) relate*)
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B.: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues.*]
28.	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
29.	Redenomination applicable:	Redenomination [not] applicable [*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*]
30.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

31.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
32.	If non-syndicated, name of Relevant Dealer:	[Not Applicable/*give name and address*]
33.	U.S. Selling Restrictions:	[Reg. S Category 2[7]; TEFRA D/TEFRA C/TEFRA not applicable]
34.	Additional selling restrictions:	[Not Applicable/*give details*]
35.	Use of Proceeds (if different from the "Use of Proceeds" section from the Offering Circular:	[Not Applicable]/[*Give Details*]

OPERATIONAL INFORMATION

36.	Any clearing system(s) other than Euroclear or Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
37.	Delivery:	Delivery [against/free of] payment
38.	Additional Paying Agent(s) (if any):	[●]
	ISIN:	[●]
	Common Code:	[●]

(insert here any other relevant codes)

7 Reg. S Compliance Category 1 may be available subject to a confirmation of no substantial U.S. market interest by the Issuer.

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the US$2,000,000,000 Medium Term Note and Perpetual Securities Programme of Li & Fung Limited.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of
LI & FUNG LIMITED:

By: ________________________________
Duly authorised

FORM OF PRICING SUPPLEMENT IN RELATION TO SECURITIES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Securities issued under the Programme.

Pricing Supplement dated [●]

LI & FUNG LIMITED

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Securities*]
under the US$2,000,000,000 Medium Term Note and Perpetual Securities Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the "**Conditions**") referred to in the trust deed dated 11 October 2016 between, *inter alia*, the Issuer and Citicorp International Limited as trustee (the "**Trust Deed**") set forth in the Offering Circular dated 11 October 2016 (the "**Offering Circular**") [and the Supplemental Offering Circular dated [●]]. This document contains the final terms of the Securities described herein and must be read in conjunction with such Trust Deed and such Offering Circular. Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of this Pricing Supplement and the Offering Circular [as so supplemented].

The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 11 October 2016. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*] [and the supplementary Offering Circular dated [●], save in respect of the Conditions which are extracted from the Offering Circular dated 11 October 2016 and are attached hereto.

The Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Securities may not be offered, sold or delivered within the United States [or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**"))] except in certain transactions exempt from the registration requirements of the Securities Act.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement*.]

1.	Issuer:		Li & Fung Limited
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	[(iii)	Date on which the Securities become fungible:	[The Securities shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date [which is expected to occur on or about [●]].]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued Distribution from [●]]

6.	(i)	Specified Denominations:	[●][8]
	(ii)	Calculation Amount[9]:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Distribution Commencement Date:	[[●]/Issue Date/Not Applicable]
8.		Distribution Basis:	[[●] per cent. Fixed Rate] (see paragraph [11/12/13] below)
9.		Put/Call Options:	[Redemption upon a Tax Event] [Redemption at the option of the Issuer] [Redemption upon a Capital Event] [Redemption upon an Accounting Event] [(See paragraph [14/15/16/17/18/19] below)]
10.		Date [Board] approval for issuance of Securities obtained:	[●] *(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Securities)*

PROVISIONS RELATING TO DISTRIBUTION (IF ANY) PAYABLE

11. Distribution Rate:

[[●] per cent. per annum payable in arrear on each Distribution Payment Date]/

[*(or if the Distribution Rate of the Securities are to be subject to step-up(s), consider the following)*

(a) in respect of the period from, and including, the Issue Date to, but excluding, the First Reset Date, the Initial Distribution Rate; [and]

(b) in respect of the period from, and including, the First Reset Date to, but excluding, the Second Reset Date, the First Reset Distribution Rate[./;]

(c) from and including, each Reset Date falling on and after the Second Reset Date, to, but excluding, the immediately following Reset Date, up to the Reset Date falling on Additional Step-up Margin Reset Date, the Second Reset Distribution Rate[./;/; and]

(d) from, and including, each Reset Date falling on and after the Additional Step-up Margin Reset Date, to, but excluding, the immediately following Reset Date, the Third Reset Distribution Rate.

Where:

"**Initial Distribution Rate**" is [●] per cent.; [and]

"**Second Reset Distribution Rate**" is [●] per cent.[;]

---

8 If the specified denomination is expressed to be €100,000 or their equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows:

"€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000".

9 The applicable Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denomination, the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).

			["**Third Reset Distribution Rate**" is [●] per cent.;] "**First Reset Date**" is [●]; "**Second Reset Date**" is [●]; and "**Additional Step-up Margin Reset Date**" is [●];] (*Amend as appropriate. See "Definitions" section for applicability of any additional definitions.*)
	(ii)	Distribution Payment Date(s):	[●] and [●] in each year [adjusted in accordance with [*specify Business day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/[not adjusted]
	(iii)	Fixed Distribution Amount[(s)]:	[●] per Calculation Amount[10]
	(iv)	Broken Amount(s):	[Not Applicable]/[[●] per Calculation Amount, payable on the Distribution Payment Date falling [in/on] [●]]
	(v)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
12.	Dividend Pusher and Dividend Stopper:		[Applicable/Not Applicable]
	(i)	[Dividend Pusher Lookback Period:	[●] months]
	(ii)	Relevant Obligations (Pusher):	[Junior Obligations/Parity Obligations/Junior Obligations and Parity Obligations/Not Applicable]
	(iii)	Relevant Obligations (Stopper):	[Junior Obligations/Parity Obligations/Junior Obligations and Parity Obligations/Not Applicable]
13.	Other terms relating to the method of calculating Distribution:		[Not Applicable]/[*give details*]

PROVISIONS RELATING TO REDEMPTION

14.	Redemption at the option of the Issuer		
	(i)	Optional Redemption Date(s) (Call):	[●]
	(ii)	Optional Redemption Amount (Call) of each Note:	[●] per Calculation Amount
	[(iii)	If redeemable in part:	(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount	[●] per Calculation Amount]
	(iv)	Notice period:	[●] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

[10] For Hong Kong dollar or Renminbi denominated Securities where the Distribution Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Distribution Amount shall be calculated by multiplying the product of the Distribution Rate and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Securities and to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Securities, in each case being rounded upwards.

15.	Capital Event Redemption:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Early Redemption Amount (Capital Event):	[As defined in the Conditions]/[[●] per Calculation Amount]
	(ii) relevant Rating Agencies in relation to any Capital Event:	[●]
16.	Accounting Event Redemption:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Early Redemption Amount (Accounting Event):	[As defined in the Conditions]/[[●] per Calculation Amount]
17.	Early Redemption Amount (Minimal Outstanding Amount):	[As defined in the Conditions]/[[●] per Calculation Amount]
18.	Early Redemption Amount (Tax):	[As defined in the Conditions]/[[●] per Calculation Amount]
19.	Conditional Purchase:	[Not Applicable/Condition 6(h) (*Redemption and Purchase — Purchase*) shall be conditional. The Issuer, any of its Subsidiaries or any of their respective agents may: (a) prior to the First Reset Date, at any time purchase Securities up to a maximum amount representing 25 per cent. of the aggregate principal amount of the Securities issued on the Issue Date in the open market or otherwise and at any price; and (b) following the First Reset Date, at any time purchase Securities in the open market or otherwise and at any price.]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20.	Special Event Substitution or Variation:	[Applicable/Not Applicable]
21.	Form of Notes:	**Registered Notes only**: Global Note Certificate exchangeable for unrestricted Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances specified in the Unrestricted Global Note Certificate
22.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of distribution, to which sub-paragraph 11(ii) relates*]
23.	Use of Proceeds (if different from the "Use of Proceeds" section from the Offering Circular)	[Not Applicable]/[*Give Details*]

LISTING AND ADMISSION TO TRADING

24.	Listing / Admission to Trading:	[Singapore Exchange Securities Trading Limited/Other (specify)/None]
25.	Net Proceeds:	[●] (*Applicable to listed Securities only*)

DISTRIBUTION

26.	Method of Distribution:	[Syndicated/Non-syndicated]
	(i) If syndicated, names of Dealers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager(s), if any:	[Not Applicable/*give names*]
	(iii) If non-syndicated, name of Dealer:	[Not Applicable/*give names*]
27.	U.S. Selling Restrictions:	[Reg. S Compliance Category[11]
28.	Additional Selling Restrictions:	[Not Applicable/give details]
29.	Private Bank Rebate/Commission:	[Not Applicable/give details]

RATINGS

[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

30.	Ratings:	[Standard & Poor's: [●]]
		[Moody's: [●]]
		[[Other]: [●]]
		(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

OPERATIONAL INFORMATION

31.	ISIN:	[●]
32.	Common Code:	[●]
33.	Any clearing system(s) other than Euroclear or Clearstream and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
34.	Delivery:	Delivery [against/free of] payment
35.	Names and addresses of additional Paying Agent(s) (if any):	[●]/[Not Applicable]

GENERAL

36.	The aggregate principal amount of Securities issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Securities not denominated in [U.S. dollars]):	

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the [*specify relevant stock exchange/market*] of the Securities described herein pursuant to the US$2,000,000,000 Medium Term Note and Perpetual Securities Programme.

11 Reg. S Compliance Category 1 may be available subject to a confirmation of no substantial U.S. market interest by the Issuer.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of
LI & FUNG LIMITED:

By: ____________________________
Duly authorised

The following is the text of the terms and conditions of the Notes which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Instruments while in Global Form".

1. **Introduction**

(a) *Programme*: Li & Fung Limited (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$2,000,000,000 in aggregate principal amount of notes (the "**Notes**") and/or subordinated perpetual capital securities (the "**Securities**"). These terms and conditions relate to Notes issued under the Programme.

(b) *Pricing Supplement*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a Pricing Supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 11 October 2016 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citicorp International Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

(d) *Agency Agreement*: The Notes are the subject of an issue and paying agency agreement dated 11 October 2016 (the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

(e) *The Notes*: The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing during normal business hours at the registered office for the time being of the Trustee, being at the date hereof 39th Floor, Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.

(f) *Summaries*: Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents with reasonable prior written notification.

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Business Centre(s)** " means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)** " means the city or cities specified as such in the relevant Pricing Supplement;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to any sum payable in Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and

(c) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the calculation agent appointed by the Issuer in respect of a Series of Notes pursuant to the terms of the Agency Agreement or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)** " is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360\text{x}(Y_2 - Y_1)] + [30\text{x}(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30";

(f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\text{x}(Y_2 - Y_1)] + [30\text{x}(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\text{x}(Y_2 - Y_1)] + [30\text{x}(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement)) as published by the International Swaps and Derivatives Association, Inc.;

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Material Subsidiary**" means at any time a Subsidiary of the Issuer or any of its Subsidiaries:

(a) as to which one or more of the following conditions is satisfied:

    (i) its profit before tax or (in the case of a Subsidiary of the Issuer which has one or more Subsidiaries) consolidated profit before tax attributable to the Issuer (in each case before taxation and extraordinary items) are at least 5 per cent. of the consolidated profit before tax of the Issuer and its Subsidiaries (in each case before taxation and extraordinary items); or

    (ii) its net assets (excluding any intercompany balances with the Issuer or any of its Subsidiaries) or (in the case of a Subsidiary of the Issuer which has one or more Subsidiaries) consolidated net assets (excluding any consolidated intercompany balances with the Issuer or any of its Subsidiaries) attributable to the Issuer represent 5 per cent. or more of the consolidated net assets (after deducting minority interests in Subsidiaries) of the Issuer and its Subsidiaries; all as calculated by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest consolidated audited accounts of the Issuer and its Subsidiaries,

provided that: (A) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (B) if, in the case of a Subsidiary of the Issuer which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated profit before tax shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; (C) if the accounts of a Subsidiary of the Issuer (not being a Subsidiary referred to in (A) above) are not consolidated with those of the Issuer then the determination of whether or not the Subsidiary of the Issuer is a Material Subsidiary shall be based on a pro forma consolidation of its accounts, (consolidated, if appropriate) with the consolidated accounts of the Issuer and its Subsidiaries; or

(b) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary of the Issuer which immediately prior to the transfer was a Material Subsidiary, provided that the Subsidiary of the Issuer which so transfers its assets and undertaking shall forthwith upon the transfer cease to be a Material Subsidiary (but without prejudice to paragraph (a) above) and the Subsidiary of the Issuer to which the assets and undertaking are so transferred shall become a Material Subsidiary, and for the purposes of these Conditions, an opinion by the auditors of the Issuer on a calculation to show whether or not a Subsidiary is a Material Subsidiary shall be conclusive and binding on all parties in the absence of manifest error;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Pricing Supplement;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(c) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" has the meaning given in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is issued with the intention on the part of the Issuer that it should be, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) having an original maturity of more than one year from its date of issue;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)** " has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" or "**Subsidiaries**" of any Person means:

(a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions); or

(b) any partnership, joint venture limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person.

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

(a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (at the cost and expense of such Noteholder) by the Registrar to any Noteholder who requests in writing such regulations.

4. Status of the Notes

The Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Negative Pledge

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

6. Fixed Rate Note Provisions

(a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

(a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

(iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading international banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement;

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement; and

(iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than United States dollars, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of United States dollars, means one cent.

(g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given by the Issuer to the Noteholders. The Issuer, the Trustee and the Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

(a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Bermuda or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(b) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(c) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(b) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(b) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(d) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(d), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Pricing Supplement), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(d), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(d), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(e) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (d) above.

(f) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

   (i) the Reference Price; and

   (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

   Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 9(f) or, if none is so specified, a Day Count Fraction of 30E/360.

(g) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(h) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

(i) *Calculations*: Neither the Trustee nor any of the Agents (other than the Calculation Agent and solely in respect of its functions as an appointment Calculation Agent of the Issuer) shall be responsible for calculating or verifying the calculations of any amount under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

10. **Payments - Bearer Notes**

This Condition 10 is only applicable to Bearer Notes.

(a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi) by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong.

(b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, and payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (ii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(e) No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(f) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(g) *Unmatured Coupons void*: If the relevant Pricing Supplement specifies that this Condition 10(g) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition (b) (*Redemption for tax reasons*), Condition 9(d) (*Redemption at the option of Noteholders*), Condition 9(b) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(h) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(i) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(j) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(k) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. Payments - Registered Notes

This Condition 11 is only applicable to Registered Notes.

(a) *Principal:* Payments of principal shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

So long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

12. **Taxation**

(a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Bermuda or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or

(iii) where such withholding or deduction is required pursuant to an agreement described in section 1471(b) of the Code, or is otherwise imposed pursuant to sections 1471 through 1474 of the Code and any regulations, agreements or undertakings thereunder or official interpretations thereof or other law implementing an intergovernmental approach thereto.

(b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than Bermua, references in these Conditions to Bermuda shall be construed as references to Bermuda and/or such other jurisdiction.

13. **Events of Default**

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified, pre-funded and/or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality:

(a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within fourteen days of the due date for payment thereof; or

(b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default remains unremedied for 60 days after the Trustee has given written notice thereof to the Issuer; or

(c) *Cross-default of Issuer or Material Subsidiary:*

(i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$30,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount or amounts exceeding in the aggregate U.S.$30,000,000 is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 30 days; or

(f) *Insolvency, etc.*: (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Material Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) *Winding-up, etc.*: an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) *Analogous event*: any event occurs which under the laws of Bermuda has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding-up, etc*) above; or

(i) *Failure to take action etc:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of Bermuda is not taken, fulfilled or done; or

(j) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or

(k) *Government intervention:* (A) all or any substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (B) the Issuer or any of its Material Subsidiaries is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

14. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

16. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified, pre-funded and/or provided with security and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that**:

(i) the Issuer shall at all times maintain a principal paying agent and a registrar; and

(ii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and

(iii) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders by the Issuer.

17. **Meetings of Noteholders; Modification and Waiver**

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee (subject to it being first indemnified, pre-funded and/or provided with security to its satisfaction) upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Hoteholders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

(c) *Direction from Noteholders*: Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions or the Trust Deed to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified, pre-funded and/or provided with security to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

(d) *Certificates and reports*: The Trustee may rely without liability to any Noteholder, Couponholder or to other person on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including the auditors, surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Trustee, the Noteholders and the Couponholders.

18. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings, actions or steps as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified, pre-funded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

20. **Notices**

(a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or the alternative clearing system, as the case may be.

21. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. **Governing Law and Jurisdiction**

(a) *Governing law:* The Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.

(b) *Jurisdiction:* The Issuer has in the Trust Deed (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

The following is the text of the terms and conditions of the Securities which, as completed by the relevant Pricing Supplement, will be endorsed on each Security in definitive form issued under the Programme. The terms and conditions applicable to any Security in global form will differ from those terms and conditions which would apply to the Security were it in definitive form to the extent described under "Summary of Provisions Relating to the Instruments while in Global Form".

1. **Introduction**

(a) *Programme*: Li & Fung Limited (the "**Issuer**") has established a Euro Medium Term Security Programme (the "**Programme**") for the issuance of up to U.S.$2,000,000,000 in aggregate principal amount of notes (the "**Notes**") and/or subordinated perpetual capital securities (the "**Securities**"). These terms and conditions relate to Securities issued under the Programme.

(b) *Pricing Supplement*: Securities issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Securities. Each Tranche is the subject of a Pricing Supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Securities are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) *Trust Deed:* The Securities are constituted by, are subject to, and have the benefit of, a trust deed dated 11 October 2016 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citicorp International Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

(d) *Agency Agreement*: The Securities are the subject of an issue and paying agency agreement dated 11 October 2016 (the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), Citibank, N.A., London Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Securities), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

(e) *The Securities*: The Securities are issued in registered form. All subsequent references in these Conditions to "Securities" are to the Securities which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing during normal business hours at the registered office for the time being of the Trustee, being at the date hereof 59th Floor, Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.

(f) *Summaries*: Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Securityholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Securityholders during normal business hours at the Specified Offices of each of the Agents with reasonable prior written notification.

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to any sum payable in Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and

(c) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the calculation agent appointed by the Issuer in respect of a Series of Notes pursuant to the terms of the Agency Agreement or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate of Distribution and Distribution Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

a "**Compulsory Distribution Payment Event**" occurs if either or both of the following criteria are met:

(a) a dividend, distribution or other payment is declared, paid or made on any Relevant Obligations (Pusher) (other than a payment declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants); or

(b) the Issuer redeems, reduces, cancels, buys-back or acquires for any consideration any of its Relevant Obligations (Pusher) (except for a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants);

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360\ x\ (Y_2 - Y_1)] + [30\ x\ (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30";

(f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\ x\ (Y_2 - Y_1)] + [30\ x\ (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \, x \, (Y_2 - Y_1)] + [30 \, x \, (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Distribution Amount**" means, in relation to a Security and a Distribution Period, the amount of distribution payable in respect of that Security for that Distribution Period;

"**Distribution Commencement Date**" means the Issue Date of the Securities or such other date as may be specified as the Distribution Commencement Date in the relevant Pricing Supplement;

"**Distribution Payment Date**" means the First Distribution Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Distribution Commencement Date (in the case of the first Distribution Payment Date) or the previous Distribution Payment Date (in any other case);

"**Distribution Period**" means each period beginning on (and including) the Distribution Commencement Date or any Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date;

"**Dividend Pusher Lookback Period**", if applicable, shall be the period specified in the relevant Pricing Supplement;

"**Early Redemption Amount (Accounting Event)**" means, in respect of any Security in which "Accounting Event Redemption" is specified as being applicable in the relevant Pricing Supplement, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Capital Event)**" means, in respect of any Security in which "Capital Event Redemption" is specified as being applicable in the relevant Pricing Supplement, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Minimal Amount Outstanding)**" means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Tax)**" means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**First Distribution Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Distribution Amount**" has the meaning given in the relevant Pricing Supplement;

"**HKFRS**" means Hong Kong Financial Reporting Standards, as amended from time to time.

"**Holder**" has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Securities*);

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Securities of the relevant Series (as specified in the relevant Pricing Supplement)) as published by the International Swaps and Derivatives Association, Inc.;

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**Issuer Notional Preference Shares**" has the meaning given to it in Condition 4(b) (*Status of the Securities — Ranking of claims in respect of the subordinated Securities*);

"**Junior Obligations**" (a) means, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, the ordinary shares of the Issuer or any other securities ranking *pari passu* therewith in respect of which all payments of dividends and distributions are discretionary (save with respect to part (B) of the definition of "Compulsory Distribution Payment Event" contained in Condition 5(d)(i) (*Distribution — Distribution Deferral — Optional Deferral if the Dividend Pusher Applies*) and to Condition 5(d)(v)(B) (*Distribution — Distribution Deferral — Restrictions in the case of an Optional Deferral*) in which case Junior Obligations means any class of the Issuer's share capital); or (b) has the meaning given in the relevant Pricing Supplement, if the Dividend Pusher is specified in the relevant Pricing Supplement as being not applicable;

"**Moody's**" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors;

"**Optional Redemption Amount (Call)**" means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Parity Obligations**" means, unless otherwise defined in the relevant Pricing Supplement, any instrument or security (including without limitation any preference share) issued, entered into or guaranteed by the Issuer (i) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with an Issuer Notional Preference Share and (ii) the terms of which provide that the making of payments thereon and distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof);

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

 (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

 (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

 (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

 (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Securities denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(c) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

"**Qualifying Securities**" means securities that:

(a) have terms not materially less favourable to an investor from the terms of the Securities (as reasonably determined by the Issuer, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of two directors of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities upon which certificate the Trustee shall rely absolutely), *provided that*:

(i) they are issued by the Issuer or any wholly-owned direct or indirect finance subsidiary of the Issuer with a guarantee of the Issuer; and

(ii) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up of the issuer or guarantor thereof, shall preserve the Holders' rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant securities, and shall contain terms which provide for the same Rate of Distribution, Distribution Payment Dates and redemption events, from time to time applying to the Securities; and other terms of such securities are substantially identical (as reasonably determined by the Issuer) to the Securities, save for the modifications or amendments to such terms that are specifically required to be made in order to avoid or resolve an Accounting Event, a Capital Event or, as the case may be, a Withholding Tax Event;

(b) have been, or will on issue be, assigned at least the same rating as that assigned by the Rating Agencies to the Securities immediately prior to such substitution or variation; and

(c) are listed on the Official List of the SGX-ST or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets;

"**Rate of Distribution**" means the rate or rates (expressed as a percentage per annum) of distribution payable in respect of the Securities specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Rating Agencies**" means (a) in relation to any Capital Event, the rating agencies specified in the relevant Pricing Supplement; or (b) in relation to Qualifying Securities, the the rating agencies specified in the relevant Pricing Supplement, or if one or more of the rating agencies specified in the relevant Pricing Supplement shall not make a rating of the Securities publicly available, a United States nationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for such rating agency;

"**Redemption Amount**" means, as appropriate, the Early Redemption Amount (Accounting Event), the Early Redemption Amount (Capital Event), the Early Redemption Amount (Tax), the Optional Redemption Amount (Call) or such other amount in the nature of a redemption amount as may be specified in the relevant Pricing Supplement;

"**Regular Period**" means:

(a) in the case of Securities where distribution is scheduled to be paid only by means of regular payments, each period from and including the Distribution Commencement Date to but excluding the first Distribution Payment Date and each successive period from and including one Distribution Payment Date to but excluding the next Distribution Payment Date;

(b) in the case of Securities where, apart from the first Distribution Period, distribution is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Distribution Payment Date falls; and

(c) in the case of Securities where, apart from one Distribution Period other than the first Distribution Period, distribution is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Distribution Payment Date falls other than the Distribution Payment Date falling at the end of the irregular Distribution Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Securityholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Obligations (Pusher)**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Obligations (Stopper)**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities, to amend the subordination provisions in the Trust Deed, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Securityholder**" has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Securities*);

"**Special Event**" means a Withholding Tax Event, a Capital Event, an Accounting Event, or any combination of the foregoing;

"**Special Event Redemption**" means a redemption in respect of: (i) a Withholding Tax Event (as defined in Condition 6(b) (*Redemption and Purchase — Redemption for tax reasons*)), or (ii) a Capital Event (as defined in Condition 6(d) (*Redemption and Purchase — Redemption upon a Capital Event*)), or (iii) an Accounting Event (as defined in Condition 66(e) (*Redemption and Purchase — Redemption upon an accounting event*)), or (iv) redemption in the case of minimal amount outstanding (as described in Condition 6(f) (*Redemption and Purchase — Redemption in the case of minimal amount outstanding*));

"**Special Event Redemption Date**" means the date on which the Securities are redeemed in a Special Event Redemption;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" or "**Subsidiaries**" of any Person means:

(a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions); or

(b) any partnership, joint venture limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person.

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended; and

"**Winding-Up**" means a final and effective order by a competent authority for the bankruptcy, winding-up, liquidation or similar procedure in respect of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation (a) the terms of which reorganisation, reconstruction, merger or amalgamation have previously been approved in writing by the Trustee or by an Extraordinary Resolution; and (b) which does not result in the Securities thereby becoming redeemable or repayable in accordance with these Conditions).

(b) *Interpretation*: In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 8 (*Taxation*), any premium payable in respect of a Security and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to distribution shall be deemed to include any additional amounts in respect of distribution which may be payable under Condition 8 (*Taxation*) and any other amount in the nature of distribution payable pursuant to these Conditions;

(iii) references to Securities being "outstanding" shall be construed in accordance with the Trust Deed;

(iv) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Securities; and

(v) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Securities.

3. **Form, Denomination, Title and Transfer**

(a) *Securities:* Securities are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(b) *Title to Securities:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Certificate**") will be issued to each Holder of Securities in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register. "**Holder**" means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Securityholder**" shall be construed accordingly.

(c) *Ownership:* The Holder of any Security shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Security under the Contracts (Rights of Third Parties) Act 1999.

(d) *Transfers of Securities:* Subject to paragraphs (g) (*Closed periods*) and (h) (*Regulations concerning transfers and registration*) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Specified Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor.

(e) *Registration and delivery of Certificates:* Within five business days of the surrender of a Certificate in accordance with paragraph (d) (*Transfers of Securities*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(f) *No charge:* The transfer of a Security will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(g) *Closed periods:* Securityholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or distribution in respect of the Securities.

(h) *Regulations concerning transfers and registration:* All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (at the cost and expense of such Securityholder) by the Registrar to any Securityholder who requests in writing such regulations.

4. **Status of the Securities**

(a) *Status — Subordinated Securities*: The Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and with any Parity Obligations of the Issuer. The rights and claims of the Holders in respect of the Securities are subordinated as provided in this Condition 4.

(b) *Ranking of claims in respect of the subordinated Securities*: In the event of the Winding-Up of the Issuer, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day prior to the commencement of the Winding-Up of the Issuer, and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (and if more than one class of preference shares is outstanding, the most junior ranking class of such preference shares) ("**Issuer Notional Preference Shares**") having an equal right to return of assets in the Winding-Up of the Issuer and so ranking *pari passu* with the holders of that class or classes of preference shares (if any) which have a preferential right to return of assets in the Winding-Up over, and so rank in priority to the holders of Junior Obligations of the Issuer, but subordinated to the claims of all other present and future creditors of the Issuer (other than Parity Obligations of the Issuer), on the assumption that the amount that such Holder of a Security was entitled to receive in respect of each Issuer Notional Preference Share on a return of assets in such Winding-Up were an amount equal to the principal amount of the relevant Security (or the Make Whole Amount if applicable) together with accrued and unpaid Distributions (including any Arrears of Distributions or any Additional Distribution Amount (each as defined in Condition 5(d)(iv) (*Distribution —Distribution Deferral — Cumulative Deferral*)).

(c) *Set-off — Securities*: Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator) and accordingly any such discharge shall be deemed not to have taken place.

5. **Distribution**

(a) *Accrual of Distribution*: Subject to Condition 5(d) (*Distribution - Distribution Deferral*), the Securities confer a right to receive distributions (each a "**Distribution**") from the Distribution Commencement Date at the Rate of Distribution payable in arrear on each Distribution Payment Date, subject as provided in Condition 7 (*Payments*).

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, Distribution will continue to accrue at the applicable Rate of Distribution (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

(b) *Fixed Distribution Amount:* The amount of distribution payable in respect of each Security for any Distribution Period shall be the relevant Fixed Distribution Amount and, if the Securities are in more than one Specified Denomination, shall be the relevant Fixed Distribution Amount in respect of the relevant Specified Denomination.

(c) *Calculation of Distribution Amount:* The amount of distribution payable in respect of each Security for any period for which a Fixed Distribution Amount is not specified shall be calculated by applying the Rate of Distribution to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Security divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

If the relevant Pricing Supplement specifies that the Rate of Distribution is subject to reset, the Calculation Agent will, on the Calculation Business Day prior to each Reset Date, calculate the applicable Reset Distribution Rate payable in respect of the Securities. The Calculation Agent will cause the applicable Reset Distribution Rate determined by it to be notified to the Issuer, the Paying Agents, the Trustee, the Holders and each listing authority, stock exchange and/or quotation system (if any) on to which the Securities have then been admitted to listing, trading and/or quotation as soon as practicable after the relevant Reset Date. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5(c) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Trustee and the Holders and no liability to any such person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(d) *Distribution Deferral*:

(i) *Optional Deferral*: The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date (an "**Optionally Deferred Distribution Payment**") by giving notice (an "**Optional Distribution Deferral Notice**") to the Holders (in accordance with Condition 17 (*Notices*)) not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date (an "**Optional Deferral Event**") unless, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, during the Dividend Pusher Lookback Period ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred. Any partial payment of outstanding Distribution (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer shall be shared by the Holders of all outstanding Securities on a pro-rata basis.

(ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 5(d)(i) (*Distribution - Distribution Deferral - Optional Deferral*) and any failure to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall not constitute a default of the Issuer in respect of the Securities.

(iii) *Requirements as to Notice*: Prior to publishing any Optional Distribution Deferral Notice, the Issuer shall, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, deliver to each of the Trustee and the Principal Paying Agent a certificate[10] in the form scheduled to the Trust Deed signed by two directors of the Issuer confirming that an Optional Deferral Event has occurred and is continuing, and that no Compulsory Distribution Payment Event has occurred and is continuing.

The Trustee shall be entitled to accept and rely upon such certificate as sufficient evidence of the occurrence of an Optional Deferral Event, in which event it shall be conclusive and binding on the Holders.

(iv) *Cumulative Deferral*: any Distribution deferred pursuant to this Condition 5(d) (*Distribution - Distribution Deferral*) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirements applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution may be deferred pursuant to this Condition 5(d) (*Distribution - Distribution Deferral*) except that this Condition 5(d)(iv) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall accrue distribution at the Rate of Distribution as if it constituted the principal of the Securities and the amount of such additional distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 5 and shall be calculated by applying the Rate of Distribution to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 5. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(v) *Restrictions in the case of an Optional Deferral*: If the Dividend Stopper is specified in the Pricing Supplement as applicable, then if on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Condition 5(d)(i) (*Distribution — Distribution Deferral — Optional Deferral*), the Issuer shall not:

(A) declare, pay or make any dividends, distributions or other payments on, and will procure that no dividend, distribution or other payment is declared, paid or made on any of its Relevant Obligations (Stopper) (except in relation to the Parity Obligations of the Issuer, on a pro-rata basis), save that such restriction shall not apply to payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(B) redeem, reduce, cancel, buy-back or acquire for any consideration any of its Relevant Obligations (Stopper) (except in relation to the Parity Obligations of the Issuer, on a pro-rata basis), save that such restriction shall not apply to an exchange of any of its Parity Obligations in whole for Junior Obligations or a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants,

in each case, unless and until the Issuer (i) has satisfied in full all outstanding Arrears of Distributions and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution of the Holders.

---

10 Certificate to be included in Trust Deed.

(vi) *Satisfaction of Arrears of Distribution by payment*: The Issuer:

(A) may satisfy any Arrears of Distribution (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice). Any partial payment of outstanding Arrears of Distribution by the Issuer shall be paid to the Holders of all outstanding Securities on a pro-rata basis; and

(B) in any event shall satisfy any outstanding Arrears of Distribution deferred in accordance with Condition 5(d)(i) (*Distribution — Distribution Deferral — Optional Deferral*), in whole but not in part, and including any Additional Distribution Amount, on the earliest to occur of:

(1) the next Distribution Payment Date falling immediately after a breach of Condition 5(d)(v) (*Distribution — Distribution Deferral — Restrictions in the case of an Optional Deferral*);

(2) the date on which the Securities are redeemed at the option of the Issuer pursuant to Condition 6(b) (*Redemption and Purchase — Redemption at the option of the Issuer*));

(3) a Special Event Redemption Date; and

(4) the Winding-Up of the Issuer.

(vii) *No default*: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this Condition 5(d) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9 (*Non-payment*)) on the part of the Issuer.

6. **Redemption and Purchase**

(a) *No fixed redemption date*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 4 (*Status of the Securities*) and without prejudice to Condition 9 (*Non-payment*)) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 6.

(b) *Redemption for tax reasons:* The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with distribution accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Bermuda or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Securities; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, (a "**Withholding Tax Event**") **provided, however, that** no such notice of redemption shall be given earlier than:

(A) where the Securities may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Securities were then due; or

(B) where the Securities may be redeemed only on an Distribution Payment Date, 60 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the Distribution Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Securities were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(b).

(c) *Redemption at the option of the Issuer:* The Securities may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities or, as the case may be, the Securities specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

(d) *Redemption upon a Capital Event*: If the Capital Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their Early Redemption Amount (Capital Event), if, immediately before giving such notice, the Issuer satisfies the Trustee that an amendment, clarification or change has occurred in the rules of relevant Rating Agencies or any of their respective successors to the rating business thereof, which amendment, clarification or change results in a lower equity credit for the Securities than the equity credit assigned on the Issue Date (a "**Capital Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two directors of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances.

The Trustee shall be entitled to accept and rely upon such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Holders.

Upon the expiry of any such notice as is referred to in this Condition 6(d), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(d), provided that such date for redemption shall be no earlier than the last day before the date on which the Securities will no longer be eligible for the same or higher category of equity credit.

(e) *Redemption upon an Accounting Event*: If the Accounting Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their Early Redemption Amount (Accounting Event), if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any changes or amendments to HKFRS) or any other accounting standards that may replace HKFRS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard (an "**Accounting Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 6(e), the Issuer shall deliver or procure that there is delivered to the Trustee:

(i) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(ii) an opinion, in form and substance satisfactory to the Trustee, of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice as is referred to in this Condition 6(e), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(e) provided that such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.

(f) *Redemption in the case of minimal outstanding amount*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at the Early Redemption Amount (Minimal Outstanding Amount), if, immediately before giving such notice, the aggregate principal amount of the Securities outstanding is less than 20 per cent. of the aggregate principal amount originally issued (including any further securities issued in accordance with Condition 15 (*Further Issues*)).

Upon expiry of any such notice as is referred to in this Condition 6(f), the Issuer shall be bound to redeem the Securities in accordance with this Condition 6(f).

(g) *Partial redemption:* If the Securities are to be redeemed in part only on any date in accordance with Condition 6(c) (*Redemption at the option of the Issuer*), each Security shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Securities to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Securities on such date.

(h) *No other redemption:* The Issuer shall not be entitled to redeem the Securities otherwise than as provided in paragraphs (a) to (f) above.

(i) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price, subject to any conditions specified in the relevant Pricing Supplement.

(j) *Cancellation:* All Securities so redeemed or purchased by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

(k) *Calculations*: Neither the Trustee nor any of the Agents (other than the Calculation Agent and solely in respect of its functions as an appointment Calculation Agent of the Issuer) shall be responsible for calculating or verifying the calculations of any amount under any notice of redemption and shall not be liable to the Securityholders or any other person for not doing so.

7. **Payments**

(a) *Principal:* Payments of principal shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Security to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Distribution:* Payments of distribution shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Security to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of distribution payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws:* All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Securityholders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any distribution or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 7 arriving after the due date for payment or being lost in the mail.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date:* Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Security is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

8. **Taxation**

(a) *Gross up:* All payments of principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Bermuda or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Securityholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Security:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Security; or

(ii) where the relevant Security or Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Security would have been entitled to such additional amounts on presenting or surrendering such Security or Certificate for payment on the last day of such period of 30 days; or

(iii) where such withholding or deduction is required pursuant to an agreement described in section 1471(b) of the Code, or is otherwise imposed pursuant to sections 1471 through 1474 of the Code and any regulations, agreements or undertakings thereunder or official interpretations thereof or other law implementing an intergovernmental approach thereto.

(b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than Bermuda, references in these Conditions to Bermuda shall be construed as references to Bermuda and/or such other jurisdiction.

9. **Non-payment**

(a) *Limited rights to institute proceedings*: Notwithstanding any of the provisions below in this Condition 9, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 5(d) (*Distribution - Distribution Deferral*). In addition, nothing in this Condition 9, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer, in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

(b) *Proceedings for Winding-Up*: Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or (ii) the Issuer failing to make payment in respect of the Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities and the Trustee may, subject to the provisions of Condition 9(d) (*Non-payment - Entitlement of Trustee*), institute proceedings for the Winding-Up of the Issuer and/or prove and/or claim in the Winding-Up of the Issuer for the principal amount of the Securities together with Distribution, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up.

(c) *Enforcement*: Without prejudice to Condition 9(b) (*Non-payment - Proceedings for Winding-Up*) but subject to the provisions of Condition 9(d) (*Non-payment - Entitlement of Trustee*)), the Trustee may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations), provided that in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) *Entitlement of Trustee*: The Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution, shall take any of the actions referred to in Condition 9(b) (*Non-payment — Proceedings for Winding-Up*) or Condition 9(c) (*Non-Payment - Enforcement*) against the Issuer to enforce the terms of the Trust Deed or the Securities subject in any such case to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction.

(e) *Right of Holders*: No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the Winding-Up of the Issuer or to prove or claim in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove or claim in such Winding-Up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 9 (*Non-payment*).

(f) *Extent of Holders' remedy*: No remedy against the Issuer, other than as referred to in this Condition 9 (*Non-payment*), shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities under the Trust Deed.

10. **Prescription**

Claims for principal and distribution on redemption in respect of the Securities shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

11. **Replacement of Securities**

If any Security or Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Securities are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Securities or Certificates must be surrendered before replacements will be issued.

12. **Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified, pre-funded and/or provided with security and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Securityholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Securityholders as a class and will not be responsible for any consequence for individual Holders of Securities as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Securities and the Coupons, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Securityholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that***:*

(i) the Issuer shall at all times maintain a principal paying agent and a registrar; and

(ii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and

(iii) if and for so long as the Securities are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Securityholders by the Issuer.

13. **Meetings of Securityholders; Modification and Waiver**

(a) *Meetings of Securityholders*: The Trust Deed contains provisions for convening meetings of Securityholders to consider matters relating to the Securities, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee (subject to it being first indemnified, pre-funded and/or provided with security to its satisfaction) upon the request in writing of Securityholders holding not less than one-tenth of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, two or more Persons being or representing Securityholders whatever the principal amount of the Securities held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Securityholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Hoteholders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Securities who for the time being are entitled to receive notice of a meeting of Securityholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

(b) *Modification and waiver:* The Trustee may, without the consent of the Securityholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Securityholders and to any modification of the Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Securityholders, authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Securityholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Securityholders as soon as practicable thereafter.

(c) *Direction from Securityholders*: Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions or the Trust Deed to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Securityholders by way of an Extraordinary Resolution and shall have been indemnified, pre-funded and/or provided with security to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

(d) *Certificates and reports*: The Trustee may rely without liability to any Securityholder or to other person on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including the auditors, surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Trustee, the Securityholders.

14. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings, actions or steps as it thinks fit to enforce its rights under the Trust Deed in respect of the Securities, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Securities or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified, pre-funded and/or provided with security to its satisfaction.

No Securityholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

15. **Substitution or Variation**

If Special Event Substitution or Variation is specified in the relevant Pricing Supplement as being applicable and a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 5 (*Distribution*) (without any requirement for the consent or approval of the Holders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 15 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17 (*Notices*), the Holders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 15 and subject to the receipt by it of the certificate of the directors of the Issuer referred to herein, on which it may rely absolutely) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 15, as the case may be.

In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) will be satisfied in full in accordance with the provisions of Condition 5(d) (*Distribution — Distribution Deferral*).

In connection with any substitution or variation in accordance with this Condition 15, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event with respect to the Securities or the Qualifying Securities.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Securityholders and in accordance with the Trust Deed, create and issue further Securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of distribution) so as to form a single series with the Securities. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of Securities having the benefit of the Trust Deed.

17. **Notices**

Notices to the Holders of Securities shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Securities are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, notices to the holders of Securities of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions. Any such notice shall be deemed to have been given to the holders of the Securities on the second day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or the alternative clearing system, as the case may be.

18. **Currency Indemnity**

If any sum due from the Issuer in respect of the Securities or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Securities, the Issuer shall indemnify each Securityholder, on the written demand of such Securityholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Securityholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

19. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. **Governing Law and Jurisdiction**

(a) *Governing law:* The Securities and the Trust Deed and all non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by English law, except that the subordination provisions applicable to the Issuer set out in Condition 4 (*Status of the Securities*) and Clause 5.2 (*Status of the Securities*) of the Trust Deed shall be governed by, and construed in accordance with, Bermuda law.

(b) *Jurisdiction:* The Issuer has in the Trust Deed (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Securities; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Securityholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Securityholders may take concurrent Proceedings in any number of jurisdictions.

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes" and "Terms and Conditions of Securities".

Initial Issue of Instruments

Global Notes and Global Certificates (each as defined in the Trust Deed) may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream.

Upon the initial deposit of a Global Note or Global Certificate with a common depositary for Euroclear and Clearstream (the "**Common Depositary**") and/or registration of Registered Instruments in the name of any nominee for Euroclear and Clearstream, Euroclear or Clearstream (as the case may be) will credit each subscriber with a nominal amount of Instruments equal to the nominal amount thereof for which it has subscribed and paid.

Instruments that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Instruments that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**") as the holder of an Instrument represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his/her share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Instrument, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Instrument for so long as the Instruments are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Instruments, as the case may be, in respect of each amount so paid.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme — Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Trust Deed for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Trust Deed, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. The payment in respect of a Note issued under TEFRA D may not be collected without certificate as to non-U.S. beneficial ownership.

Further Issues

In respect of a Note issued under TEFRA D, for the purpose of dealing in Euroclear or Clearstream, any further issue of Notes by the Issuer pursuant to Note Condition 19 may not be consolidated and form a single series with the outstanding securities of any series (including the Notes) until the exchange of interests in a Temporary Global Note for interests in a Permanent Global Note upon the relevant certification.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or any of the circumstances described in Condition 13 occur, or on the expiry of such period of notice as may be specified in the Pricing Supplement, at any time, if so specified in the Pricing Supplement.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Instruments held in Euroclear, Clearstream or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Instruments within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Instruments may be withdrawn from the relevant clearing system. Transfer of the holding of Instruments represented by any Global Certificate pursuant to Note Condition 2(f) and Conditions and Security Condition 3(d) of the Security Conditions may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In the event that a Global Certificate is exchanged for an Individual Certificate), such Individual Certificate shall be issued in Specified Denomination(s) only. A Noteholder or Securityholder (as the case may be) who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive certificate in respect of such holding and would need to purchase a principal amount of Instruments such that it holds an amount equal to one or more Specified Denominations.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent.

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Instruments that they represent, some of which modify the effect of the terms and conditions of the Instruments set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Trust Deed. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Principal Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "business day" set out in Note Condition 2.

All payments in respect of Instruments represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Meetings

The holder of a permanent Global Note (in the case of the Notes only) or of the Instruments represented by a Global Certificate shall (unless such permanent Global Note represents only one Note or Global Certificate represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders or Securityholders (as applicable) and, at any such meeting, the holder of a permanent Global Note (in the case of the Notes only) or of the Instruments represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Instruments. All holders of Registered Instruments are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Instruments comprising such Noteholders or Securityholders holding, whether or not represented by a Global Certificate.

Electronic Consents

In addition to the holding of a meeting of holders of Notes or Securities, as the case may be, or the passing of an Extraordinary Resolution by way of written resolution, the Trust Deed sets out provisions for resolutions of the holders of Notes or Securities to be effected by way of electronic consents communicated through the electronic communications system of the relevant clearing system(s) by not less than 75 per cent in nominal amount of the relevant series of Instruments outstanding.

Cancellation

Cancellation of any Note represented by a permanent Global Note or any Instrument represented by a Global Certificate that is required by the Note Conditions or the Security Conditions (as appropriate) to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or Global Certificate (as appropriate) or its presentation to or to the order of the Principal Paying Agent for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, representing either Securities or Notes, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note or Instruments represented by a Global Certificate may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of early redemption of the Issuer provided for in the Conditions while such Instruments are represented by a permanent Global Note (in the case of the Notes only) or by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders or Securityholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear, Clearstream or any other clearing system (as the case may be).

Noteholders' and Securityholders' Options

Any option of the Noteholders and Securityholders provided for in the Conditions while such Instruments are represented by a permanent Global Note or Global Certificate, as the case may be exercised by the holder of the permanent Global Note or Global Certificate, as the case may be giving notice to the Principal Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of the permanent Global Note or Global Certificate, as the case may be, and stating the nominal amount of Instruments in respect of which the option is exercised and at the same time presenting the permanent Global Note or Global Certificate, as the case may be to the Principal Paying Agent, for notation. Any option of the Noteholders or Securityholders provided for in the Conditions of any Instruments while such Instruments are represented by a Global Certificate may be exercised in respect of all or some of the Instruments represented by the Global Certificate.

Trustee's Powers

In considering the interests of Noteholders or Securityholders while any Global Note is held on behalf of, or Registered Instruments are registered in the name of, or in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Instruments and may consider such interest if such accountholders were the holders of the Instruments represented by such Global Note or the relevant Global Certificate, as the case may be.

Notices

So long as any Instruments are represented by a Global Note or a Global Certificate (whichever is applicable) and such Global Note or Global Certificate (whichever is applicable) is held on behalf of Euroclear and/or

Clearstream or any other clearing system, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

USE OF PROCEEDS

The Issuer intends to use the net proceeds from the issue of the Instruments for refinancing the Group's long-term indebtedness, working capital and for the Group's general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets out our capitalisation and indebtedness as derived from our unaudited consolidated financial statements as at 30 June 2016, prepared in accordance with Hong Kong Financial Reporting Standards. The table should be read in conjunction with our unaudited consolidated financial statements as at 30 June 2016 and the notes thereto included in this Offering Circular.

	As at 30 June 2016 (in US$ million) (unaudited)
Indebtedness	
Short-term debt[1]	531.7
Long-term debt[2]	929.0
Shareholders' funds [3]	2,370.5
Holders of perpetual securities	503.0
Total capitalisation and indebtedness [4]	3,802.5

Notes:

(1) Short term debt comprises short-term bank loans and overdrafts and current portion of long-term notes.

(2) Long-term debt comprises long-term bank loans and long-term notes.

(3) Shareholders' funds attributable to the Company's Shareholders comprise ordinary shares, reserves and retained earnings, excluding non-controlling interests, as at 30 June 2016. The retained earnings are before deducting the interim dividend of US$119.3 million.

(4) Total capitalisation and indebtedness comprises long-term debt, Shareholders' funds and holders of perpetual securities.

There have been no material changes in our capitalisation, indebtedness or contingent liabilities since 30 June 2016.

DESCRIPTION OF THE GROUP

OVERVIEW

We are the world's leader in consumer goods design, development, sourcing and logistics for major retailers and brands around the world, measured by turnover (approximately US$18.8 billion in the year ended 31 December 2015). We specialise in responsible supply chain management of high-volume, time-sensitive goods for leading retailers and brands worldwide via an extensive global network. We have a history that can be traced back to 1906 and have played a key role in the development of the global supply chain over the past century.

We provide sophisticated, end-to-end supply chain solutions to meet customers' specific needs and plays an instrumental role in orchestrating, coordinating and monitoring the entire manufacturing process by providing crucial support, ranging from product design, raw material sourcing and production management to quality control, logistics, shipping and other important functions.

Our spectrum of services covers the entire supply chain and spans a range of consumer products, from softgoods, such as fashion apparel, children's wear, sportswear, outerwear, handbags and accessories (which constituted around 60% of the Group's business by turnover for the six months ended 30 June 2016), to hardgoods, such as footwear, beauty, home furniture and decor, home textiles, seasonal products and gifts (which constituted around 35% of the Group's turnover for the six months ended 30 June 2016), with the end products being sold to consumers through multiple channels. Turnover from our Logistics Network constituted around 5% of the Group's turnover for the six months ended 30 June 2016.

Our customer base includes a diverse range of brands and retailers including national brands, specialty retailers, department stores, e-commerce retailers, clubs, hypermarkets and off-price retailers.

Business Model

We have over 250 offices and distribution centres and around 22,000 employees in more than 40 economies spanning the Americas, Europe, Africa and Asia. Our global sourcing network of suppliers conforms to strict quality assurance testing through factory evaluations, laboratory testing, on site production monitoring and multiple inspections. With our local market knowledge, our network has the capacity and flexibility to respond rapidly to evolving consumer trends and to react to market disruptions. The Group's turnover for the six months ended 30 June 2016 is divided among geographical areas as follows: U.S. — 61%; Europe — 17%; Asia — 16%; Rest of World — 6%.

We operate through two distinct segments, the "**Trading Network**" and the "**Logistics Network**":

(a) **Trading Network**. As a multi-channel sourcing supplier, our global trading network offers either agency-based sourcing services or product-focused principal solutions over a wide range of products to a diverse mix of global brands and retail customers.

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.

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. 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 programme 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.

Under our Trading Network, we have begun to offer vendor support services.

(b) **Logistics Network**. Our logistics business provides holistic, integrated solutions for logistics customers through in-country logistics and global freight management operating on a pan-Asia basis. The logistics business interacts with the trading business to provide comprehensive in-country logistics solutions and international freight services. Our global freight management business offers full service international freight services including procurement of international freight, freight consolidation and forwarding, and origin and destination cross-border logistics. This network increased significantly following the acquisition of China Container Line ("**CCL**") in 2014.

Financial Performance

For the year ended 31 December 2015, the Group's turnover decreased by 2% compared to the year ended 31 December 2014 to approximately US$18,831 million, largely due to soft macroeconomic conditions and challenging retail environment which adversely impacted our trading customers. For the year ended 31 December 2015, core operating profit decreased by 15% compared to the year ended 31 December 2014 to US$512 million, mainly due to lower turnover, negative foreign exchange impacts and increased costs to support our logistics business expansion. Core operating profit margin decreased from 3.1% to 2.7%.

For the six months ended 30 June 2016, the Group's turnover decreased by 6% to US$8,071 million and core operating profit was US$156 million compared with the same period in 2015 (US$182 million).

As of 30 June 2016, the Group's net gearing ratio was 24%, calculated as net debt divided by total capital. The Group had available bank loans and overdraft facilities of US$1,573 million, out of which US$876 million were committed facilities. As of 30 June 2016, only US$207 million of the Group's bank loan and overdraft facilities has been drawn down with US$175 million from revolving committed facilities with tenor of up to three years due in 2019 and US$701 million in committed facilities remaining undrawn of which US$551 million were unused committed facilities due in 2019.

Based on the closing price of our shares on the Hong Kong Stock Exchange on 11 October 2016, our market capitalisation was approximately HK$32,399 million (US$4,181 million).

RECENT DEVELOPMENTS

As part of our Three-Year Plan, we have sought to simplify and restructure our business for sustainable performance.

Simplification and refocus on core business

As part of our Three-Year Plan, we have strategically simplified our business to focus on the Trading Network and the Logistics Network.

Spin off of licensed brand and controlled brands businesses

In July 2014, we spun off our licensed brands and controlled brands businesses under Global Brands Group which is now listed on the Hong Kong Stock Exchange. We continue to provide sourcing services to Global Brands Group.

Strategic divestment of Asia consumer and healthcare distribution businesses

In June 2016, we strategically divested our Asia consumer and healthcare distribution businesses which were acquired by the Company through the privatisation of IDS in 2010. As these distribution businesses are not part of the core sourcing and logistics business of the Group, we decided to divest these businesses. Dah Chong Hong Holdings Limited acquired these distribution businesses for a cash consideration of US$350 million (on a cash-free and debt-free basis and subject to closing adjustments).

COMPETITIVE STRENGTHS

The Group's key competitive strengths include:

End-to-end sourcing solution for brands and retailers

Sourcing supply chains have become increasingly complex over the years. Within this complex environment, we simplify the procurement process by providing comprehensive solutions to manage our customers' entire supply chain, starting from product design and raw materials procurement, to vendor compliance, production monitoring and warehouse logistics, to the final delivery of goods. We have a broad product range, from hardgoods to softgoods, and operate on a produce-to-order basis. We cater to every buying and product sourcing need of our diverse customer base whether they source on an agency or principal basis, and whether goods are shipped on a free-on-board (FOB) or landed-duty-paid (LDP) basis.

Global scale and efficiency

The demand for shorter lead times and a wider assortment of products, combined with the broad geographic dispersal of production facilities across a large number of emerging markets, have made effective supply chain management a critical priority. For retailers and brands, operating and managing their supply chain is not typically a core competency and requires substantial resources in terms of fixed cost and management time.

We operate on a much larger scale than any of our individual customers' in-house sourcing offices. With our global network and extensive local presence in over 40 economies, we are able to realise significant operating leverage and cost savings. Our scale enables us to consolidate orders and procurement decisions, allocate production globally, standardise factory compliance and quality assurance, plan logistics arrangements, and offer our customers the most competitive pricing for their sourcing needs.

Flexibility and risk diversification

Our global 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 over 50% of our sourcing unit volume, the remaining 40+ countries all have sizable sourcing operations, and we are one of the largest exporters of the product categories in which we trade in many of these countries. This comprehensive global network with strong local presence, long operating history and critical mass is one of our key competitive strengths. As the sourcing landscape continues to evolve with the shift of sourcing 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.

The Group's flexibility in adapting to the changing needs of the market and our ability to react quickly with solutions to any issues in the supply chain are an important part of the value we bring as a sourcing partner. Our on-the-ground teams, the large amount of transactions we engage in each day and our globally connected systems provide us with valuable insight into market dynamics and real-time analysis on the production capacity and the quality of our global network of suppliers. This knowledge and insight support our supply chain planning and management processes, including raw material procurement, order allocation and transfer and distribution of goods, to ensure that we achieve optimal utilisation and minimise risks of disruption in each element of the supply chain. Our network provides flexibility and risk diversification in an uncertain world.

Long standing customer relationships

Our customers are primarily leading retailers and brands in their respective markets and the Group has developed long standing and close relationships with many of its customers. Individual customers can benefit from dedicated teams that manage the full spectrum of supply change requirements, with tailored provision for individual specifications and needs. Most of our customers enter into open-ended engagements for our services with some customers preferring to contract on a multi-year basis (in most cases, ranging from 2 years to 10 years but renewable upon expiry). Apart from certain umbrella supply management contracts that provide for exclusivity, most of our contracts with our customers do not give us exclusivity. However, in practice, our customers often effectively work with us on an exclusive basis given our leading market position and capabilities. This results in effective partnerships of aligned interests, as well as providing the Group with insights into industry trends, allowing rapid response to market changes.

To secure new customers, we primarily rely on the reputation that we have established and on referrals by our existing customers. Our senior managers also travel extensively to secure new customers, and these efforts also help us diversify our customer base and to identify new labels which are becoming popular and companies which are expected to grow rapidly in their own markets.

Supplier relationships

With a global network of suppliers, the Group has the experience, market knowledge and ability to negotiate on the basis of bulk purchases to ensure that lower cost supply options are available to our customers. The Group negotiates with suppliers on behalf of customers, either as agent or as principal. The Group's long history has enabled it to develop and maintain long term and trusted relationships with many suppliers who have consistently been able to meet the Group's quality control teams' requirements on production capacity, speed and quality. The Group also assists suppliers with enhancing core manufacturing strengths and provides production and quality control to facilitate timely delivery and compliance with customers' specifications. The Group enforces a rigorous Supplier Code of Conduct, a set of standards based on local and national laws and regulations, and International Labor Organization core conventions.

Market leading product design and development capabilities

The Group has product design and development teams across both softgoods and hardgoods. The Group provides design and development services according to customer needs and can take an initial design idea all the way through to production, or can provide in-house designers with development capabilities. The Group also conducts market research to provide customers with current customer trend information that may influence product designs. The Group's market studies and research cover issues affecting our customers at both the macro level (for example, consumer taste and market trends in product areas) and at the micro level (for example, developments in raw materials and fabrics).

Experienced management team with proven track record

The Group's management team has a successful track record in growing the business. The Group's management team represents some of the most experienced professionals in the global supply chain management industry with deep knowledge of international consumer markets and trends.

Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun, our Honorary Chairman and Group Chairman, respectively, have successfully led the Group for more than 30 years, throughout which period they have been heavily involved with developing the concept of global supply chain management. Mr. Spencer Fung, our Group Chief Executive Officer, who joined the Group in 2001, was previously the President of LF Europe managing the Group's European distribution business.

We believe the experience of our management team is important to maintaining our long-term relationships with our customers and to consolidating our strong financial performance. When we make acquisitions, we seek to structure the acquisition consideration such that we are able to retain the management of the acquired businesses by tying future payments to profitability targets. We have a demonstrated track record, through providing longer-term incentives, for retaining the key personnel of businesses we acquire. The majority of our current senior management team has joined us from companies which we have acquired. We believe that retaining such management is important to successfully integrating our acquired companies and for developing our business.

We also encourage our managers to take an entrepreneurial approach where each business portfolio is managed like the manager's own company. We have established schemes for profit sharing based on individual performance as well as on overall performance of the team or group.

Solid financial performance during difficult trading conditions

We have continued to deliver solid financial performance despite difficult trading conditions and competition in the retail markets. While core operating profit was relatively weak in the first six months of 2016, we are very focused on implementing our strategic goals and have been actively working with customers who are increasingly cautious in placing new orders during difficult trading conditions for the global retail industry.

In addition, we continue to take a cautious approach to managing our capital structure, including maintaining low levels of debt, and have maintained strong credit ratings from Moody's and Standard & Poor's, of Baa1 (stable) and BBB+ (stable), respectively. As of 30 June 2016, the Group's net gearing ratio was 24%, calculated as net debt divided by total capital. Net debt of US$930 million was calculated as total borrowings (i.e. aggregate of long-term bonds and bank loans of US$1,461 million) less cash and cash equivalents of US$531 million. Total capital was calculated as total equity of US$2,873 million plus net debt. Moreover, the Group had available bank loans and overdraft facilities of US$1,573 million, out of which US$876 million were committed facilities. As of 30 June 2016, only US$207 million of the Group's bank loan and overdraft facilities has been drawn down with US$175 million from revolving committed facilities with tenor of up to three years due in 2019 and US$701 million in committed facilities remaining undrawn of which US$551 million were unused committed facilities due in 2019.

With the maturity date of the Company's US$500 million bond being in May 2017, we have secured over US$700 million of three-year committed facilities with tenors up to 2019 to provide us with flexibility in refinancing or repaying these bonds.

Advanced technology infrastructure and applications

The Group's technology platform comprises two major elements: infrastructure and applications.

To support the operation of all office locations and for future growth, the Group has a global data center located in Hong Kong and a regional data centre located in Manchester, England which, together with New York, form a communication hub triangle connecting all the countries and cities in which the Group operates. The Group has network coverage over all geographical locations with a combination of dedicated international leased lines and MPS networks, providing a secure and wide area network to support all our voice, video and application platforms. The Group's applications facilitate the efficient and reliable sharing and dissemination of business information among our many employees, suppliers and customers globally, allowing effective management of end-to-end supply chain activities and shortened delivery cycles for customers.

The Group's customers are tightly integrated electronically with the Group via all current technology protocols, and utilising an industry leading integration platform to map customer integration data into order management and financial systems.

The Group's proprietary order management system, running on an Oracle Database, can be accessed by all offices globally via our intranet or the internet. It incorporates a comprehensive database covering sourcing and export activities and enables customers to track information about their orders online.

All suppliers transact electronically via the web based vendor portal, supporting the execution of activities including order acceptance, invoicing, quality control, compliance, inspections, shipping and document management. The Group's Digital Sourcing Portal connects our customers' data platforms with a global vendor base, digitises paper processes (such as order processing, monitoring and changes, inspection approvals and shipping) and orchestrates billing and payment (streamlining the flow of receivable funding requests from vendors).

BUSINESS STRATEGY

We have developed our capabilities across the supply chain into a comprehensive strategy for offering and providing sophisticated global supply chain management solutions to our customers. As our strategy evolves, we adopt and implement Three-Year Plans periodically, with the next such plan commencing in 2017. We intend to strengthen our position and seek growth opportunities through the implementation of the following business strategies:

Core trading business focused on multi-channel sourcing platform

Following the spin-off of our licensed and controlled brands business in 2014, and the strategic divestment of our Asia consumer and healthcare distribution business in 2016, we have simplified our organisational structure and processes globally under our two Business Networks: (i) the Trading Network; and (ii) the Logistics Network.

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. 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.

We allow customers to focus on retailing and branding, while ensuring speed to market and better cost and quality control for their sourcing needs. We believe multi-channel sourcing helps to meet our customers sourcing needs.

As described below, we continue to invest and grow our Logistics Network.

Organic growth

Through our current global network, we will further strengthen our organic growth initiatives by focusing on gaining new customers and developing additional business with existing customers. We continue to invest in nurturing long-term relationships with our customers to stay ahead of their needs by a deeper understanding of their business challenges and opportunities and supply chain requirements. We seek to maximise the share-of-wallet of our existing customers by exploring new ideas to improve efficiencies in their supply chain, offering differentiated products and services and developing innovative solutions, such as radio-frequency identification (or RFID) and data analytics.

Selective and flexible expansion of our global sourcing network

We aim to continually enhance our sourcing network of suppliers and manufacturers to ensure that we have the flexibility and capability to move production to the best possible locations to meet our customers' needs. As we concentrate on products involving labour intensive manufacturing, our strategy is to seek markets in which barriers to entry are low, we have direct access to factories without any intermediaries in the production chain and cost effective value for money labour skills are readily available. These are the key factors that enable us to provide even lower cost but higher quality products, thereby generating better value and higher margins. We are continually exploring new sourcing markets in order to diversify and balance our exposure to different markets.

In addition, we have a strong vendor compliance team that regularly monitors compliance and work with our suppliers to meet the Group's code of conduct, as well as industry and customer audit standards, protocols and methodologies.

Vendor support services ("VSS")

Treating vendors as customers will open up significant opportunities for us. The potential client base for our vendor support services includes not only the global network of suppliers that have existing relationships but essentially the entire global vendor base. Our dedicated VSS teams are devoting considerable resources on the ground to support and upgrade our vendor base to meet the highest standards of sustainability and safety in order to enable their factories to enhance their operations. The services that we provide include safety and compliance training and audits; fabric, trims and accessories procurement; product development; trade credit services; handling of letters of credit; product liability insurance and other technical or operations support.

Our aim is to develop a holistic relationship with our existing vendors, deepen our local knowledge and partner with additional vendors in new locations around the world. Our focus on this area will further enhance the overall sustainability of the supply chain. In the long-term, we believe our efforts will increase vendor loyalty, strengthen our supply chain and enhance the quality of service we offer to our customers, all of which creates a win-win situation for every stakeholder in the supply chain.

Continuing to be asset light

We pursue an asset light strategy whereby we hold as few real estate and physical infrastructure assets as possible. Therefore, we focus on playing an instrumental role in orchestrating, coordinating and monitoring the entire manufacturing process, rather than owning the factories. This asset light approach is integral to providing end-to-end sourcing solutions and ensures that our sourcing capabilities are flexible and mobile and enables us to pursue lower cost sourcing options for our customers.

In past years, constant expansion of office space and change of office layout to accommodate our growth have rendered it necessary for us to acquire and control our offices in some of our major sourcing hubs. We have also acquired property along with some of our business acquisitions. Consistent with our asset light strategy, however, our intention is to dispose of our property if suitable "sale and lease back" arrangements can be negotiated with a suitable landlord at favourable rental rates and tenure of occupancy at arm's length, and supported by proper independent valuations.

Expanding logistics businesses into Asia

Asia's consumer markets present strong potential for long-term growth, and the Group aims to realise such potential by expanding its logistics businesses. This strategy included the acquisition of a mainly Asia-based logistics network, LF Logistics, originally part of IDS and acquired in 2010, and CCL which allowed us to expand our global freight forwarding business. Our successful integration of these businesses led to complete the supply chain covering the Trading and Logistics Networks.

The Logistics Network business began with the acquisition of Integrated Distribution Services Group Limited in 2010 and was significantly expanded with the acquisition of the global freight management business, CCL, in 2014. We were early investors in logistics capabilities to pick-and-pack by the piece and expedite in small packages to consumers. This requires a thorough integration of IT systems with those of our customers and last-mile transportation companies.

Our Logistics Network provides holistic, integrated solutions for our logistics customers through our in-country logistics and global freight management services. We work closely with brands and retailers to help them optimise the flow of inventory and information, reducing cost and improving service levels. Our menu of logistics solutions is comprehensive, from the traditional distribution centre management, order management, local (including last mile) transportation, as well as more innovative and sophisticated services, such as hubbing and consolidation, data analytics and e-logistics fulfillment services.

Our global freight management business offers full service international freight services, including procurement of international freight, freight consolidation and forwarding, and origin and destination cross-border logistics services. With more than half a million twenty-foot equivalent units (or TEUs) of shipping volume, we now offer our customers full container loads or consolidate less-than container load freight services in a cost effective and competitive manner.

Investing in infrastructure

Throughout the years, we have invested in our infrastructure and we will continue to do so, in order to provide sufficient support for our longer term growth. This includes investment in information technology, human resources and financial systems.

We centralised shipping, vendor compliance operations and factory evaluations into our Operations Support Group to create economies of scale. We have also created a hub corporate office structure, whereby offices from around the world report to their respective regional hub offices instead of directly reporting to our Hong Kong headquarters. We expect the hub structure will help to further facilitate coordination amongst our offices within various regions, and to manage and operate our large global network better.

HISTORY

The Group was founded in Guangzhou, China in 1906 and was a forerunner in exporting Chinese products including those made of porcelain, silk, jade and ivory, as well as firecrackers and fireworks. The business was moved to Hong Kong in 1937 with the formal establishment of Li & Fung (1937) Limited (now known as Fung Holdings (1937) Limited) as a limited company in Hong Kong on 28 December 1937.

Fung Holdings (1937) Limited eventually expanded its range of goods for export to include garments, toys, electronics and plastic flowers. The company became one of Hong Kong's largest exporters. In April 1973, Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun, descendants of one of the founders, took Fung Holdings (1937) Limited public on the Hong Kong Stock Exchange. When China took steps to open its economy to foreign investment in 1979, Fung Holdings (1937) Limited started sourcing supplies from factories which had been relocated to Southern China and other parts of Asia and soon established a regional network of offices beyond Hong Kong to focus on servicing its various customers.

In 1989, Fung Holdings (1937) Limited was taken private to facilitate restructuring the business into two core areas: export trading and retail. Following the restructuring, the Issuer was incorporated in 1991 as the export trading arm of the Group and listed on the Hong Kong Stock Exchange in 1992.

The Group has made a number of key strategic acquisitions in the early part of this century (key recent large acquisitions include China Container Line, Visage, Jimlar, Integrated Distribution Services Group Limited, Loyaltex Apparel, TV Mania, Fishman & Tobin, Crimzon Rose and True Innovation) and has spun off or disposed of non-core businesses (such as Global Brands Group, which now has a separate listing on the Hong Kong Stock Exchange, and our Asia consumer and healthcare distribution businesses).

GROUP STRUCTURE

The Company is the holding company of the Group and is incorporated in Bermuda with limited liability.

The Group is composed of a number of operating companies related to its core activities such as export trading, wholesale of goods, importing, apparel exporting, inspection services, design and marketing, commission agency, testing and technology consulting, trading of apparel, buying agency, manufacturing and trading, merchandising agency, packaging, freight forwarding, e-logistics and logistics services.

OUR BUSINESS

Global Business Networks

We are dedicated to delivering a global supply chain management service focused on our customers' ability to satisfy the demands of their consumers. We have evolved from orchestrating one single global sourcing network for customers to two core distinct yet interconnected networks — Trading and Logistics, and operate over 250 offices and distribution centres with around 22,000 employees worldwide covering over 40 economies.

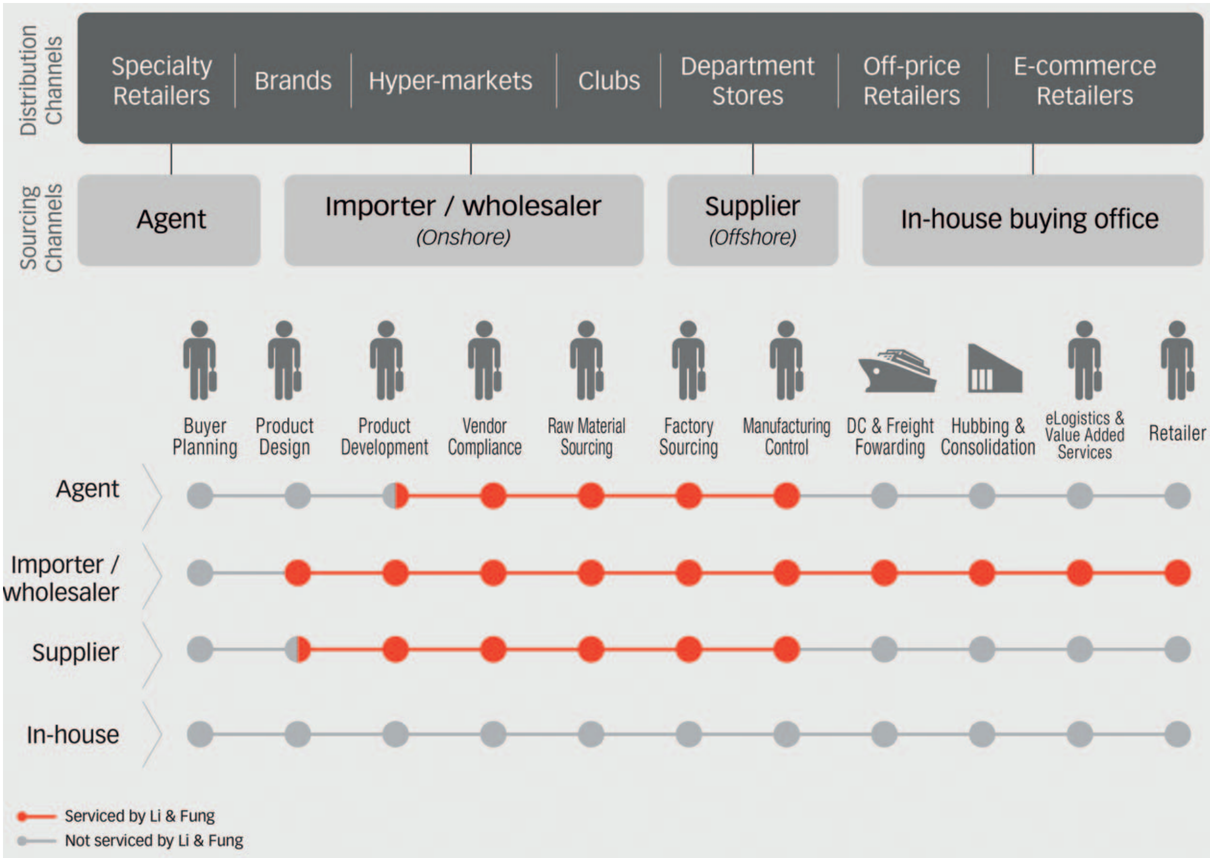
For the six months ended 30 June 2016, the Group's turnover decreased by 6 per cent. to US$8,071 million. On a segment basis, the Trading Network represented 95 per cent. of turnover, while the Logistics Network accounted for 5 per cent.

Trading Network — Multi-Channel Sourcing Platform

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. 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.

We allow customers to focus on retailing and branding, while ensuring speed to market and better cost and quality control for their sourcing needs. We believe multi-channel sourcing helps increase our coverage of our customers sourcing needs.

The following diagram illustrates our multi-channel sourcing platform.



We have evolved from a sourcing agent of finished goods for overseas buyers into a supply chain manager offering complete outsourcing solutions tailored to the specific needs of our individual customers. From product design, raw material sourcing and production management to quality control, logistics, shipping and other important functions, our spectrum of services covers the entire supply chain end to end.

Our supply chain consists of:

OUR BUSINESS

In our Trading Network, we:

- match the needs of customers regarding raw materials and production with the supplying and manufacturing capabilities of different regions;
- select the best countries and regions for sourcing and we orchestrate the manufacturing of products in factories around the world;
- oversee the sourcing, shipment, and allocation of raw materials and parts and components to various factories;
- offer technical support during the production process, for example in relation to the fit, wash and construction of apparel, to ensure that the product quality and each aspect of production complies with customers' requirements;
- orchestrate quick-response production by not only monitoring the supply of raw materials, but also managing our customers' inventory strategically and replenishing inventory for customers at the right time and quantity;
- arrange shipping and delivery services in the most cost-effective manner by planning for consolidated transportation;
- apply information technology across the supply chain, from product development to identifying, managing and monitoring customer orders.

We believe that our complete end-to-end supply chain solutions, our long-established experience in sourcing, our coordinated global network of offices and distribution centres, and our strong management and customer service teams are major factors in attracting new customers as well as strengthening relationships with our existing customers.

The retail landscape has been evolving as it adapts to changes in consumption behavior, developments in technology and the rise of e-commerce and borderless retail. In response to these changing market conditions with increased competition and margin pressure, our customers are actively adjusting their supply chain to procure differentiated products at competitive prices to maintain their market competitiveness. With our multi-channel sourcing platform, we are well positioned to serve our customers as they optimise their sourcing strategy and stay ahead of the market.

The combination of our agency and principal capabilities make the Company the leading global sourcing supplier, offering both types of services with scale and scope.

Agency based sourcing

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.

Principal trading 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 programme 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. We are continuing to develop our product expertise and move deeper into product verticals to solidify our leadership position in specific product categories.

Development of the trading business

Buyers from brands and retailers source their products through multiple channels. Historically, buyers purchase fully-developed products from domestic importers or overseas traders ("**Principal Traders**"). A typical buying trip would involve a buyer visiting the showroom of a Principal Trader, who would design and product develop a collection of samples to fit the customer's brand image and target audience. The buyer would select a series of products from the samples and negotiate prices with the Principal Trader. Once the order was finalised, the Principal Trader would work with its vendor base to produce and deliver the products.

Over time, selected brands and retailers who wanted more control of the sourcing process have built their own in-house sourcing teams to work with overseas suppliers and factories, building up the standards of these factories, and managing the day-to-day order and production process. An outsourcing trend emerged as brands and retailers evaluated the economics and efficiencies of the in-house sourcing office. In a typical outsourcing arrangement, a sourcing agent serves as a trusted partner to take over the operations and tasks handled by the in-house sourcing staff based overseas, such as factory compliance, order processing, and manufacturing control and logistics. Through the Group's agency sourcing services, it has engaged with this outsourcing trend and acts as a strategic supply chain manager to handle the buying needs of brands and retail customers. Given its scale and scope, the Group has also provided customers with additional services such as trend forecasting, market intelligence, product development, raw material procurement, as well as strategic insights on the global supply chain. The outsourcing arrangement allows brands and retailers to focus their time on end consumers, with the more complicated, process-driven tasks to be handled by their sourcing partner.

While the internet has provided a platform to make it easier for overseas buyers to locate factories, the work required in managing the day-to-day order and production process with factories, as well as maintaining the proper compliance and quality control standards, remain critical elements in sourcing. In addition, over the past few decades production has moved out of the consumption markets in North America and Europe. While China has gained market share from this trend, production is now moving out of the relatively more expensive Chinese production bases to new markets such as Vietnam, Bangladesh, Cambodia, Indonesia and India. This production migration is making the sourcing process increasingly complicated, requiring brands and retailers to manage teams in frontier markets, where language, culture, infrastructure, compliance and productivity are varied. In addition, the production migration within China is also very dynamic and dispersing from traditional coastal areas to inland China, and thus creating more complexity that requires an organisation, such as the Group, with an extensive China network to assist customers to navigate this process.

Today, buyers from brands and retailers source their products via all of these channels: in-house sourcing team, sourcing agent, or Principal Traders being either on-shore domestic or off-shore overseas. In terms of channel size and buying patterns, sourcing through domestic or overseas Principal Traders constitutes the majority of the sourcing volume in the market today. To capture this principal trading channel, the Group has also built up product-focused principal trading capabilities to act as a Principal Trader either as a domestic (on-shore) or overseas (off-shore) trading supplier to customers. In this principal trading business, the Group trades with customers as a principal by providing fully developed market-ready products to customers based on their needs and brand image. As a multi-channel sourcing supplier, the Group has full capabilities to fulfill customers' sourcing needs via either agency-based sourcing services, or product-focused principal solutions.

Credit control for customer selection

Our credit control team makes an assessment of each individual customer and vendor and determines the credit limits based on, among other factors, their trading and settlement histories as well as their respective financial backgrounds.

Logistics Network

Our logistics business provides holistic, integrated solutions for our logistics customers through our in-country logistics and global freight management services. Unlike traditional logistics service providers, we have deep understanding of our customers' supply chains and product flows. Our knowledge and network along the entire global supply chain allow us to offer long-term collaborative solutions to our customers, making us their logistics partner of choice. We create value through execution excellence, operational efficiency and service innovation. As an asset-light operator, we optimise our resource allocation based on customer demand, and we enhance our flexibility and responsiveness through information technology and network sharing.

Our in-country logistics business offers Asia-focused logistics and supply chain solutions, and specialises in the key verticals of footwear and apparel, fast-moving consumer goods, food and beverage, retail and healthcare. We have a strong portfolio of blue chip customers, servicing top-tier firms in our respective verticals. We provide a menu of contract logistics services under our in-country logistics business, including the traditional distribution centre management, order management, local (including last mile) transportation, as well as more innovative and sophisticated services, such as hubbing and consolidation, data analytics and e-logistics fulfillment services.

Our global freight management business offers full service international freight services, including procurement of international freight, freight consolidation and forwarding, and origin and destination cross-border logistics services. The scale of this business increased significantly following the acquisition of CCL in 2014. With more than half a million TEUs of shipping volume, we now offer our customers full container loads or consolidate less-than container load freight services in a cost effective and competitive manner.

Over the years, the Logistics Network has been built to complement the Group's global sourcing platform to help brand owners and retailers efficiently and effectively move products from the production source to the final consumer. The Group works closely with brands and retailers to help them optimise the flow of inventory and information, reducing cost and improving service levels.

Operational Organisation and Procedures

The Group is organised into six business operating groups, namely sourcing, furniture, sweaters, beauty, private label (all within the Trading Network) and the Logistics Network. Each business operating group president reports to the Group President and CEO. The business operating groups are supported by the central Operations Support Group, which incorporates Finance & Accounting, Human Resources, Information Technology, Legal and Corporate Services. Each business operating group is further broken down into customer and product divisions.

Each division has its own customer teams dedicated to providing full service to each customer. Each division is run on its own profit and loss account, and the divisional head therefore manages the division like his or her own business.

Risk Management

We have strict policies governing accounting control, credit and foreign exchange risk and treasury management. Ultimate responsibility for risk management and effective internal controls rests with the Board of Directors. The Chief Compliance Officer supervises an internal audit team who sit within the Corporate Governance Division. This internal audit team independently reviews policies and guidelines in addition to legal and regulatory requirements, and whether internal controls are operating effectively to manage these risks. Any material findings are reported to the Audit Committee, a sub-committee of the Board of Directors.

Operations Risk Management

The Group has adopted a tailored governance structure with defined lines of responsibility and appropriate delegation of authority. This is characterised by the establishment of an Operation Support Group to centralise the function and exercise control over global treasury activities, financial and management reporting, human resources and information technology systems. All these controls of major operations are supplemented with written policies and Key Operating Guidelines ("**KOGs**") tailored to the needs of respective operating groups in the markets in which we operate.

These policies and KOGs cover key risk management and control standards for our operations worldwide including the businesses of our different operating groups, commitments, credit control and advance payments, capital expenditure, authorisations and approvals for payment processes, and product liability insurance. They also cover administrative activities including information technology user policy, business travel policy, HR processes, training sponsorship and procedures for handling grievances. The Group also maintains contingency and business continuity plans for various disaster scenarios.

Financial and Capital Risk Management

The Board of Directors approves our Three-Year Plan financial budgets and reviews its operating and financial performance and key performance indicators against the budget on a semi-annual basis. Management closely monitors actual financial performance at both the Group and operating group levels on a quarterly and monthly basis. The Group has adopted a principle of minimising financial and capital risks.

Investment Risk Management

The Investment Committee (comprising the Honorary Chairman, Group Chairman, Executive Directors and senior management) develops investment control procedures, and monitors and approves major investments and acquisitions. Significant investments and acquisitions (with consideration above a threshold as pre-set by the Board) also require Board approval.

Management also monitors the integration process of newly-acquired businesses through a structured post-acquisition integration programme focusing on the alignment of operational and financial controls with the Group's standards and practices. Any significant integration issues must be reported to the Risk Management and Sustainability Committee.

Reputation Risk Management

The reputation capital of the Group is built on its long-established standards of ethics in conducting business. Our core ethical practices as endorsed by the Board of Directors are set out in the Group's Code of Conduct and Business Ethics for all Directors and employees. A number of accompanying policies, guidelines and procedures covering anti-bribery, gifts, entertainment and hospitality, declaration of interest, and whistle-blowing were created to set a framework to help our people make decisions and comply with both the ethical and behavioral standards of the Group.

Regulatory Compliance Risk Management

The Corporate Compliance group is comprised of the Corporate Governance and Corporate Secretarial teams. Under the supervision of the Group Chief Compliance Officer and in conjunction with designated internal and external legal advisors, the team regularly reviews adherence to relevant laws and regulations, compliance with relevant listing rules of The Stock Exchange of Hong Kong Limited, public disclosure requirements and our standards of compliance practices.

Information Technology Risk Management

The Group continues to invest in information technology systems to support transactional volume growth with improved information availability and controls, and to enhance the security of systems to manage cyber security risks.

The Group's Total Sourcing system, which is a controlled platform for engaging with our vendor community, continues to be enhanced to simplify operations and improve productivity in transactions and information sharing. LF Portal, our dedicated portal for customers to access business information, provides dashboard alternatives to traditional reports in a secured environment.

Enhancement of the Group's overall system security continues to receive high attention. Actions taken include further investments in people and enhanced security processes, engaging external companies to review and provide additional managed services including vulnerability scan and security awareness training, as well as separating the governance and reporting structures of the IT security team from the Group's infrastructure group. Moreover, we have a Network Operation Centre ("**NOC**") to closely monitor network devices and servers on a 24 hours a day, 7 days a week, basis. The NOC also improves visibility and responsiveness in case of any system or network failure.

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 have to 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 security (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.

Foreign Exchange Risk Management

Most of our cash balances are deposits in Hong Kong dollars and U.S. dollars with major global financial institutions, and most of our borrowings are denominated in U.S. dollars.

Our turnover and payments are transacted mainly in the same currency, and are predominantly in U.S. dollars. 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 U.S. dollar. However, we do not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of our non- U.S. dollar foreign operations for both our income statements and balance sheet reporting purposes. Since our functional currency is in U.S. dollars, we are subject to exchange rate exposure from translation of foreign operations' local results to U.S. dollars at average rate for the period for group consolidation. Our net equity investments in non-US$ denominated businesses are also subject to unrealised translation gain or loss on consolidation. Fluctuation of relevant currencies against the U.S. dollar will result in unrealised 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.

COMPETITION

We believe that there is no direct competitor to the Group's Trading Network.

We believe that its closest competitors are generally categorised into three segments: (i) other smaller scale trading companies, (ii) outsourcing agents and (iii) relatively small onshore importers. Most participants are manufacturers, importers or exporters whose sourcing activities are collateral to their core business. In-house buying functions of retailers (that provide an alternative for the services that Group Trading would offer on an outsourced basis) also fall within this category (although the Group regularly works alongside such internal sourcing departments for larger retailers, and in-house sourcing offices are not on the same operational scale). By number, the vast majority of participants are small owner operated or small to medium sized enterprises.

We believe that we are distinguishable from all other participants in the industry by the scale, global reach and comprehensive nature of the supply chain management solutions provided. The Group's model covers the entire supply chain and enables complete end-to-end supply chain solutions, giving the Group a unique competitive advantage over the other companies, as they usually operate only a part of the group's services portfolio.

For our Logistics Network, we primarily compete with other international and Asia-based third-party logistics providers for both our in-country logistics business and global freight management business.

We believe our deep understanding of our customers' supply chains and product flows position us strongly against traditional third-party logistics providers.

Industry trends

We believe that our industry will be marked by the following trends:

- E-commerce and pricing pressure. The advent of e-commerce and the increase in competitive pressure it brings continue to disrupt retail markets. However, the need for supply chains to be digitised to work with the increasingly digitised consumer market are expected to generate opportunities for us.

  At the retail level, there is an influx of online retailers entering the market, fighting for market share and competing largely on price. This has greatly intensified price competition which coupled with a generally weak consumption market has resulted in a persistently highly-promotional marketplace. At the same time, many online retailers are also launching their own private label lines. With our deep expertise in developing private labels, we are already helping some online retailers source their private label collections. We feel this move to private label will be a major trend with the pure play online retailers and will present significant opportunities for us.

  In addition, e-commerce players also compete heavily on their logistics capabilities. With our leadership in e-logistics in Asia, we are becoming the trusted logistics partner for both pure online retailers and traditional retailers' online business. We were early investors in logistics capabilities to pick-and-pack by the piece and expedite in small packages to consumers. This requires a thorough integration of IT systems with those of our customers and last-mile transportation companies. This has become an increasingly important channel and platform for retails sales. Particularly during an extended period of soft trading conditions for retailers globally, the ability to adapt to the challenge of e-commerce and online sales will continue to be a driver for industry growth.

- Asia continues to grow as a consumer market for our businesses. Many brands and retailers increasingly focus on this region and engage us to provide product expertise and to leverage our networks. This has created opportunities for us particularly in the logistics business.

- We expect the outsourcing trend to continue. Many retailers have continued to consolidate in order to return to their core competencies. They see strategic value in finding a partner to outsource their buying and sourcing operations so that they can refocus on their competencies to compete effectively. This has created opportunities for us to meet increasing demand to supply external outsourcing expertise.

- We expect that customers will no longer focus only on cost and quality but also factory compliance. In addition, customers' increasing focus on fashion and speed has increased demand for quick turnaround and flexibility in order to respond to evolving consumer trends.

- Dispersed manufacturing and increasingly complex trade will become more prevalent. The rising use of bilateral agreements with the U.S. and Europe has provided to us a worldwide sourcing opportunity, as customers increasingly engage us to provide them with advice in how best to source products in this complex environment.

- The global political and social environment continues to be unstable, particularly in emerging economies. We continue to invest in new sourcing countries which may be subject to social or political instability. We expect periodic instability, political crisis and terrorist activities or attacks to continue. We have developed a flexible, responsible approach to sourcing in emerging markets so that we are able to react quickly in times of crisis or uncertainty.

REGULATORY ENVIRONMENT

The sourcing and export trade industry is not subject to specific industry regulatory oversight. As a global business however, we keep abreast of developments in trade regimes affecting the markets in which we operate, as well as requirements for entering into and operating in different markets (for example, requirements in relation to approvals, licences and permits).

We monitor developments in trade arrangements around the world, from strategic issues surrounding trade negotiations at the World Trade Organization, which impact the multilateral trading system, to specific difficulties with the export of individual products which may arise should certain proposed bilateral agreements be entered into between countries. The U.S., China and Europe are the key markets in which we operate, and we closely monitor developments in their trade policies, such as issues relating to tariffs, anti-dumping measures and production quotas.

We are aware that our supply chain partners may be subject to regulations in their respective home jurisdictions. As such, our supply and manufacturing partners are responsible for their own compliance with relevant local labour and occupational health and safety requirements. However, as part of our role as supply chain manager, we also monitor our partners' compliance with such regulations on behalf of our customers through our Supplier Code of Conduct.

Human Resources

As of 30 June 2016, the Group had a total workforce of 21,982, of whom 3,490 were based in Hong Kong, 8,740 were located in the People's Republic of China and 9,752 were located overseas.

The Group's learning and development programmes aim to strengthen core functional and management capabilities of our people. The Group provides flexible learning channels including digital and classroom courses, on-the-job experience, networking, coaching and mentoring, and cross-border opportunities.

PROPERTY

We adopt a policy of holding as few real estate and physical infrastructure assets as possible. To accommodate our growth, it became necessary for us to acquire and control our offices in some of our major sourcing hubs. We have also acquired property along with some of our business acquisitions. Our intention is to dispose of our property if suitable "sale and lease back" arrangements can be negotiated with a suitable landlord at favourable rental rates and tenure of occupancy at arm's length, and supported by proper independent valuations.

INSURANCE

We maintain comprehensive insurance coverage for our business operations in line with market practice, including fire and water damage to office property, export credit, public liability, directors and officers liability, employment practice liability, product liability, marine cargo, employee compensation, group life, medical, travel, crime and fidelity insurance. The insurance coverage is provided by reputable insurance companies and with commercially reasonable limits and deductibles on coverage.

CORPORATE RESPONSIBILITY

Corporate Governance

It is our policy to maintain high standards of corporate governance emphasising transparency, accountability and independence. We have tailored our internal control systems to provide reasonable assurance that material assets are protected, business risks attributable to us are identified and monitored, material transactions are executed in accordance with management's authorisation and accounts are reliable for publication. Qualified personnel throughout the Group maintain and monitor these systems of controls on an ongoing basis. Our Corporate Compliance Group, supervised by management independent Group Chief Compliance Officer, also conducts regular and independent reviews to reinforce good corporate governance practices and helps embed the Group's compliance culture into our operations.

Environmental Protection

The Group remains active in supplier environmental programmes and initiatives which aim at resource conservation, environmental protection and product stewardship. The Group continues to enforce its customers' environmental purchasing policies with respect to ecofriendly materials, package waste minimisation and product stewardship. The Group has also taken an active role in supporting its customers in innovating and developing new tools and systems to support their sustainability programmes and encourages and engages with suppliers to establish and maintain environmental protection and sustainable supply chain systems. By adopting and promoting environmental considerations as an integral part of our business activities, the Group equates the environment to other critical business considerations such as compliance, quality and value. In terms of product sustainability, the Group has engaged with the Sustainable Apparel Coalition (of which the Group is a founding member and has been actively involved in the development of the Higg Index, a suite of sustainability tools designed to help organisations standardise how they measure and evaluate environmental performance of apparel products across the supply chain at the brand, product and facility levels) to jointly develop roadmap and pilot tools with other members to measure impact of selected apparel product throughout its product life cycle, which include its environmental impacts. The Group has various footprint reduction initiatives to drive reduced resource consumption and environmental impact.

Social Responsibility

The Group is a participant in a number of partnerships and organisations that are directed at social responsibility and responsible corporate stewardship including: Business for Social Responsibility (an international U.S. based non-profit organisation whose mission is to promote socially responsible business practices, innovations and collaborations that demonstrate respect for ethical values, people, community and the environment); Buyer Partner of Better Work (a partnership between the International Labour Organization and the International Finance Corporation that brings together governments, employers, workers and international buyers to improve compliance with labor standards and promote competitiveness in the global supply chain); Sustainable Apparel Coalition; the HERProject (through which the Group, with the support of the Fung Foundation and the Fung Academy, is undertaking a major initiative to train and empower female workers in approximately 100 of its third-party suppliers in Bangladesh, Cambodia, India, and Vietnam); CARE International's Hemaya Project (which is focused on empowering women in select factories in the Jordanian garment sector); and the Global Social Compliance Programme™ ("**GSCP**") (supporting its efforts to improve working and environmental conditions in the global supply chain through participation on working committees and input to the development of GSCP's resource materials).

The Group is committed to upholding the 10 principles of the United Nations' Global Compact regarding human rights, labor, environment and anti-corruption. As included in the Group's Code of Conduct and Business Ethics, the Group upholds the International Labour Organization's core conventions for the elimination of forced, compulsory or underage labor, elimination of discrimination in respect of employment and occupation, and respect for freedom of association and collective bargaining.

Community Engagement

Community engagement is a key part of the Group's sustainability strategy. The Group provides resources and support for volunteering, shares knowledge and skills, and raises funds to support important initiatives, campaigns and disaster relief. The Group's local actions and global campaigns align core business strengths to support the development of the Group's people, communities and local economies, engage the time and talent of the Group's people and establish networks of community partners.

INTELLECTUAL PROPERTY

We have a proprietary self-developed order management system, XTS. We have registered trade marks and patents in relation to our trading business, and in relation to the Li & Fung name and logo in Hong Kong as well as in most countries in which we have offices.

LEGAL PROCEEDINGS

The Group is not currently involved in any litigation or similar proceedings which would have a material adverse effect on the Group's financial condition, results of operations or prospects.

DIRECTORS AND MANAGEMENT

The Board of Directors

The Board of the Company is currently composed of three Executive Directors, one Non-executive Director (the Honorary Chairman) and four Independent Non-executive Directors. The Board considers this composition remains balanced and able to reinforce a strong independent review and monitoring function on overall management practices.

Name	Position
Victor FUNG Kwok King	Honorary Chairman, Chairman of Risk Management and Sustainability Committee
William FUNG Kwok Lun	Group Chairman
Spencer Theodore FUNG	Group Chief Executive Officer
Marc Robert Compagnon	Executive Director and President of LF Sourcing
Paul Edward Selway-Swift	Independent Non-executive Director, Chairman of Nomination Committee
Allan WONG Chi-Yun	Independent Non-executive Director, Chairman of Remuneration Committee
Margaret LEUNG Ko May Yee	Independent Non-executive Director, Chairman of Audit Committee
Martin TANG Yue Nien	Independent Non-executive Director

The biographies of the Executive and Non-executive Directors of the Company as at the date of this Offering Circular are as follows:

Victor FUNG Kwok King

Aged 70. Brother of Dr William Fung Kwok Lun and father of Mr Spencer Theodore Fung. Group Chairman of the Fung Group, a Hong Kong-based multinational which comprises operating groups engaging in trading, logistics, distribution and retailing. They include publicly-listed Trinity Limited, Convenience Retail Asia Limited, Global Brands Group Holding Limited and the Company. Honorary Chairman of the Company after stepping down as Group Chairman since May 2012. Joined the Group in 1973 as Manager and became Managing Director of the Group's export trading business in 1977. Became Group Managing Director in 1981 and Group Chairman in 1989. A director of King Lun Holdings Limited and Fung Holdings (1937) Limited, which are substantial shareholders of the Company. Holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University. An independent non-executive director of Chow Tai Fook Jewellery Group Limited (Hong Kong), Koç Holding A.Ş. (Turkey) and China Petrochemical Corporation (People's Republic of China). Founding Chairman of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. A member of the Chinese People's Political Consultative Conference. A member of the Economic Development Commission of the Hong Kong Government. Chairman of the Steering Committee on the Hong Kong Scholarship for Excellence Scheme from September 2014. Chairman of the Hong Kong Trade Development Council (1991-2000), the Hong Kong representative on the APEC Business Advisory Council (1996-2003), Chairman of the Hong Kong Airport Authority (1999-2008), Chairman of The Council of The University of Hong Kong (2001-2009), Chairman of the Hong Kong — Japan Business Co-operation Committee (2004-2010), Chairman of the Greater Pearl River Delta Business Council (2004-2013), a member of the Commission on Strategic Development of the Hong Kong Government (2005-2012), Chairman of the International Chamber of Commerce (2008-2010), a member of WTO Panel on Defining the Future of Trade (2012-2013) and a vice chairman of China Centre for International Economic Exchanges (March 2009-October 2014). Independent non-executive director of Baosteel Group Corporation (October 2005-January 2013) and BOC Hong Kong (Holdings) Limited (June 2002-June 2014). In 2003 and 2010, the Hong Kong Government awarded Dr Fung the Gold Bauhinia Star and the Grand Bauhinia Medal respectively for his distinguished service to the community.

William FUNG Kwok Lun

Aged 67. Brother of Dr Victor Fung Kwok King and uncle of Mr Spencer Theodore Fung. Group Chairman since May 2012. Executive Deputy Chairman from 2011 to May 2012 and before that, Group Managing Director from 1986 to 2011. Joined the Group in 1972 and became a Director of the Group's export trading business in 1976. Graduated from Princeton University with a Bachelor of Science degree in Engineering. Holds an MBA degree from the Harvard Graduate School of Business. Degrees of Doctor of Business Administration, honoris causa, were conferred by the Hong Kong University of Science & Technology and by the Hong Kong Polytechnic University. An independent non-executive director of VTech Holdings Limited, Shui On Land Limited, Sun Hung Kai Properties Limited, The Hongkong and Shanghai Hotels, Limited and Singapore Airlines Limited. Chairman and non-executive director of Global Brands Group Holding Limited and a non-executive director of Convenience Retail Asia Limited and Trinity Limited, all within the Fung Group. A director of King Lun Holdings Limited and its wholly-owned subsidiary, Fung Holdings (1937) Limited, substantial shareholders of the Company. A director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. Past Chairman of the Hong Kong General Chamber of Commerce (1994-1996), the Hong Kong Exporters' Association (1989-1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993-2002). Awarded the Silver Bauhinia Star by the Hong Kong Government in 2008.

Spencer Theodore FUNG

Aged 43. Group Chief Executive Officer since 7 July 2014 and Executive Director since 2008. Previously Group Chief Operating Officer (2012-July 2014), in charge of the global infrastructure of the Company. Before this, President of LF Europe, managing the Group's European distribution business. Joined the Group in 2001. An independent non-executive director of Swire Properties Limited. A director of Young Presidents' Organization — Hong Kong Chapter, Limited. A member of the General Committee of The Hong Kong Exporters' Association and the Board of Trustees at Northeastern University. Holds a Bachelor of Arts degree from Harvard College and Master of Science in Accounting and Master in Business Administration degrees from Northeastern University. A US Certified Public Accountant. The son of Dr Victor Fung Kwok King, Honorary Chairman, and nephew of Dr William Fung Kwok Lun, Group Chairman.

Marc Robert Compagnon

Aged 58. Executive Director since 1 July 2014. President of LF Sourcing overseeing the Group's global agency business for apparel and hardgoods. Joined the Group in 2000 at the time of the acquisition of Colby International Limited where he was Chief Merchandising Officer for 17 years and was responsible for establishing Colby's global sourcing network and sales and marketing strategies. Holds a Bachelor of Arts degree from the University of Vermont. Member of the Board of Advisors of the School of Business Administration at The University of Vermont and a founding member of Cotton's Revolutions. Non-executive chairman of TheAbacaGroup, Inc. (Cebu), a hotel and restaurant management group.

Paul Edward Selway-Swift

Aged 72. An Independent Non-executive Director since 1992. Chairman of Pure Circle Ltd, a producer of natural food ingredients, which is quoted on the London Stock Exchange. An independent non-executive director of Global Brands Group Holding Limited whose shares are listed on The Stock Exchange of Hong Kong Limited. Formerly, Deputy Chairman of HSBC Investment Bank PLC (1996-1998), a director of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong (1992-1998) and Temenos Group AG (2001-2012), and Chairman of Atlantis Investment Management (Ireland) Ltd. (2007-April 2014).

Allan WONG Chi-Yun

Aged 65. An Independent Non-executive Director since 1999. Chairman and Group Chief Executive Officer of VTech Holdings Limited. Co-founded VTech Group in 1976. Holds a Bachelor of Science degree in Electrical Engineering from The University of Hong Kong, a Master of Science degree in Electrical and Computer Engineering from the University of Wisconsin and an Honorary Doctorate of Technology from the Hong Kong Polytechnic University. Deputy Chairman and independent non-executive director of The Bank of East Asia, Limited. An independent non-executive director of China-Hongkong Photo Products Holdings Limited. Awarded the Silver Bauhinia Star and the Gold Bauhinia Star in 2003 and 2008 respectively.

Margaret LEUNG Ko May Yee

Aged 64. An Independent Non-executive Director since 2013. Deputy chairman, managing director and an executive director of Chong Hing Bank Limited. Former vice-chairman and chief executive of Hang Seng Bank Limited, chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and the Group General Manager of HSBC Holdings plc. An independent non-executive director of First Pacific Company Limited, Sun Hung Kai Properties Limited, Hong Kong Exchanges and Clearing Limited, QBE Insurance Group Limited and China Construction Bank Corporation. Formerly, an independent non-executive director of Swire Pacific Limited (2008-2012) and Hutchison Whampoa Limited (2009-2012). Holds a Bachelor's degree in Economics, Accounting and Business Administration from The University of Hong Kong.

Martin TANG Yue Nien

Aged 67. An Independent Non-executive Director since 2009. Former Chairman, Asia of Spencer Stuart & Associates, a global executive search consulting firm. An independent non-executive director of the publicly-listed CEI Contract Manufacturing Limited and China NT Pharma Group Company Limited. Vice Chairman of the Council of The Hong Kong University of Science and Technology. Holds a Bachelor of Science degree in Electrical Engineering from Cornell University and Master of Science in Management from the Massachusetts Institute of Technology.

Management

The board is supported by Senior Management.

Name	Position
Edward LAM Sung Lai	Chief Financial Officer
Jason YEUNG Chi Wai	Group Chief Compliance and Risk Management Officer
Terry WAN Mei Chow	Company Secretary
Annabella LEUNG Wai Ping	President of LF Fashion
Emily MAK Mok Oi Wai	Chief Administrative Officer
Gerard Jan RAYMOND	President of LF Beauty
Henry CHAN	President of LF Products
Joseph Chua PHI	President of LF Logistics
Lâle KESEBI	Chief Communications Officer & Head of Strategic Engagement
Manuel Carlos FERNANDEZ	Group Chief Technology Officer
Richard Nixon DARLING	Head of Government and Public Affairs
Robert Stephen LISTER	President of LF Private Label

The biographies of the Senior Management of the Group as at the date of this Offering Circular are as follows:

Edward LAM Sung Lai
Chief Financial Officer

Aged 50. Chief Financial Officer of the Group since 2012, overseeing the Group's global finance functions, including corporate finance, treasury, investor relations, financial planning and analysis, risk management and financial reporting. Over 20 years of experience in banking, finance and accounting. Prior to joining the Group, held various senior corporate and investment banking positions at Citi and Morgan Stanley, and practiced public accounting at Coopers & Lybrand. Holds an MBA degree from The University of Chicago, *high honors*, and a Bachelor of Business Administration degree from The University of Texas at Austin, *highest honors*. A US Certified Public Accountant, and a member of Takeovers and Mergers Panel of Securities and Futures Commission of Hong Kong.

Jason YEUNG Chi Wai
Group Chief Compliance and Risk Management Officer

Aged 61. Group Chief Compliance and Risk Management Officer of the Company since July 2015. Also, the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company and its publicly-listed companies in Hong Kong. Extensive experience in handling legal, compliance and regulatory matters, and worked previously in both the public and private sectors practising corporate, commercial and securities law. Prior to joining the Fung Group, deputy chief executive (Personal Banking) of Bank of China (Hong Kong) Limited ("**BOCHK**") with responsibility for the overall performance of the personal banking businesses of BOCHK. Graduated from The University of Hong Kong with a Bachelor's degree in Social Sciences. Also graduated from The College of Law, United Kingdom and holds a Bachelor's degree in Law and a Master's degree in Business Administration from The University of Western Ontario, Canada.

Terry WAN Mei Chow
Company Secretary

Aged 53. Group Company Secretary of the Company since 1996 and responsible for the company secretarial services of the Group. Graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and started her career as company secretary at Ernst & Young in 1985. A fellow member of both The Institute of Chartered Secretaries and Administrators in England and The Hong Kong Institute of Chartered Secretaries ("**HKICS**"). A member of the Membership Committee of HKICS since 2013. Past member of the Company Secretaries Panel of HKICS (2013-2015). Recipient of the 1st Asian Company Secretary Recognition Award by Corporate Governance Asia in 2013.

Annabella LEUNG Wai Ping
President of LF Fashion

Aged 63. President of LF Fashion managing the Group's Sweater Vertical principal business globally. Formerly, the Regional Director of North Asia Apparel for Inchcape, a global sourcing network acquired by the Company in 1995. An Executive Director of the Company from 2000 to May 2010. Holds a Master of Science degree in Biology from Northeastern University. Independent director of Teleperformance SE, a company listed on the Paris Stock Exchange. Formerly served on various advisory boards for The Hong Kong Exporters' Association, Hong Kong Trade Development Council, Clothing Industry Training Authority and Hong Kong Export Credit Insurance Corporation. Former Chairman of the Vetting Committee for the Professional Services Development Assistance Scheme of Commerce and Economic Development Bureau of the HKSAR Government.

Emily MAK Mok Oi Wai
Chief Administrative Officer

Aged 55. Chief Administrative Officer since 2014 and responsible for global hub operations, human resources, corporate services including global procurement and global workspace management of the Group.

Focuses on strengthening the global infrastructure set up, workplace strategy and talent to support business success. Joined the Group in 2000 with the acquisition of Colby International Limited where Emily was the Chief Operating Officer and directly responsible for the operational and merchandising matters for Colby's apparel business worldwide. After that, managing the Group's department store, mass market, supermarket and specialty store apparel business in the Americas, Southern Hemisphere and Japan. In 2010, Emily served as the Chief Operating Officer of DSG, a dedicated sourcing group servicing Wal-Mart globally. Prior to her current role, President of LF USA Sourcing, spearheading the sourcing and operations in Asia. Graduated from The University of Hong Kong with a Bachelor of Social Sciences degree.

Gerard Jan RAYMOND
President of LF Beauty

Aged 59. President of LF Beauty overseeing the Asia-based operations of the Group's beauty and cosmetic business. Previously, President of LF Asia managing the Group's food, health, beauty and cosmetics wholesale and distribution business in Asia and before that, an Executive Vice President, Distribution and Regional Managing Director of Integrated Distribution Services Group Limited. Joined the Group in 2003. Educated in Australia with a Bachelor's degree in Business. A Fellow of the Australian Marketing Institute.

Henry CHAN
President of LF Products

Aged 66. President of LF Products managing the Group's hardlines principal business globally. Joined the Group in 1972. An Executive Director of the Company from 1992 to May 2009. Graduated from The University of Hong Kong with a Bachelor of Social Science degree. Holds an MBA degree from The Chinese University of Hong Kong. A member of The Hong Kong Institute of Directors and also a member of the advisory Board of the MBA Programmes of the Faculty of Business Administration, The Chinese University of Hong Kong.

Joseph Chua PHI
President of LF Logistics

Aged 54. President of LF Logistics managing the Group's logistics, freight, data analytics and supply chain management businesses. President and Executive Director of Integrated Distribution Services Group Limited from 2004 to April 2011. Joined the Group in 1999. Graduated magna cum laude from the University of The Philippines ("**UP**") with a Bachelor of Science degree in Industrial Engineering and attained an MBA degree with top honors from the same university. Member of Phi Kappa Phi and Pi Gamma Mu international honor societies. 2011 recipient of UP College of Business Administration Distinguished Alumnus Award. 2013 recipient of UP Industrial Engineering Alumni Award and UP Alumni Engineers Global Achievement Award for Logistics. Chairman of GS1 Hong Kong. Director of GS1 Management Board. Member of the Advisory Committee, Centre for Marketing and Supply Chain Management at The Hong Kong University of Science and Technology ("**HKUST**"). Adjunct Professor of Information Systems, Business Statistics and Operations Management at HKUST. Member of Supply Chain 50, an association of the top supply chain professionals in the world. Board member of Macy's China Limited. Member of Advisory Committee of the Hong Kong Trade Development Council's Logistics Services ("**HKTDC**") and honorary advisor of the Asian Logistics and Maritime Conference organised by HKTDC.

Lâle KESEBI
Chief Communications Officer & Head of Strategic Engagement

Aged 48. Chief Communications Officer & Head of Strategic Engagement since 2014 and responsible for global corporate communications with all internal and external stakeholders of the Company and leading the development of strategy on key initiatives aligning the organisation to the Company's goals. Joined the Group in 2003. Holds a Bachelor of Science (Honours) degree and a Bachelor of Law degree from Dalhousie University. Past member of The Law Society of British Columbia (Canada). Currently, member of Board of Governors of The Women's Foundation in Hong Kong. Member of Board of Trustees of the Asian University for Women ("**AUW**") and co-chair of the AUW Support Foundation in Hong Kong. Formerly, chair of the Canadian Chamber's Business Policy & Government Relations committee and the Debenture and Scholarship committee of the Canadian International School in Hong Kong.

Manuel Carlos FERNANDEZ
Group Chief Technology Officer

Aged 45. Group Chief Technology Officer since March 2006, responsible for strategic technology direction and leadership to all IT heads within the Fung Group including Convenience Retail Asia Limited, Trinity Limited, Global Brands Group Holding Limited and the Company. Assumed additional role of Head of Global Transactional Services of the Company in 2014. Joined the Group in 1999 as Regional IT Manager — Strategic Applications of Li & Fung Distribution Group. Chief Information Officer of Integrated Distribution Services Group between 2001 to 2006. Holds a Bachelor of Science in Computing for Real Time Systems (Honours) degree from University of the West of England Bristol. Awarded CIO of the year (Hong Kong region) in Hitachi Data Systems IT Inspiration Awards 2009.

Richard Nixon DARLING
Head of Government and Public Affairs

Aged 63. Head of Government and Public Affairs overseeing the Group's government relations, public affairs and supply chain sustainability on global industry and multi-stakeholder initiatives. Also overseeing the Group's Vendor Compliance & Sustainability since 2015. Prior to his current role, President of DSG overseeing the Group's dedicated sourcing group servicing Wal-Mart globally. The founder of The Millwork Trading Co., Ltd, a joint venture with the Company that became a wholly-owned subsidiary from 1999 to 2014. Board member of the American Apparel and Footwear Association and K.I.D.S./Fashion Delivers. Member of the Board of Governors of Parsons, The New School for Design. Representative of the Group on the Center for Retailing Excellence Executive Board of the Sam M. Walton College of Business at the University of Arkansas, the Board of Advisors of the Cornell University ILR School New Conversation Project, the Alliance for Bangladesh Worker Safety and The Accord on Fire and Building Safety in Bangladesh.

Robert Stephen LISTER
President of LF Private Label

Aged 60. President of LF Private Label managing the Group's wholesale and distribution business in US and Europe. Chief Operating Officer of LF Europe since 2009 and became President in 2013. Before that, Group Chief Executive of Peter Black Holdings plc, a public company listed on the London Stock Exchange which was privatised in 2000 and part of its business was acquired by the Company in 2007. A Fellow of The Institute of Chartered Accountants in England & Wales.

TAXATION

The following summary of certain Bermuda and Hong Kong consequences of the purchase, ownership and disposition of the Instruments is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Instruments and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Instruments should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Instruments, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Bermuda

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the "**Government Fee**"), which is determined on a sliding scale by reference to a company's authorised share capital and share premium account, with the minimum fee being BD$1,995 and the maximum fee being BD$31,120 (the Bermuda dollar ("**BD**") is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at 31 August in the preceding year. The Bermuda government has enacted legislation under which the Minister of Finance in Bermuda is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by the Company for a period ending on 28 March 2016, which assurance can, by application, be extended to 31 March 2035.

Hong Kong

The following summary of certain Hong Kong tax consequences of the purchase, ownership and disposition of the Instruments is based upon laws, regulations, decisions and practice now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Instruments and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Instruments should consult their own tax advisers concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Instruments arising under the laws of any other taxing jurisdiction.

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Instruments or in respect of any capital gains arising from the sale of the Instruments.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Instruments may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried on in Hong Kong in the following circumstances:

(i) interest on the Instruments is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside of Hong Kong; or

(ii) interest on the Instruments is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or

(iii) interest on the Instruments is derived from Hong Kong and is received by or accrues to a person other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business.

Sums derived from the sale, disposal or redemption of the Instruments will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Instruments are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Instruments will be subject to profits tax.

Stamp duty

No stamp duty is payable on the issue of the Instruments. Stamp duty may be payable on any transfer of the Instruments if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of the Instruments provided either:

(a) the Instruments are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstance in the currency of Hong Kong; or

(b) the Instruments constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Instruments (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Instruments where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective investors considering the purchase of the Instruments are advised to seek their own professional advice in relation to the FTT.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Bermuda and Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Instruments, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Instruments. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Instruments, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 11 October 2016 as amended and/or supplemented from time to time (the "**Dealer Agreement**"), agreed with the Issuer a basis on which any dealer to be appointed by the Issuer in respect of a single Tranche or the whole Programme may from time to time agree to subscribe Instruments. Any such agreement will extend to those matters stated under Note Conditions and Security Conditions. Under the terms of the Dealer Agreement, the Issuer will pay each Relevant Dealer a commission as agreed between them in respect of Instruments subscribed by it.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Instruments in certain circumstances prior to payment for such Instruments being made to the Issuer.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business. If a jurisdiction requires that an offering is made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

In connection with each Tranche of Instruments issued under the Programme, the Dealers or certain of their affiliates may purchase Instruments and be allocated Instruments for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Instruments for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Instruments and/ or other securities of the Issuer or its subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Instruments or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Instruments to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Instruments).

United States

The Instruments have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Bearer Notes are subject to U.S. tax law requirements. The Instruments may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or, in the case of Instruments offered or sold in reliance on Category 2 of Regulation S, to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Dealers has represented, warranted and undertaken that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Instruments within the United States or, in the case of Instruments offered or sold in reliance on Category 2 of Regulation S, to U.S. persons.

In addition, until 40 days after the commencement of any offering, an offer or sale of Instruments within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by the Offering Circular as completed by the final pricing supplement in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Instruments to the public in that Relevant Member State:

(i) if the pricing supplement in relation to the Instruments specifies that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus has subsequently been completed by the pricing supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Instruments referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

Hong Kong

In relation to each Tranche of Instruments to be issued by the Issuer under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Instruments except for Instruments which are a "*structured product*" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "*professional investors*" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Instruments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Instruments which are or are intended to be disposed of only to persons outside Hong Kong or only to "*professional investors*" as defined in the SFO and any rules made under the SFO.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"), and the Instruments will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Instruments or caused such Instruments to be made the subject of an invitation for subscription or purchase and will not offer or sell such Instruments or cause such Instruments to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Instruments, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the MAS. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Instruments may not be circulated or distributed, nor may the Instruments be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Instruments are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Instruments pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

Bermuda

Each Dealer has acknowledged that: (i) this Offering Circular, the Instruments and any other document relating to the Instruments are not subject to, and have not received approval from either the Bermuda Monetary Authority or the Registrar of Companies in Bermuda and no statement to the contrary, explicit or implicit, is authorised to be made in this regard; (ii) for the purposes of the Companies Act 1981 of Bermuda (as amended), the Instruments being offered hereby are being offered on a private basis to investors who satisfy the criteria outlined in any of the documents relating to the Instruments; (iii) the Instruments may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 of Bermuda (as amended); (iv) non-Bermudian persons may not carry on or engage in any trade or business in Bermuda unless such persons are authorised to do so under applicable Bermuda legislation; and (v) engaging in the activity of offering or marketing the securities being offered in Bermuda to persons in Bermuda may be deemed to be carrying on business in Bermuda.

General

Each Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Instruments or has in its possession or distributes the Offering Circular and any other offering or publicity material or any applicable Pricing Supplement. Each Dealer has agreed to obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of Instruments under the laws, regulations and directives in force in any jurisdiction to which it is subject or in or from which it makes such acquisition, offer, sale or delivery and none of the Issuer, the Trustee and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Trustee or any of the Dealers represent that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Instruments, or possession or distribution of the Offering Circular, any other offering or publicity material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required. With regard to each Tranche, the Relevant Dealers will be required to comply with any additional restrictions agreed between the Issuer and the Relevant Dealers and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. **Listing of Instruments**: Approval-in-principle has been received from the SGX-ST for permission to deal in, and the quotation for, any Instruments that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Official List of the SGX-ST. There is no assurance that the application to the SGX-ST for permission to deal in, and quotation of, the Instruments of any Series (as defined herein) will be approved. The approval in-principle from, and admission to the Official List of, the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, the Programme and/or the Instruments. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein.

   For so long as the Instruments are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a Paying Agent in Singapore, where such Instruments may be presented or surrendered for payment or redemption, in the event that any of the Global Notes are exchanged for Definitive Notes or any of the Global Certificates are exchanged for Individual Certificates. In addition, in the event that any of the Global Notes are exchanged for Definitive Notes or any of the Global Certificates are exchanged for Individual Certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Notes or Individual Certificates, including details of the Paying Agent in Singapore.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations and issue of the Instruments thereunder in connection with the establishment of the Programme and the issue of the Instruments by resolutions of the board of directors of the Issuer dated 11 October 2016.

3. **No Material Adverse Change**: Except as disclosed in this Offering Circular, there has been no adverse change in the prospects of the Issuer or the Group nor any adverse change in the financial or trading position of the Group since 30 June 2016.

4. **Litigation**: Except as disclosed in this Offering Circular, neither the Issuer or any of its subsidiaries is involved in any governmental, legal or arbitration proceedings which may have or during the 12 months prior to the date of this Offering Circular have had an effect on the financial position or profitability of the Group which is material in the context of the issue of the Instruments, nor is the Issuer or any of the its subsidiaries aware that any such proceedings are pending or threatened.

5. **Clearing of the Instruments**: The Instruments may be accepted for clearance through Euroclear and Clearstream. The appropriate ISIN and common code in relation to the Instruments of each Tranche will be specified in the applicable Pricing Supplement. If the Instruments are to be cleared through any additional or alternative Clearing System, the appropriate information will be specified in the applicable Pricing Supplement.

6. **Available Documents**: For so long as Instruments may be issued under the Programme, copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of the Principal Paying Agent, being at the date of this Offering Circular at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland:

   (i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the Notes and Securities in definitive form, the Coupons, the Receipts and the Talons);

   (ii) the Agency Agreement;

   (iii) the Memorandum and Articles of Association of the Issuer;

(iv) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Instruments will only be available for inspection by a holder of any such Instruments and such holder must produce evidence satisfactory to the Issuer or the Trustee as to its holding of such Instruments and identity); and

(v) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

The Issuer prepares and publishes an annual report and an interim report every year. Copies of the Issuer's annual report in respect of the latest year and period can be obtained from its corporate website.

7. **Financial Statements**: The Issuer's audited financial statements as of, and for, the years ended 31 December 2014 and 2015, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, as stated in its report appearing herein. The Issuer's published and unaudited financial statements as of, and for, the six months ended 30 June 2015 and 2016, which are included elsewhere in this Offering Circular, have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagement 2410 — "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA as stated in their report appearing herein.

INDEX TO FINANCIAL INFORMATION

Note:

(1) The independent auditor's report on the Group's consolidated financial statements and the independent auditor's review report on the Group's interim condensed consolidated financial information set out herein are reproduced from the Group's annual report for the years ended 31 December 2014 and 2015 and the Group's interim report for the six months ended 30 June 2016. Page references in the abovenamed reports refer to pages set out in such annual report and interim report.

Independent review report

pwc 羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF LI & FUNG LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 45 to 76, which comprises the consolidated balance sheet of Li & Fung Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2016

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Condensed interim financial information

Notes to condensed interim financial information

Consolidated profit and loss account

	Note	Unaudited Six months ended 30 June **2016** **US$'000**	 2015 US$'000
Turnover	*3*	**8,070,733**	8,625,611
Cost of sales		**(7,150,033)**	(7,664,676)
Gross profit		**920,700**	960,935
Other income		**14,776**	22,616
Total margin		**935,476**	983,551
Selling and distribution expenses		**(290,945)**	(315,139)
Merchandising and administrative expenses		**(488,093)**	(486,142)
Core operating profit	*3*	**156,438**	182,270
Gain on remeasurement of contingent consideration payable	*4*	**–**	60,151
Amortization of other intangible assets	*4*	**(17,337)**	(17,742)
Gain on disposal of business	*4&15(c)*	**7,871**	–
One-off reorganization costs	*4*	**(5,863)**	–
Operating profit	*3&4*	**141,109**	224,679
Interest income		**5,611**	2,971
Interest expenses			
Non-cash interest expenses		**(2,247)**	(3,750)
Cash interest expenses		**(44,732)**	(44,916)
		(46,979)	(48,666)
Share of profits less losses of associated companies		**1,582**	1,475
Profit before taxation		**101,323**	180,459
Taxation	*5*	**(14,595)**	(17,866)
Net profit for the period		**86,728**	162,593
Attributable to:			
Shareholders of the Company		**72,315**	148,685
Holders of perpetual capital securities		**15,000**	15,000
Non-controlling interests		**(587)**	(1,092)
		86,728	162,593

	Note	Unaudited Six months ended 30 June **2016** **US$'000**	 2015 US$'000
Earnings per share for profit attributable to the Shareholders of the Company during the period	*7*		
– Basic		**6.7 HK cents**	13.8 HK cents
(equivalent to)		**0.87 US cents**	1.78 US cents
– Diluted		**6.7 HK cents**	13.8 HK cents
(equivalent to)		**0.86 US cents**	1.78 US cents

Details of dividends to Shareholders of the Company are set out in *Note 6*. The notes on pages 53 to 76 form an integral part of this interim financial information.

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2016 US$'000	2015 US$'000
Net Profit for the Period	**86,728**	162,593
Other Comprehensive Income/(Expense):		
Items that will not be reclassified to profit or loss		
Remeasurements from post-employment benefits recognized in reserve, net of tax	**1**	2
Total Items that will not be Reclassified to Profit or Loss	**1**	2
Items that may be reclassified subsequently to profit or loss		
Currency translation differences*	**(56,287)**	7,052
Net fair value gains/(losses) on cash flow hedges, net of tax	**2,066**	(8,322)
Net fair value gains on available-for-sale financial assets, net of tax	**86**	76
Total Items that may be Reclassified Subsequently to Profit or Loss	**(54,135)**	(1,194)
Total Other Comprehensive Expense for the Period, Net of Tax	**(54,134)**	(1,192)
Total Comprehensive Income for the Period	**32,594**	161,401
Attributable to:		
Shareholders of the Company	**18,676**	149,017
Holders of perpetual capital securities	**15,000**	15,000
Non-controlling interests	**(1,082)**	(2,616)
Total Comprehensive Income for the Period	**32,594**	161,401

* *Exchange differences resulting from translation of the results and financial positions of the Group entities with functional currencies other than the Group's presentation currency.*

The notes on pages 53 to 76 form an integral part of this interim financial information.

Consolidated balance sheet

	Note	**Unaudited 30 June 2016 US$'000**	Audited 31 December 2015 US$'000
Non-current Assets			
Intangible assets	*8*	**3,955,857**	4,266,863
Property, plant and equipment	*8*	**213,027**	241,626
Prepaid premium for land leases		**132**	1,942
Associated companies		**11,502**	10,070
Joint venture		**925**	313
Available-for-sale financial assets		**3,940**	3,854
Other receivables, prepayments and deposits		**30,291**	26,217
Deferred tax assets		**29,912**	36,527
		4,245,586	4,587,412
Current Assets			
Inventories		**385,753**	566,002
Due from related companies		**588,163**	486,939
Trade and bills receivable	*9*	**1,268,472**	1,689,413
Other receivables, prepayments and deposits		**242,606**	256,818
Derivative financial instruments		**3,100**	4,272
Cash and bank balances		**530,958**	342,243
		3,019,052	3,345,687
Current Liabilities			
Due to related companies		**1,767**	1,038
Trade and bills payable	*10*	**2,144,447**	2,464,785
Accrued charges and sundry payables		**408,271**	601,129
Purchase consideration payable for acquisitions	*11*	**74,772**	86,266
Taxation		**45,136**	56,463
Bank advances for discounted bills	*9*	**31,313**	33,681
Short-term bank loans		**32,093**	95,819
Current portion of long-term notes	*11*	**499,578**	–
		3,237,377	3,339,181
Net Current (Liabilities)/Assets		**(218,325)**	6,506
Total Assets Less Current Liabilities		**4,027,261**	4,593,918

	Note	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Financed by:			
Share capital	*12*	**13,487**	13,487
Reserves		**2,356,970**	2,489,386
Shareholders' funds attributable to the Company's Shareholders		**2,370,457**	2,502,873
Holders of perpetual capital securities	*13*	**503,000**	503,000
Non-controlling interests		**(1,044)**	4,293
Total Equity		**2,872,413**	3,010,166
Non-current Liabilities			
Long-term notes	*11*	**753,972**	1,253,823
Purchase consideration payable for acquisitions	*11*	**154,161**	156,236
Other long-term liabilities	*11*	**185,460**	116,420
Post-employment benefit obligations		**20,779**	21,909
Deferred tax liabilities		**40,476**	35,364
		1,154,848	1,583,752
		4,027,261	4,593,918

The notes on pages 53 to 76 form an integral part of this interim financial information.

Consolidated statement of changes in equity

	Unaudited							
	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities US$'000 *(Note 13)*	Non-controlling Interests US$'000	Total Equity US$'000
	Share Capital US$'000 *(Note 12)*	Share Premium US$'000	Other Reserves US$'000 *(Note 14)*	Retained Earnings US$'000	Total US$'000			
Balance at 1 January 2016	13,487	704,618	554,903	1,229,865	2,502,873	503,000	4,293	3,010,166
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	72,315	72,315	15,000	(587)	86,728
Other Comprehensive (Expense)/Income								
Currency translation differences	–	–	(55,792)	–	(55,792)	–	(495)	(56,287)
Net fair value gains on available-for-sale financial assets, net of tax	–	–	86	–	86	–	–	86
Net fair value gains on cash flow hedges, net of tax	–	–	2,066	–	2,066	–	–	2,066
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	1	–	1	–	–	1
Total other comprehensive expense, net of tax	–	–	(53,639)	–	(53,639)	–	(495)	(54,134)
Total Comprehensive (Expense)/Income	–	–	(53,639)	72,315	18,676	15,000	(1,082)	32,594
Transactions with Owners in their Capacity as Owners								
Purchase of shares for Share Award Scheme	–	–	(12)	–	(12)	–	–	(12)
Employee Share Option and Share Award Scheme:								
– value of employee services	–	–	11,590	–	11,590	–	–	11,590
Distribution to holders of perpetual capital securities	–	–	–	–	–	(15,000)	–	(15,000)
Transfer to capital reserve	–	–	61	(61)	–	–	–	–
2015 final dividends paid	–	–	–	(162,670)	(162,670)	–	–	(162,670)
Disposal of business	–	–	–	–	–	–	(4,255)	(4,255)
Total Transactions with Owners in their Capacity as Owners	–	–	11,639	(162,731)	(151,092)	(15,000)	(4,255)	(170,347)
Balance at 30 June 2016	13,487	704,618	512,903	1,139,449	2,370,457	503,000	(1,044)	2,872,413

	Unaudited							
	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities US$'000 (Note 13)	Non-controlling Interests US$'000	Total Equity US$'000
	Share Capital US$'000 (Note 12)	Share Premium US$'000	Other Reserves US$'000 (Note 14)	Retained Earnings US$'000	Total US$'000			
Balance at 1 January 2015	13,398	699,476	634,098	1,251,512	2,598,484	503,000	8,594	3,110,078
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	148,685	148,685	15,000	(1,092)	162,593
Other Comprehensive Income/(Expense)								
Currency translation differences	–	–	8,576	–	8,576	–	(1,524)	7,052
Net fair value gains on available-for-sale financial assets, net of tax	–	–	76	–	76	–	–	76
Net fair value losses on cash flow hedges, net of tax	–	–	(8,322)	–	(8,322)	–	–	(8,322)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	2	–	2	–	–	2
Total other comprehensive income/(expense), net of tax	–	–	332	–	332	–	(1,524)	(1,192)
Total Comprehensive Income/(Expense)	–	–	332	148,685	149,017	15,000	(2,616)	161,401
Transactions with Owners in their Capacity as Owners								
Issue of shares for Share Award Scheme	89	–	(89)	–	–	–	–	–
Purchase of shares for Share Award Scheme	–	–	(7,300)	–	(7,300)	–	–	(7,300)
Employee Share Option and Share Award Scheme:								
– value of employee services	–	–	4,164	–	4,164	–	–	4,164
Distribution to holders of perpetual capital securities	–	–	–	–	–	(15,000)	–	(15,000)
Transfer to capital reserve	–	–	92	(92)	–	–	–	–
2014 final and special dividends paid	–	–	–	(303,388)	(303,388)	–	–	(303,388)
Total Transactions with Owners in their Capacity as Owners	89	–	(3,133)	(303,480)	(306,524)	(15,000)	–	(321,524)
Balance at 30 June 2015	13,487	699,476	631,297	1,096,717	2,440,977	503,000	5,978	2,949,955

The notes on pages 53 to 76 form an integral part of this interim financial information.

Condensed consolidated cash flow statement

	Note	Unaudited Six months ended 30 June 2016 US$'000	2015 US$'000
Operating Activities			
Operating profit before working capital changes		**204,868**	227,905
Changes in working capital		**(24,076)**	(19,330)
Net cash inflow generated from operations		**180,792**	208,575
Profits tax paid		**(29,174)**	(28,596)
Net Cash Inflow from Operating Activities		**151,618**	179,979
Investing Activities			
Settlement of consideration payable for prior years acquisitions of businesses		**(13,607)**	(15,941)
Disposal of business	*15(b)*	**301,169**	–
Capital expenditure		**(43,865)**	(37,288)
Other investing activities		**5,255**	4,004
Net Cash Inflow/(Outflow) from Investing Activities		**248,952**	(49,225)
Net Cash Inflow before Financing Activities		**400,570**	130,754
Financing Activities			
Interest paid		**(44,732)**	(44,916)
Distribution made to holders of perpetual capital securities		**(15,000)**	(15,000)
Dividends paid		**(162,670)**	(303,388)
Purchase of shares for Share Award Scheme		**(12)**	(7,300)
Other financing activities		**11,274**	13,012
Net Cash Outflow from Financing Activities		**(211,140)**	(357,592)
Increase/(Decrease) in Cash and Cash Equivalents		**189,430**	(226,838)
Cash and cash equivalents at 1 January		**342,243**	538,529
Effect of foreign exchange rate changes		**(715)**	3,343
Cash and Cash Equivalents at 30 June		**530,958**	315,034
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**530,958**	315,034

The notes on pages 53 to 76 form an integral part of this interim financial information.

Notes to condensed interim financial information

1 General Information

Li & Fung Limited and its subsidiaries are principally engaged in managing the supply chain for retailers and brands worldwide with more than 250 offices across 40 economies.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company's shares are listed on the Stock Exchange.

This condensed interim financial information is presented in US dollars, unless otherwise stated. This condensed interim financial information was approved for issue on 25 August 2016.

2 Basis of Preparation and Accounting Policies

The unaudited condensed interim financial information (the "interim financial information") has been reviewed by the Company's audit committee and, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Company's auditor, PricewaterhouseCoopers.

This interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the HKICPA and Appendix 16 of the Listing Rules. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2016, the Group recorded net current liabilities of US$218,325,000 (31 December 2015: net current assets of US$6,506,000) which was primarily due to the long-term notes of US$500 million which will become due in May 2017. The Group has secured over US$700 million in committed facilities with tenure of three years up to 2019, in which US$551 million are unutilized, to provide the Group with the maximum flexibility in deciding on the timing of either refinancing or repayment of the long-term notes to reduce the Group's overall leverage.

Management of the Company has considered internally generated funds and financial resources available to the Group in adoption of going concern basis in the preparation of the interim financial information.

Except as described in (a) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

2 Basis of Preparation and Accounting Policies (continued)

(a) New Standards and Amendments to Existing Standards Adopted by the Group

The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2016:

HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The application of the above new standards and amendments to existing standards in the current interim period has had no material effect on the amounts reported in the interim financial information and/or disclosures set out in the interim financial information.

(b) New Standards and Amendments to Existing Standards that have been Issued but are not yet Effective and have not been Early Adopted by the Group

The following new standards and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2017 or later periods, but the Group has not early adopted them:

HKAS 7 Amendment	Disclosure Initiative[1]
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

Notes:

1 *Effective for financial periods beginning on or after 1 January 2017*
2 *Effective for financial periods beginning on or after 1 January 2018*
3 *Effective for financial periods beginning on or after 1 January 2019*
4 *Effective date to be determined*

3 Segment Information

The Company is domiciled in Bermuda. The Group is principally engaged in managing the supply chain for retailers and brands worldwide with more than 250 offices across 40 economies spanning across the Americas, Europe, Africa and Asia Pacific. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Group less discounts and returns.

The Group's management (chief operating decision-maker) considers the business principally from the perspective of two global Networks, namely the Trading Network and the Logistics Network. The Trading Network focuses on provision of the global sourcing services via multiple channels, such as buying agent, trading-as-principal for private label merchandise and on-shore wholesale business. The Logistics Network focuses on provision of logistics solutions and freight forwarding services.

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit. This measurement basis includes profit of the operating segments before share of results of associated companies, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related cost. This also excludes any gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items. Other information provided to the Group's management is measured in a manner consistent with that in the financial statements.

3 Segment Information (continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Six months ended 30 June 2016 (Unaudited)				
Turnover	7,649,072	425,073	(3,412)	8,070,733
Total margin	787,877	147,599		935,476
Operating costs	(658,723)	(120,315)		(779,038)
Core operating profit	129,154	27,284		156,438
Amortization of other intangible assets				(17,337)
Gain on disposal of business				7,871
One-off reorganization costs				(5,863)
Operating profit				141,109
Interest income				5,611
Interest expenses				
Non-cash interest expenses				(2,247)
Cash interest expenses				(44,732)
				(46,979)
Share of profits less losses of associated companies				1,582
Profit before taxation				101,323
Taxation				(14,595)
Net profit for the period				86,728
Depreciation and amortization	45,101	8,895		53,996
30 June 2016 (Unaudited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,556,076	655,658		4,211,734

3 Segment Information (continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Six months ended 30 June 2015 (Unaudited)				
Turnover	8,155,545	474,969	(4,903)	8,625,611
Total margin	854,756	128,795		983,551
Operating costs	(695,063)	(106,218)		(801,281)
Core operating profit	159,693	22,577		182,270
Gain on remeasurement of contingent consideration payable				60,151
Amortization of other intangible assets				(17,742)
Operating profit				224,679
Interest income				2,971
Interest expenses				
Non-cash interest expenses				(3,750)
Cash interest expenses				(44,916)
				(48,666)
Share of profits less losses of associated companies				1,475
Profit before taxation				180,459
Taxation				(17,866)
Net profit for the period				162,593
Depreciation and amortization	48,575	8,301		56,876
31 December 2015 (Audited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,890,628	656,403		4,547,031

3 Segment Information (continued)

The geographical analysis of turnover and non-current assets (other than available-for-sale financial assets and deferred tax assets) is as follows:

	Turnover Unaudited Six months ended 30 June		Non-current assets (other than available-for-sale financial assets and deferred tax assets)	
			Unaudited	Audited
			30 June	31 December
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
United States of America	**4,936,008**	5,244,933	**1,994,331**	2,024,579
Europe	**1,346,052**	1,383,281	**1,107,812**	1,161,115
Asia	**1,258,445**	1,351,615	**893,457**	1,127,532
Rest of the world	**530,228**	645,782	**216,134**	233,805
	8,070,733	8,625,611	**4,211,734**	4,547,031

Turnover consists of sales of soft goods, hard goods and logistics income as follows:

	Unaudited Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Soft goods	**4,868,700**	5,120,982
Hard goods	**2,776,289**	3,019,829
Logistics	**425,744**	484,800
	8,070,733	8,625,611

For the six months ended 30 June 2016, approximately 12% (2015: 14%) of the Group's total turnover is derived from a single external customer, which is wholly attributable to the Trading Network.

4 Operating Profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 June 2016 US$'000	2015 US$'000
Crediting		
Gain on remeasurement of contingent consideration payable*	**–**	60,151
Gain on disposal of business*	**7,871**	–
Charging		
Staff costs including directors' emoluments	**504,189**	494,577
One-off reorganization costs*	**5,863**	–
Amortization of system development, software and other license costs	**6,515**	7,516
Amortization of other intangible assets*	**17,337**	17,742
Amortization of prepaid premium for land leases	**57**	64
Depreciation of property, plant and equipment	**30,087**	31,554
Net loss on disposal of property, plant and equipment	**4,553**	2,311

* *Excluded from the core operating profit*

5 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited Six months ended 30 June 2016 US$'000	2015 US$'000
Current taxation		
– Hong Kong profits tax	**1,275**	5,895
– Overseas taxation	**16,085**	13,645
Deferred taxation	**(2,765)**	(1,674)
	14,595	17,866

6 Interim Dividend

	Unaudited Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Proposed, of HK$0.11 (equivalent to US$0.014) (2015: HK$0.13 (equivalent to US$0.017)) per ordinary share *(Note)*	**119,291**	140,980

Note:
Final dividend of US$162,670,000 proposed for the year ended 31 December 2015 were paid in June 2016 (2015: final and special dividends of US$227,541,000 and US$75,847,000 respectively).

7 Earnings per Share

The calculation of basic earnings per share is based on the Group's profit attributable to Shareholders of US$72,315,000 (2015: US$148,685,000) and on the weighted average number of 8,354,869,000 (2015: 8,354,612,000) shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2016 was calculated by adjusting the weighted average number of 8,354,869,000 (2015: 8,354,612,000) ordinary shares in issue by 56,502,000 (2015: 13,871,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Option and Share Award Scheme. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Share Options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Share Options and Award Shares.

8 Capital Expenditure

	Intangible Assets US$'000	Property, Plant and Equipment US$'000
Six months ended 30 June 2016		
Net book amount as at 1 January 2016 (audited)	**4,266,863**	**241,626**
Additions	**8,156**	**38,335**
Disposals	**(2,913)**	**(4,659)**
Disposal of business	**(229,756)**	**(27,255)**
Amortization *(Note (b))*/depreciation charge	**(23,852)**	**(30,087)**
Exchange differences	**(62,641)**	**(4,933)**
Net Book Amount as at 30 June 2016 (unaudited)	**3,955,857**	**213,027**
Six months ended 30 June 2015		
Net book amount as at 1 January 2015 (audited)	4,349,083	244,907
Adjustments to purchase consideration payable for acquisitions and net asset values *(Note (a))*	554	–
Additions	1,288	36,633
Disposals	(8)	(2,384)
Amortization *(Note (b))*/depreciation charge	(25,258)	(31,554)
Exchange differences	1,541	(3,215)
Net Book Amount as at 30 June 2015 (unaudited)	4,327,200	244,387

Notes:

(a) These were adjustments to purchase consideration payable for acquisitions and net asset values related to certain acquisitions of businesses in the prior year, which were previously determined on a provisional basis. During the measurement period of twelve months following a transaction, the Group recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. The corresponding adjustments to intangible assets stated above are adjusting other assets/liabilities of the same amount for the six months ended 30 June 2015.

(b) Amortization of intangible assets included amortization of system development, software and other license costs of US$6,515,000 (2015: US$7,516,000) and amortization of other intangible assets arising from business combinations of US$17,337,000 (2015: US$17,742,000).

At 30 June 2016, no land and buildings were pledged as security for the Group's short-term bank loans (31 December 2015: US$2,545,000).

9 Trade and Bills Receivable

The ageing of trade and bills receivable based on invoice date is as follows:

	Current to 90 Days US$'000	91 to 180 Days US$'000	181 to 360 Days US$'000	Over 360 Days US$'000	Total US$'000
Balance at 30 June 2016 (unaudited)	**1,207,181**	**52,292**	**8,184**	**815**	**1,268,472**
Balance at 31 December 2015 (audited)	1,595,433	83,376	7,900	2,704	1,689,413

All trade and bills receivable are either repayable within one year or on demand. Accordingly, the fair values of the Group's trade and bills receivable were approximately the same as their carrying values as at 30 June 2016. The fair value of the Group's trade and bills receivable balance as at 30 June 2016 has taken into account a provision of US$15.6 million for a particular customer under the Trading Network, which had filed Chapter 11 bankruptcy.

A significant portion of the Group's business is on sight letter of credit, usance letter of credit up to a tenor of 120 days, documents against payment or customers' letter of credit to suppliers. The balance of the business is on open account terms which are often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers internationally dispersed.

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$31,313,000 (31 December 2015: US$33,681,000) to banks in exchange for cash as at 30 June 2016. The transactions have been accounted for as collateralized bank advances.

10 Trade and Bills Payable

The ageing of trade and bills payable based on invoice date is as follows:

	Current to 90 Days US$'000	91 to 180 Days US$'000	181 to 360 Days US$'000	Over 360 Days US$'000	Total US$'000
Balance at 30 June 2016 (unaudited)	**2,101,523**	**30,780**	**4,128**	**8,016**	**2,144,447**
Balance at 31 December 2015 (audited)	2,365,315	80,822	2,885	15,763	2,464,785

The fair values of the Group's trade and bills payable were approximately the same as their carrying values as at 30 June 2016.

11 Long-term Liabilities

	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Long-term bank loans – unsecured	**175,000**	100,000
Long-term notes – unsecured	**1,253,550**	1,253,823
Purchase consideration payable for acquisitions	**228,933**	242,502
Other long-term liabilities	**10,460**	16,420
	1,667,943	1,612,745
Current portion of long-term notes – unsecured	**(499,578)**	–
Current portion of purchase consideration payable for acquisitions	**(74,772)**	(86,266)
	1,093,593	1,526,479

Balance of purchase consideration payable for acquisitions as at 30 June 2016 included performance-based earn-out and earn-up contingent considerations of US$169,021,000 and US$59,912,000 respectively (31 December 2015: US$181,186,000 and US$61,316,000). Earn-out is contingent consideration that would be realized if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated periods of time. Earn-up is contingent consideration that would be realized if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated periods of time.

The basis of the contingent consideration differs for each acquisition; generally however the contingent consideration reflects a specified multiple of the post-acquisition financial profitability of the acquired business. Consequently, the actual additional consideration payable will vary according to the future performance of each individual acquired business, and the liabilities provided reflect estimates of such future performances.

Due to the number of acquisitions for which additional consideration remains outstanding and the variety of bases of determination, it is not practicable to provide any meaningful sensitivity in relation to the critical assumptions concerning future profitability of each acquired business and the potential impact on the gain or loss on remeasurement of contingent consideration payables and goodwill for each acquired businesses.

However, if the total actual contingent consideration payables are 10% higher or lower than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables recognized to the profit and loss account would be US$22,893,000.

12 Share Capital, Share Options and Award Shares

	Number of Shares (in thousand)	HK$'000	Equivalent to US$'000
Authorized			
At 1 January 2016, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 30 June 2016, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and Fully Paid			
At 1 January 2016, ordinary shares of HK$0.0125 each	**8,415,447**	**105,193**	**13,487**
At 30 June 2016, ordinary shares of HK$0.0125 each	**8,415,447**	**105,193**	**13,487**

Details of Share Options granted by the Company pursuant to the 2003 Option Scheme and 2014 Option Scheme and outstanding at 30 June 2016 are as follows:

			Number of Share Options			
Grant Date	Exercise Price HK$	Exercisable Period	As at 1/1/2016	Granted	Lapsed	As at 30/06/2016
22/12/2011	12.12[1]	1/5/2014–30/4/2016	2,000,000	–	(2,000,000)	–
22/12/2011	12.12[1]	1/5/2015–30/4/2017	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2016–30/4/2018	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2017–30/4/2019	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2018–30/4/2020	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2019–30/4/2021	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2020–30/4/2022	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2021–30/4/2023	2,000,000	–	–	2,000,000
21/5/2015	7.49	1/1/2016–31/12/2017	28,274,000	–	–	28,274,000
21/5/2015	7.49	1/1/2017–31/12/2018	29,935,000	–	–	29,935,000
21/5/2015	7.49	1/1/2018–31/12/2019	30,086,000	–	–	30,086,000
16/11/2015	5.81	1/1/2017–31/12/2018	285,000	–	–	285,000
16/11/2015	5.81	1/1/2018–31/12/2019	604,000	–	–	604,000
19/05/2016	4.27	1/1/2018–31/12/2019	–	604,000	–	604,000
		Total	105,184,000	604,000	(2,000,000)	103,788,000

NOTE:

(1) *Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$14.50 to HK$12.12 with effect from 31 August 2014.*

Subsequent to 30 June 2016, no Shares have been allotted and issued under the Share Option Scheme.

The Share Options outstanding at 30 June 2016 had a weighted average remaining contractual life of 2.71 years (31 December 2015: 3.15 years).

12 Share Capital, Share Options and Award Shares (continued)

Details of Award Shares granted by the Company pursuant to the Share Award Scheme and outstanding at 30 June 2016 are as follows:

Grant Date	Fair Value per Share HK$	Vesting Date	Number of Award Shares As at 1/1/2016	Granted	Unvested/ Forfeited	As at 30/06/2016
21/5/2015	7.49	31/12/2016	13,108,100	–	(779,300)	12,328,800
21/5/2015	7.49	31/12/2017	20,097,500	–	(1,198,100)	18,899,400
21/5/2015	7.49	31/12/2018	13,914,300	–	(836,100)	13,078,200
21/5/2015	7.49	31/12/2019	6,994,300	–	(419,300)	6,575,000
16/11/2015	5.33	31/12/2016	100,600	–	(5,800)	94,800
16/11/2015	5.33	31/12/2017	346,400	–	(19,200)	327,200
16/11/2015	5.33	31/12/2018	342,100	–	(18,800)	323,300
16/11/2015	5.33	31/12/2019	245,900	–	(13,200)	232,700
19/5/2016	4.27	31/12/2016	–	10,400	–	10,400
19/5/2016	4.27	31/12/2017	–	394,500	–	394,500
19/5/2016	4.27	31/12/2018	–	381,700	–	381,700
19/5/2016	4.27	31/12/2019	–	373,400	–	373,400
		Total	55,149,200	1,160,000	(3,289,800)	53,019,400

The fair value of the Award Shares was calculated based on the market price of the Company's shares at the respective grant date.

During the period, a total of 1,160,000 Award Shares were granted. 22,000 Award Shares granted to a connected person were purchased from open market and 1,138,000 Award Shares granted to non-connected persons were applied from the 3,289,800 Award Shares which had not been vested and/or been forfeited in accordance with the terms of the Share Award Scheme.

13 Perpetual Capital Securities

On 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$500 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amount as at 30 June 2016 included the accrued distribution payments net off by the actual distribution to holders during the period. For the period ended 30 June 2016, the accrued distribution payment was US$3,000,000 (31 December 2015: US$3,000,000) and the actual distribution to holders was US$15,000,000 (31 December 2015: US$30,000,000).

14 Other Reserves

	Unaudited								
	Treasury Shares US$'000 *(Note (a))*	Capital Reserve US$'000 *(Note (b))*	Contributed Surplus US$'000	Employee Share-based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2016	(13,300)	2,306	710,000	54,662	2,845	2,812	(11,129)	(193,293)	554,903
Other Comprehensive (Expense)/ Income									
Currency translation differences	–	–	–	–	–	–	–	(55,792)	(55,792)
Net fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	86	–	–	–	86
Net fair value gains on cash flow hedges, net of tax	–	–	–	–	–	2,066	–	–	2,066
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	1	–	1
Transactions with Owners in their Capacity as Owners									
Purchase of shares for Share Award Scheme	(12)	–	–	–	–	–	–	–	(12)
Employee Share Option and Share Award Scheme:									
– value of employee services	–	–	–	11,590	–	–	–	–	11,590
Transfer to capital reserves	–	61	–	–	–	–	–	–	61
Balance at 30 June 2016	(13,312)	2,367	710,000	66,252	2,931	4,878	(11,128)	(249,085)	512,903

14 Other Reserves (continued)

	Unaudited								
	Treasury Shares US$'000 *(Note (a))*	Capital Reserve US$'000 *(Note (b))*	Contributed Surplus US$'000	Employee Share-based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2015	(6,739)	3,922	710,000	37,049	2,719	8,889	(11,066)	(110,676)	634,098
Other Comprehensive Income/ (Expense)									
Currency translation differences	–	–	–	–	–	–	–	8,576	8,576
Net fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	76	–	–	–	76
Net fair value losses on cash flow hedges, net of tax	–	–	–	–	–	(8,322)	–	–	(8,322)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	2	–	2
Transactions with Owners in their Capacity as Owners									
Issue of shares for Share Award Scheme	(89)	–	–	–	–	–	–	–	(89)
Purchase of shares for Share Award Scheme	(7,300)	–	–	–	–	–	–	–	(7,300)
Employee Share Option and Share Award Scheme:									
– value of employee services	–	–	–	4,164	–	–	–	–	4,164
Transfer to capital reserves	–	92	–	–	–	–	–	–	92
Balance at 30 June 2015	(14,128)	4,014	710,000	41,213	2,795	567	(11,064)	(102,100)	631,297

Notes:

(a) Treasury shares represent the excess shares issued for settlement of consideration for certain prior year acquisitions held by escrow agent and shares issued and purchased for Share Award Scheme held by the trustee.

(b) Capital reserve represents amount set aside from the profit of certain overseas subsidiaries of the Group in accordance with local statutory requirements.

15 Disposal of Business

(a) Details of net assets of disposed business at date of disposal are set out below:

	Unaudited 2016 US$'000
Net assets disposed	
Non-current assets	278,186
Current assets	537,853
Current liabilities	(498,443)
Non-current liabilities	(3,002)
Less: Non-controlling interests	(4,255)
Book value of net assets disposed	310,339

(b) Analysis of net inflow of cash and cash equivalents in respect of disposal of business:

	Unaudited 2016 US$'000
Consideration received net of expenses paid	290,407
Settlement of amount due from the disposed business to the Group	65,917
Less: Cash and cash equivalents of the disposed business	(55,155)
Net inflow of cash and cash equivalents in respect of disposal of business	301,169

(c) Analysis of net gain on disposal of business:

	Unaudited 2016 US$'000
Estimated consideration net of expenses incurred	318,210
Less: Net assets disposed	(310,339)
Net gain on disposal of business	7,871

16 Contingent Liabilities

	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Guarantees in respect of banking facilities granted to associated companies	**750**	750

17 Commitments

(a) Operating Lease Commitments

As at 30 June 2016, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Within one year	**113,378**	139,170
In the second to fifth year inclusive	**184,681**	209,399
After the fifth year	**96,662**	119,010
	394,721	467,579

(b) Capital Commitments

	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Contracted but not provided for:		
Property, plant and equipment	**3,724**	1,945
System development, software and other license costs	**479**	1,170
	4,203	3,115

18 Charges on Assets

Save as disclosed in *Note 8*, there were no charges on the Group's assets as at 30 June 2016 and 31 December 2015.

19 Related Party Transactions

The Group had the following material transactions with its related parties during the period ended 30 June 2016 and 2015:

		Unaudited Six months ended 30 June	
		2016	2015
	Note	**US$'000**	US$'000
Distribution and sales of goods	*(i)*	**11,124**	10,945
Operating leases rental paid	*(ii)*	**13,276**	12,845
Turnover on buying agency services provided	*(iii)*	**628,238**	698,277
Rental and license fee paid	*(iv)*	**816**	1,117
Rental and license fee received	*(iv)*	**1,518**	1,801
Logistics related services income	*(v)*	**7,066**	5,527

Notes:

(i) Pursuant to the master distribution and sale of goods agreement entered into on 5 December 2014 with FH (1937) for a term of three years ending 31 December 2017, certain distribution and sales of goods was made on mutually agreed normal commercial terms with FH (1937) and its associates.

(ii) Pursuant to the master agreement for leasing of properties dated 6 December 2013 entered into with FH (1937) for a term of three years ending 31 December 2016, the Group had rental charge for certain properties leased from FH (1937) and its associates during the period based on mutually agreed normal commercial terms.

(iii) Pursuant to the buying agency agreement entered into with Global Brands Group on 24 June 2014, the Group provided buying agency services to Global Brands Group and its associates for a term of three years from the listing date of Global Brands Group. For the six months ended 30 June 2016, the Group provided buying agency services to Global Brands Group with an aggregate turnover of approximately US$628,238,000 (2015: US$698,277,000).

(iv) Pursuant to the master property agreement entered into with Global Brands Group on 24 June 2014, the Group and Global Brands Group had rental and license fee to and from one another for certain properties and license offices, showroom and warehouse premises on mutually agreed terms from the listing date of Global Brands Group to 31 December 2016. For the six months ended 30 June 2016, aggregate rental and license fee paid to and from one another approximated to US$2,334,000 (2015: US$2,918,000).

(v) Pursuant to the master agreement for provision of logistics-related services entered into on 20 August 2015, the Group provided certain logistics-related services to FH (1937) and its associates during the period. The aggregate service income, excluding the passed-through costs for direct freight forwarding, approximated to US$7,066,000 (2015: US$5,527,000).

Save as above, the Group had no material related party transactions during the period.

20 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market Risk

(I) FOREIGN EXCHANGE RISK

Most of the Group's cash balances were deposits in HK$ and US$ with major global financial institutions, and most of the Group's borrowings were denominated in US$.

The Group's revenues and payments were transacted mainly in the same currency, predominantly in US$. Therefore, it considers there to be no significant risk exposure in relation to foreign exchange rate fluctuations. There are small portions of sales and purchases transacted in different currencies, for which the Group arranges hedging by means of foreign exchange forward contracts.

While the Group's net revenue is substantially in US$, the Group is exposed to currency fluctuation on operating costs in sourcing countries such as China, Bangladesh, Vietnam, Korea and India to a certain extent. The Group manages such foreign currency risks through the following measures:

(i) From a short-term perspective, the Group arranges foreign exchange forward contracts for hedging on operating costs in individual countries as and when appropriate; and

(ii) From a medium-to-long-term perspective, the Group manages the operations in the most cost-effective way possible within our global network.

The Group in general does not enter into foreign currency hedges in respect of its long-term equity investment. In particular, the Group's net equity investments in non-US dollar-denominated on-shore wholesale business under the Trading Network are subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US dollar 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.

The Group strictly prohibits any financial derivative arrangement merely for speculation.

20 Financial Risk Management (continued)

(a) Market Risk (continued)

(II) PRICE RISK

The Group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets. The Group maintains these investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 30 June 2016 and up to the date of the Group's interim financial information, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies ((i) above). At 30 June 2016, fair value of foreign exchange forward contracts entered into by the Group amounted to US$3,100,000 (31 December 2015: US$4,272,000), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments assets.

(III) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from US dollar denominated bank borrowings and the US dollar denominated long-term notes issued. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

20 Financial Risk Management (continued)

(b) Credit Risk

Credit risk mainly arises from trade and other receivables. The Group has stringent policies in place to manage its credit risk with such receivables, which include but are not limited to the measures set out below:

(i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing on the trade terms with individual customers. It is not uncommon for the Group to require securities (such as standby or commercial letter of credit, or bank guarantee) from customers who fall short of the required minimum score under its risk assessment system;

(ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;

(iii) It has in place a system with a dedicated team and tighten policies to ensure on-time recoveries from its trade debtors; and

(iv) It has set up rigid policies internally on provisions made for both inventories and receivables to motivate its business managers to step up their efforts in these two areas and to avoid any significant impact on their financial performance.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities from the Group's bankers.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow.

21 Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2016:

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets				
– Club debentures	**–**	**–**	**3,940**	**3,940**
Derivative financial instrument used for hedging	**–**	**3,100**	**–**	**3,100**
Total Assets	**–**	**3,100**	**3,940**	**7,040**
Liabilities				
Purchase consideration payable for acquisitions	**–**	**–**	**228,933**	**228,933**
Total Liabilities	**–**	**–**	**228,933**	**228,933**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2015:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets				
– Club debentures	–	–	3,854	3,854
Derivative financial instrument used for hedging	–	4,272	–	4,272
Total Assets	–	4,272	3,854	8,126
Liabilities				
Purchase consideration payable for acquisitions	–	–	242,502	242,502
Total Liabilities	–	–	242,502	242,502

21 Fair Value Estimation (continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfer of assets between level 1, level 2 and level 3 fair value hierarchy classifications during the period.

The following summarizes the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING

The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using discounted cash flow analysis. These valuations maximize the use of observable market data. Foreign currency exchange prices are the key observable inputs in the valuation.

PURCHASE CONSIDERATION PAYABLE FOR ACQUISITIONS

The Group recognizes the fair value of those purchase considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgment on time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 2.5%.

21 Fair Value Estimation (continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2016 and 2015:

	2016		2015	
	Purchase Consideration Payable for Acquisitions US$'000	Others US$'000	Purchase Consideration Payable for Acquisitions US$'000	Others US$'000
Opening balance as at 1 January (audited)	**242,502**	**3,854**	458,080	3,709
Fair value gains	**–**	**86**	–	76
Settlement	**(13,607)**	**–**	(15,941)	–
Remeasurement of purchase consideration payable for acquisitions	**–**	**–**	(60,151)	–
Others	**38**	**–**	3,946	19
Closing Balance as at 30 June (unaudited)	**228,933**	**3,940**	385,934	3,804

22 Approval of Interim Financial Information

The interim financial information was approved by the Board of Directors on 25 August 2016.

Independent auditor's report

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF LI & FUNG LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Li & Fung Limited (the "Company") and its subsidiaries set out on pages 127 to 223, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this Report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2016

Financial statements

Notes to the financial statements

Consolidated profit and loss account

For the year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Continuing Operations			
Turnover	3	**18,830,835**	19,288,499
Cost of sales		**(16,671,655)**	(17,106,990)
Gross profit		**2,159,180**	2,181,509
Other income		**29,645**	62,724
Total margin		**2,188,825**	2,244,233
Selling and distribution expenses		**(633,653)**	(617,178)
Merchandising and administrative expenses		**(1,042,748)**	(1,022,912)
Core operating profit	3	**512,424**	604,143
Gain on remeasurement of contingent consideration payable	4	**116,973**	176,007
Amortization of other intangible assets	4	**(34,412)**	(35,462)
One-off reorganization costs		**–**	(19,763)
Other non-core operating expenses	4	**–**	(1,300)
Operating profit	4	**594,985**	723,625
Interest income		**9,761**	6,984
Interest expenses	5		
Non-cash interest expenses		**(6,662)**	(9,976)
Cash interest expenses		**(92,879)**	(95,203)
		(99,541)	(105,179)
Share of profits less losses of associated companies	14	**1,570**	1,373
Profit before taxation		**506,775**	626,803
Taxation	6	**(57,890)**	(59,035)
Profit for the year from Continuing Operations		**448,885**	567,768
Discontinued Operations			
Loss for the period from Discontinued Operations	31	**–**	(98,122)
Net profit for the year		**448,885**	469,646
Attributable to:			
Shareholders of the Company		**421,046**	441,276
Holders of perpetual capital securities		**30,000**	30,000
Non-controlling interests		**(2,161)**	(1,630)
		448,885	469,646

Consolidated profit and loss account (continued)
For the year ended 31 December 2015

	Note	**2015 US$'000**	2014 US$'000
Attributable to Shareholders of the Company arising from:			
Continuing Operations		**421,046**	539,398
Discontinued Operations		**–**	(98,122)
		421,046	441,276
Earnings/(losses) per share for profit/(loss) attributable to the Shareholders of the Company during the year	*7*		
Basic		**39.1 HK cents**	41.1 HK cents
(equivalent to)		**5.04 US cents**	5.29 US cents
– from Continuing Operations		**39.1 HK cents**	50.3 HK cents
(equivalent to)		**5.04 US cents**	6.46 US cents
– from Discontinued Operations		**–**	(9.2) HK cents
(equivalent to)		**–**	(1.17) US cents
Diluted		**39.0 HK cents**	41.1 HK cents
(equivalent to)		**5.02 US cents**	5.29 US cents
– from Continuing Operations		**39.0 HK cents**	50.3 HK cents
(equivalent to)		**5.02 US cents**	6.46 US cents
– from Discontinued Operations		**–**	(9.2) HK cents
(equivalent to)		**–**	(1.17) US cents

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	2015 US$'000	2014 US$'000
Net Profit for the Year	**448,885**	469,646
Other Comprehensive (Expense)/Income:		
Items that will not be reclassified to profit or loss		
Remeasurements from post-employment benefits recognized in reserve, net of tax	**(63)**	(728)
Total Items that will not be Reclassified to Profit or Loss	**(63)**	(728)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences*	**(83,932)**	(92,158)
Net fair value (losses)/gains on cash flow hedges, net of tax	**(6,077)**	10,302
Net fair value gains on available-for-sale financial assets, net of tax	**126**	40
Total Items that may be Reclassified Subsequently to Profit or Loss	**(89,883)**	(81,816)
Total Other Comprehensive Expense for the Year, Net of Tax	**(89,946)**	(82,544)
Total Comprehensive Income for the Year	**358,939**	387,102
Attributable to:		
Shareholders of the Company	**332,415**	358,556
Holders of perpetual capital securities	**30,000**	30,000
Non-controlling interests	**(3,476)**	(1,454)
Total Comprehensive Income for the Year	**358,939**	387,102
Attributable to Shareholders of the Company Arising From:		
Continuing Operations	**332,415**	457,778
Discontinued Operations	**–**	(99,222)
	332,415	358,556

* *Exchange differences resulting from translation of the results and financial positions of the Group entities with functional currencies other than the Group's presentation currency.*

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2015

	Note	As at 31 December 2015 US$'000	2014 US$'000
Non-current Assets			
Intangible assets	*11*	**4,266,863**	4,349,083
Property, plant and equipment	*12*	**241,626**	244,907
Prepaid premium for land leases	*13*	**1,942**	2,498
Associated companies	*14*	**10,070**	11,890
Joint venture	*15*	**313**	–
Available-for-sale financial assets	*16*	**3,854**	3,709
Other receivables, prepayments and deposits	*20*	**26,217**	7,570
Deferred tax assets	*29*	**36,527**	32,493
		4,587,412	4,652,150
Current Assets			
Inventories	*17*	**566,002**	565,291
Due from related companies	*18*	**486,939**	511,965
Trade and bills receivable	*20*	**1,689,413**	1,864,021
Other receivables, prepayments and deposits	*20*	**256,818**	333,743
Derivative financial instruments	*19*	**4,272**	11,323
Cash and bank balances	*21*	**342,243**	538,529
		3,345,687	3,824,872
Current Liabilities			
Due to related companies	*18*	**1,038**	48
Trade and bills payable	*22*	**2,464,785**	2,561,172
Accrued charges and sundry payables	*22*	**601,129**	692,427
Purchase consideration payable for acquisitions	*27*	**86,266**	134,468
Taxation		**56,463**	116,719
Bank advances for discounted bills	*20*	**33,681**	33,834
Short-term bank loans	*23*	**95,819**	162,850
		3,339,181	3,701,518
Net Current Assets		**6,506**	123,354
Total Assets Less Current Liabilities		**4,593,918**	4,775,504

	Note	As at 31 December 2015 US$'000	2014 US$'000
Financed by:			
Share capital	*24*	**13,487**	13,398
Reserves		**2,489,386**	2,585,086
Shareholders' funds attributable to the Company's Shareholders		**2,502,873**	2,598,484
Holders of perpetual capital securities	*26*	**503,000**	503,000
Non-controlling interests		**4,293**	8,594
Total Equity		**3,010,166**	3,110,078
Non-current Liabilities			
Long-term notes	*27*	**1,253,823**	1,254,369
Purchase consideration payable for acquisitions	*27*	**156,236**	323,612
Other long-term liabilities	*27*	**116,420**	25,375
Post-employment benefit obligations	*28*	**21,909**	22,299
Deferred tax liabilities	*29*	**35,364**	39,771
		1,583,752	1,665,426
		4,593,918	4,775,504

William Fung Kwok Lun
Group Chairman

Spencer Theodore Fung
Group Chief Executive Officer

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities	Non-controlling Interests	Total Equity
	Share Capital US$'000 *(Note 24)*	Share Premium US$'000	Other Reserves US$'000 *(Note 25)*	Retained Earnings US$'000	Total US$'000	US$'000 *(Note 26)*	US$'000	US$'000
Balance at 1 January 2015	13,398	699,476	634,098	1,251,512	2,598,484	503,000	8,594	3,110,078
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	421,046	421,046	30,000	(2,161)	448,885
Other Comprehensive (Expense)/ Income								
Currency translation differences	–	–	(82,617)	–	(82,617)	–	(1,315)	(83,932)
Net fair value gains on available-for-sale financial assets, net of tax	–	–	126	–	126	–	–	126
Net fair value losses on cash flow hedges, net of tax	–	–	(6,077)	–	(6,077)	–	–	(6,077)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	(63)	–	(63)	–	–	(63)
Total other comprehensive expense, net of tax	–	–	(88,631)	–	(88,631)	–	(1,315)	(89,946)
Total Comprehensive (Expense)/ Income	–	–	(88,631)	421,046	332,415	30,000	(3,476)	358,939
Transactions with Owners in their Capacity as Owners								
Issue of shares for Share Award Scheme	89	–	(89)	–	–	–	–	–
Purchase of shares for Share Award Scheme	–	–	(7,300)	–	(7,300)	–	–	(7,300)
Employee Share Option and Share Award Scheme:								
– value of employee services	–	–	23,583	–	23,583	–	–	23,583
– vesting of shares for Share Award Scheme	–	5,142	(5,142)	–	–	–	–	–
Distribution to holders of perpetual capital securities	–	–	–	–	–	(30,000)	–	(30,000)
Transfer from capital reserve	–	–	(1,616)	1,616	–	–	–	–
2014 final and special dividend paid	–	–	–	(303,388)	(303,388)	–	(825)	(304,213)
2015 interim dividend paid	–	–	–	(140,921)	(140,921)	–	–	(140,921)
Total Transactions with Owners in their Capacity as Owners	89	5,142	9,436	(442,693)	(428,026)	(30,000)	(825)	(458,851)
Balance at 31 December 2015	13,487	704,618	554,903	1,229,865	2,502,873	503,000	4,293	3,010,166

	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities	Non-controlling Interests	Total Equity
	Share Capital US$'000 *(Note 24)*	Share Premium US$'000	Other Reserves US$'000 *(Note 25)*	Retained Earnings US$'000	Total US$'000	US$'000 *(Note 26)*	US$'000	US$'000
Balance at 1 January 2014	13,398	3,699,476	6,503	1,317,260	5,036,637	503,000	10,048	5,549,685
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	441,276	441,276	30,000	(1,630)	469,646
Other Comprehensive (Expense)/ Income								
Currency translation differences	–	–	(92,334)	–	(92,334)	–	176	(92,158)
Net fair value gains on available-for-sale financial assets, net of tax	–	–	40	–	40	–	–	40
Net fair value gains on cash flow hedges, net of tax	–	–	10,302	–	10,302	–	–	10,302
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	(728)	–	(728)	–	–	(728)
Total other comprehensive (expense)/ income, net of tax	–	–	(82,720)	–	(82,720)	–	176	(82,544)
Total Comprehensive (Expense)/ Income	–	–	(82,720)	441,276	358,556	30,000	(1,454)	387,102
Transactions with Owners in their Capacity as Owners								
Employee Share Option Scheme:								
– value of employee services	–	–	228	–	228	–	–	228
Distribution to holders of perpetual capital securities	–	–	–	–	–	(30,000)	–	(30,000)
Share premium reduction	–	(3,000,000)	3,000,000	–	–	–	–	–
Transfer to capital reserve	–	–	87	(87)	–	–	–	–
2013 final dividend paid	–	–	–	(366,779)	(366,779)	–	–	(366,779)
2014 interim dividend paid	–	–	–	(140,158)	(140,158)	–	–	(140,158)
Distribution in specie	–	–	(2,290,000)	–	(2,290,000)	–	–	(2,290,000)
Total Transactions with Owners in their Capacity as Owners	–	(3,000,000)	710,315	(507,024)	(2,796,709)	(30,000)	–	(2,826,709)
Balance at 31 December 2014	13,398	699,476	634,098	1,251,512	2,598,484	503,000	8,594	3,110,078

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Continuing Operations			
Operating Activities			
Net cash inflow generated from operations	*30(a)*	**608,764**	692,565
Hong Kong profits tax paid		**(19,040)**	(12,584)
Overseas taxation paid		**(45,796)**	(42,042)
Net Cash Inflow from Operating Activities		**543,928**	637,939
Investing Activities			
Purchases of property, plant and equipment	*12*	**(78,090)**	(75,299)
Payments for system development, software, license and other intangible assets		**(5,299)**	(11,124)
Settlement of consideration payable for prior years acquisitions of businesses		**(102,268)**	(189,930)
Acquisitions of businesses		**–**	(34,285)
Payment on behalf of a related company		**–**	(57,134)
Proceeds from disposal of property, plant and equipment		**4,560**	2,678
Proceeds from disposal of an associated company		**1,379**	–
Interest income		**9,761**	6,984
Dividends received from associated companies	*14*	**1,436**	595
Investing in a joint venture	*15*	**(313)**	–
Net Cash Outflow from Investing Activities		**(168,834)**	(357,515)
Net Cash Inflow before Financing Activities		**375,094**	280,424
Financing Activities			
Interest paid		**(92,879)**	(95,203)
Distributions made to holders of perpetual capital securities		**(30,000)**	(30,000)
Dividends paid		**(445,134)**	(506,937)
Purchase of shares for Share Award Scheme		**(7,300)**	–
Net drawdown/(repayment) of bank loans	*30(b)*	**15,969**	(28,594)
Net Cash Outflow from Financing Activities		**(559,344)**	(660,734)
Decrease in Cash and Cash Equivalents from Continuing Operations*		**(184,250)**	(380,310)
Discontinued Operations			
Increase in cash and cash equivalents from Discontinued Operations*		**–**	668,374
(Decrease)/Increase in Cash and Cash Equivalents		**(184,250)**	288,064

* *Change in cash and cash equivalents before financing activities between Continuing Operations and Discontinued Operations.*

	Note	2015 US$'000	2014 US$'000
Cash and Cash Equivalents at 1 January			
Continuing Operations		**538,529**	344,471
Discontinued Operations		**–**	115,088
		538,529	459,559
(Decrease)/Increase in Cash and Cash Equivalents		**(184,250)**	288,064
Effect of foreign exchange rate changes		**(12,036)**	(4,493)
Distribution in specie	*30(c)*	**–**	(204,601)
Cash and Cash Equivalents of Continuing Operations at 31 December		**342,243**	538,529
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	*21*	**342,243**	538,529

Movement of Cash and Cash Equivalents*

		2015 US$'000		2014 US$'000
Cash and Cash Equivalents at 1 January				
Continuing Operations		**538,529**		344,471
Discontinued Operations		**–**		115,088
		538,529		459,559
Continuing Operations				
Decrease in Cash and cash equivalents	**(184,250)**		(380,310)	
Loan repayment from Discontinued Operations	**–**		593,821	
Capital injection to Discontinued Operations	**–**		(15,000)	
(Decrease)/Increase in Cash and Cash Equivalents from Continuing Operations		**(184,250)**		198,511
Discontinued Operations				
Increase in cash and cash equivalents	**–**		668,374	
Loan repayment to Continuing Operations	**–**		(593,821)	
Capital injection from Continuing Operations	**–**		15,000	
Increase in Cash and Cash Equivalents from Discontinued Operations		**–**		89,553
Effect of foreign exchange rate changes		**(12,036)**		(4,493)
Distribution in specie		**–**		(204,601)
Cash and Cash Equivalents of Continuing Operations at 31 December		**342,243**		538,529

* *Additional information to illustrate the cash flow effect including financing activities between the Continuing Operations and the Discontinued Operations.*

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Notes to the financial statements

1 Basis of Preparation and Principal Accounting Policies

The basis of preparation and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

On 8 July 2014, the Group spun-off its licensed brands and controlled brands businesses, named as the Global Brands Group, via a distribution in specie. The financial results of the Global Brands Group for the period ended 8 July 2014 were presented as Discontinued Operations.

1.1 Basis of Preparation

The consolidated financial statements of Li & Fung Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative instruments and contingent consideration payable) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in *Note 2*.

(A) AMENDMENTS TO EXISTING STANDARDS ADOPTED BY THE GROUP

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2015:

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The application of the above amendments to existing standards in the current year has had no material effect on the Group's reported financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.1 Basis of Preparation (continued)

(B) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The following new standards and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods, but the Group has not early adopted them:

HKAS 1 Amendment	Disclosure Initiative[1]
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants[1]
HKAS 27 Amendment	Equity Method in Separate Financial Statements[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[1]

NOTES:
1. *Effective for annual periods beginning on or after 1 January 2016*
2. *Effective for annual periods beginning on or after 1 January 2018*
3. *Effective date to be determined*

The Group is in the process of making an assessment of the impact of these new standards and amendments to existing standards upon initial application.

(C) NEW HONG KONG COMPANIES ORDINANCE (CAP. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

1.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2015.

(A) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(A) SUBSIDIARIES (continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration for the acquisition of a subsidiary is the aggregate of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill *(Note 1.6)*. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies and financial information of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses *(Note 1.7)*. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(B) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(C) ASSOCIATED COMPANIES

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition *(Note 1.6)*.

The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profits less losses of associated companies" in the consolidated profit and loss account.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of associated companies has been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognized in the consolidated profit and loss account.

(D) JOINT VENTURES

Under the equity method of accounting, interests in joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified for making strategic decisions.

1.4 Foreign Currency Translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollar, which is the Company's functional and presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in other comprehensive income.

(C) GROUP COMPANIES

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.4 Foreign Currency Translation (continued)

(C) GROUP COMPANIES (continued)

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

1.5 Property, Plant and Equipment

(A) LAND AND BUILDINGS

Freehold land is stated at cost less impairment.

Buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

(B) OTHER PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment, comprising leasehold improvements, furniture, fixtures and equipment, plant and machinery, motor vehicles and company boat, are stated at cost less accumulated depreciation and accumulated impairment losses.

(C) DEPRECIATION AND IMPAIRMENT

Freehold land is not depreciated. Other classes of property, plant and equipment are depreciated at rates sufficient to allocate their costs less accumulated impairment losses to their residual values over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	shorter of lease term or useful life
Buildings and leasehold improvements	2% – 20%
Furniture, fixtures and equipment	6⅔% – 33⅓%
Plant and machinery	10% – 15%
Motor vehicles and company boat	15% – 20%

1 Basis of Preparation and Principal Accounting Policies (continued)

1.5 Property, Plant and Equipment (continued)

(C) DEPRECIATION AND IMPAIRMENT (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 1.7)*. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are expensed in the consolidated profit and loss account during the financial period in which they are incurred.

(D) GAIN OR LOSS ON DISPOSAL

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant item, and is recognized in the consolidated profit and loss account.

1.6 Intangible Assets

(A) GOODWILL

Goodwill represents the excess of the considerations transferred over the net fair value of the Group's share of the net identifiable assets/liabilities and contingent liabilities of the acquired business/associated company/joint venture at the date of acquisition *(Note 1.2(a))*. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies and joint ventures is included in interests in associated accompanies and joint ventures and is tested annually for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. Each unit or groups of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purpose.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.6 Intangible Assets (continued)

(B) SYSTEM DEVELOPMENT, SOFTWARE AND OTHER LICENSE COSTS

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful lives of 3 to 10 years.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

System development costs recognized as assets are amortized over their estimated useful lives of 3 to 10 years.

Brand licenses are license contracts entered into with the brandholders by the Group in the capacity as licensee. Brand licenses are capitalized based on the upfront costs incurred and the present value of guaranteed royalty payments to be made subsequent to the inception of the license contracts. Brand licenses are amortized based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 10 years.

(C) OTHER INTANGIBLE ASSETS

Intangible assets, other than goodwill, identified on business combinations are capitalized at their fair values. They represent mainly trademarks, buying agency agreements secured, and relationships with customers and licensors. Intangible assets arising from business combinations with definite useful lives are amortized on a straight-line basis from the date of acquisition over their estimated useful lives ranging from 5 to 20 years.

1.7 Impairment of Investments in Subsidiaries, Associated Companies, Joint Ventures and Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associated companies or joint venture is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associated companies or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.8 Discontinued Operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated profit and loss account, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

1.9 Financial Assets

CLASSIFICATION

The Group classifies its financial assets as either loans and receivables or available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(A) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivable", "other receivables, prepayments and deposits", "cash and bank balances" and "amounts due from related companies" in the balance sheet *(Note 1.12)*.

(B) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.9 Financial Assets (continued)

RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in consolidated profit or loss; translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair values of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated profit and loss account as net investment loss.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated profit and loss account as part of interest income. Dividends on available-for-sale equity instruments are recognized in the consolidated profit and loss account as part of other revenues when the Group's right to receive payments is established.

1.10 Impairment of Financial Assets

(A) ASSETS CLASSIFIED AS LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.10 Impairment of Financial Assets (continued)

(A) ASSETS CLASSIFIED AS LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST (continued)

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated profit and loss account.

(B) ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (A) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated profit and loss account. Impairment losses recognized in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the separate consolidated profit and loss account.

1.11 Inventories

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realizable value. Cost, calculated on a first-in, first-out (FIFO) basis, comprises purchase prices of inventories and direct costs (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.12 Trade and Other Receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated profit and loss account within selling expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the consolidated profit and loss account.

1.13 Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.14 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.16 Current and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.17 Employee Benefits

(A) EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave entitlements as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(B) DISCRETIONARY BONUS

The expected costs of discretionary bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for discretionary bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(C) POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group participates in a number of defined contribution plans and defined benefit plans throughout the world, the assets of which are generally held in separate trustee – administrated funds. The defined benefit pension plans are generally funded by payments from employees and by the relevant Group companies, taking into account the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution plans are charged to the consolidated profit and loss account in the year to which the contributions relate.

For defined benefit plans, pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans on an annual basis. The pension obligation is measured as the present value of the estimated future cash outflows, discounted by reference to market yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. In countries where there is no deep market in such bonds, the market yields on government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the consolidated profit and loss account.

The Group's net obligation in respect of long-service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The obligation is calculated using the projected unit credit method by a qualified actuary. The discount rate is determined by reference to market yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. In countries where there is no deep market in such bonds, the market yields on government bonds are used.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(D) SHARE-BASED COMPENSATION

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options/share awards is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options/share awards granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sale growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance vesting conditions are included in assumptions about the number of options/share awards that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates on the number of options/share awards that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated profit and loss account, with a corresponding adjustment to employee share-based compensation reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(E) SHARE-BASED PAYMENT TRANSACTIONS AMONG GROUP ENTITIES

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity's financial statements.

1.18 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.19 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

1.20 Total Margin

Total margin includes gross profit and other recurring income relating to the trading and logistics businesses.

1.21 Core Operating Profit

Core operating profit is the profit before taxation generated from the Group's trading and logistics businesses excluding share of results of associated companies, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related cost. This also excludes gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items.

1.22 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

A service income is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.22 Revenue Recognition (continued)

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

Dividend income is recognized when the right to receive payment is established.

Other income incidental to normal operating activities is recognized when the services are rendered or the right to receive payment is established.

1.23 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

1.24 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease. The upfront prepayments made for leasehold land and land use rights are amortized on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

1.25 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the fair values of hedging derivatives are included within shareholders' equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. Trading derivatives are classified as a current asset or liability.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.25 Derivative Financial Instruments and Hedging Activities (continued)

(A) CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated profit and loss account.

Amounts accumulated in equity are recycled to the consolidated profit and loss account in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognized in the consolidated profit and loss account within sales. The gain or loss relating to the ineffective portion is recognized in the consolidated profit and loss account within other gains/(losses) – net. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory, or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated profit and loss account.

(B) DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives financial instruments recognized at fair value through profit or loss include certain derivative instruments that do not qualify for hedge accounting and conversion right embedded in convertible promissory note *(Note 19)*. Both are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair values of derivative financial instruments are recognized immediately in the consolidated profit and loss account.

1.26 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

1.27 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.28 Treasury Shares

In relation to certain business combinations and Share Award Scheme, the Company may issue or purchase shares to escrow agents for the settlement of acquisition consideration payables and to the trustee of Share Award Scheme. The shares, valued at the agreed upon issue price or purchase price, including any directly attributable incremental costs, are presented as "treasury shares" and deducted from total equity. The number of shares held by escrow agent for settlement of acquisition consideration and by the trustee of Share Award Scheme would be eliminated against the corresponding amount of share capital issued in the calculation of the earnings per share for profit attributable to the shareholders of the Company.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.29 Financial Guarantee Contract

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. The Company's liabilities under such guarantees are subsequently measured at the higher of the initial amount, less amortization of fees recognized in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on the experience of similar transactions and history of past losses, supplemented by the judgment of management. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated profit and loss account within administrative expenses.

2 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) Estimated Impairment of Intangible Assets including Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in *Note 1.6*. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates *(Note 11)*.

(B) Useful Lives of Intangible Assets

The Group amortizes its intangible assets with finite useful lives on a straight-line basis over their estimated useful lives. The estimated useful lives reflect the management's estimates of the periods that the Group intends to derive future economic benefits from the use of these intangible assets.

(C) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2 Critical Accounting Estimates and Judgments (continued)

(D) Contingent Considerations of Acquisitions

Certain of the Group's business acquisitions have involved post-acquisition performance-based contingent considerations. HKFRS 3 (Revised) is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group follows the requirement of HKFRS 3 (Revised) to recognize the fair value of those contingent considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses/subsidiaries. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired subsidiaries/business and significant judgment on time value of money. Contingent considerations shall be remeasured at their fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognized in the consolidated profit and loss account in accordance with HKFRS 3 (Revised). For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised) for the Group, changes in the fair values of contingent consideration are recognized in goodwill.

The basis of the contingent consideration differs for each acquisition; generally however the contingent consideration reflects a specified multiple of the post-acquisition financial profitability of the acquired business. Consequently, the actual additional consideration payable may vary according to the future performance of each individual acquired business, and the liabilities provided reflect estimates of such future performances.

Due to the number of acquisitions for which additional consideration remains outstanding and the variety of bases of determination, it is not practicable to provide any meaningful sensitivity in relation to the critical assumptions concerning future profitability of each acquired business and the potential impact on the gain or loss on remeasurement of contingent consideration payables and goodwill for each acquired business.

However, if the total actual contingent consideration payables are 10% lower or higher than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables for acquisitions made after 2010 would be US$24 million.

3 Segment Information

The Company is domiciled in Bermuda. The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its Hong Kong office is at 11/F, Li Fung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. The Group is principally engaged in managing the supply chain for retailers and brands worldwide with over 300 offices and distribution centers in more than 40 economies spanning across the Americas, Europe, Africa and Asia. Turnover represents revenue generated from sales and services rendered at invoiced value to customers from the Continuing Operations less discounts and returns.

In 2014, the Group accomplished a major restructuring of its operations. After the restructuring, the Group spun-off its licensed brands and controlled brands businesses primarily under Distribution Network, named as the Global Brands Group, via a distribution in specie on 8 July 2014. After the spin-off, the Group has grouped the remaining business under Distribution Network into Trading Network and continued to operate under two business networks, namely the Trading Network and the Logistics Network. The Trading Network focuses on provision of the global sourcing services via multiple channels, such as buying agent, trading-as-principal for private label merchandise and on-shore wholesale business. The Logistics Network focuses on provision of logistics solutions and freight forwarding services. The Group's Management (Chief Operating Decision-Maker) considers the business principally from the perspective of the two networks.

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit *(see Note 1.21)*. This measurement basis includes profit of the operating segments before share of results of associated companies, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related cost. This also excludes any gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items. Other information provided to the Group's management is measured in a manner consistent with that in the financial statements.

3 Segment Information (continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Year ended 31 December 2015				
Turnover	17,906,577	932,170	(7,912)	18,830,835
Total margin	1,909,007	279,818		2,188,825
Operating costs	(1,449,132)	(227,269)		(1,676,401)
Core operating profit	459,875	52,549		512,424
Gain on remeasurement of contingent consideration payable				116,973
Amortization of other intangible assets				(34,412)
Operating profit				594,985
Interest income				9,761
Interest expenses				
Non-cash interest expenses				(6,662)
Cash interest expenses				(92,879)
				(99,541)
Share of profits less losses of associated companies				1,570
Profit before taxation				506,775
Taxation				(57,890)
Net profit for the year				448,885
Depreciation and amortization	95,452	15,123		110,575
31 December 2015				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,890,628	656,403		4,547,031

3 Segment Information (continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Year ended 31 December 2014				
Turnover	18,430,816	873,577	(15,894)	19,288,499
Total margin	2,003,932	240,301		2,244,233
Operating costs	(1,445,648)	(194,442)		(1,640,090)
Core operating profit	558,284	45,859		604,143
Gain on remeasurement of contingent consideration payable				176,007
Amortization of other intangible assets				(35,462)
One-off reorganization costs				(19,763)
Other non-core operating expenses				(1,300)
Operating profit				723,625
Interest income				6,984
Interest expenses				
Non-cash interest expenses				(9,976)
Cash interest expenses				(95,203)
				(105,179)
Share of profits less losses of associated companies				1,373
Profit before taxation				626,803
Taxation				(59,035)
Profit for the year from Continuing Operations				567,768
Loss for the period from Discontinued Operations				(98,122)
Net profit for the year				469,646
Depreciation and amortization	100,922	14,198		115,120
31 December 2014				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,974,971	640,977		4,615,948

3 Segment Information (continued)

The geographical analysis of the Continuing Operations' turnover and the Group's non-current assets (other than available-for-sale financial assets and deferred tax assets) is as follows:

	Turnover		Non-current Assets (Other Than Available-for-sale Financial Assets and Deferred Tax Assets) As at 31 December	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
United States of America	**11,653,992**	11,587,145	**2,024,579**	1,981,767
Europe	**3,108,613**	3,488,136	**1,161,115**	1,264,408
Asia	**2,736,321**	2,744,264	**1,127,532**	1,116,474
Rest of the world	**1,331,909**	1,468,954	**233,805**	253,299
	18,830,835	19,288,499	**4,547,031**	4,615,948

Turnover of the Continuing Operations consists of sales of soft goods, hard goods and logistics income is as follows:

	2015 US$'000	2014 US$'000
Soft goods	**11,069,902**	11,674,826
Hard goods	**6,823,509**	6,727,997
Logistics	**937,424**	885,676
	18,830,835	19,288,499

For the year ended 31 December 2015, approximately 13% (2014: 14%) of the Continuing Operations' total turnover is derived from a single external customer, which is wholly attributable to the Trading Network.

4 Operating Profit from Continuing Operations

Operating profit from Continuing Operations is stated after crediting and charging the following:

	2015 US$'000	2014 US$'000
Crediting		
Gain on remeasurement of contingent consideration payable *(Note)**	**116,973**	176,007
Charging		
Cost of inventories sold	**16,671,655**	17,106,990
Amortization of system development, software and other license costs *(Note 11)*	**14,538**	14,574
Amortization of other intangible assets *(Note 11)**	**34,412**	35,462
Amortization of prepaid premium for land leases *(Note 13)*	**119**	137
Depreciation of property, plant and equipment *(Note 12)*	**61,506**	64,947
Loss on disposal of property, plant and equipment, net	**1,679**	1,363
Operating leases rental in respect of land and building	**155,871**	146,292
Provision for impaired receivables *(Note 20)*	**21,582**	31,083
Staff costs including directors' emoluments *(Note 9)*	**1,024,684**	995,208
Business acquisition-related cost*	**–**	1,300
Net exchange losses	**5,082**	4,611

* *Excluded from the core operating profit*

NOTE:
During the year, the Group remeasured contingent consideration payable for all acquisitions with outstanding contingent consideration arrangements based on the market outlook and their prevailing business plans and projections. Accordingly, a gain of approximately US$117 million was recognized. Among the total remeasurement gain, approximately US$87 million was adjustments to earn-up consideration. The revised provision for performance-based contingent considerations are calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of these acquired businesses. These gains were recognized as a non-core operating gain on remeasurement of contingent consideration payable.

The remuneration to the auditors for audit and non-audit services is as follows:

	2015 US$'000	2014 US$'000
Audit services	**4,491**	4,605
Non-audit services		
– due diligence reviews on acquisitions	**–**	211
– taxation services	**2,630**	2,606
– others	**1,534**	110
Total remuneration to auditors charged to consolidated profit and loss account	**8,655**	7,532

NOTE:
Of the above audit and non-audit services fees, US$4,417,000 (2014: US$4,503,000) and US$4,164,000 (2014: US$2,927,000) respectively are payable to the Company's auditor.

5 Interest Expenses from Continuing Operations

	2015 US$'000	2014 US$'000
Non-cash interest expenses on purchase consideration payable for acquisitions and long-term notes	**6,662**	9,976
Cash interest on bank loans and overdrafts, long-term notes	**92,879**	95,203
	99,541	105,179

6 Taxation from Continuing Operations

Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2015 US$'000	2014 US$'000
Current taxation		
– Hong Kong profits tax	**9,204**	11,394
– Overseas taxation	**49,094**	51,463
Under/(over) provision in prior years *(Note)*	**2,968**	(9,251)
Deferred taxation *(Note 29)*	**(3,376)**	5,429
	57,890	59,035

NOTE:
Under/(over) provision of taxation in 2015 included a recognition of prior year unrecognized deferred tax assets of US$6,795,000.

The taxation on the Continuing Operations' profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2015 %	2014 %
Calculated at a taxation rate of	**16.5**	16.5
Effect of different taxation rates in other countries	**(4.5)**	(3.8)
Income net of expenses not subject to taxation	**(1.4)**	(1.9)
Under/(over) provision in prior years	**0.6**	(1.5)
Utilization of previously unrecognized tax losses	**(0.1)**	(0.1)
Unrecognized tax losses	**0.3**	0.2
Effective tax rate	**11.4**	9.4

7 Earnings/(Losses) per Share

The calculation of basic earnings/(losses) per share is based on the Group's profit attributable to Shareholders of US$421,046,000 (2014: US$441,276,000), which includes the Group's profit attributable to Shareholders arising from the Continuing Operations of US$421,046,000 (2014: US$539,398,000) and the Group's losses attributable to Shareholders arising from the Discontinued Operations of US$Nil (2014: US$98,122,000) and on the weighted average number of 8,351,640,000 (2014: 8,356,317,000) shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2015 was calculated by adjusting the weighted average number of 8,351,640,000 ordinary shares in issue by 38,460,000 to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Option and Share Award Scheme. The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share for the year ended 31 December 2014 as the potential ordinary shares in respect of outstanding Share Options are anti-dilutive. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Share Options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of Share Options and vesting of Award Shares.

8 Dividends and Distribution in Specie

	2015 US$'000	2014 US$'000
Interim, paid, of HK$0.13 (equivalent to US$0.017) (2014: HK$0.13 (equivalent to US$0.017)) per ordinary share	**140,921**	140,158
Final, proposed, of HK$0.15 (equivalent to US$0.019) (2014: HK$0.21 (equivalent to US$0.027)) per ordinary share *(Note (a))*	**162,670**	225,088
Full year	**303,591**	365,246
Special, proposed, of HK$Nil (equivalent to US$Nil) (2014: HK$0.07 (equivalent to US$0.009)) per ordinary share *(Note (a))*	**–**	75,029
	303,591	440,275
Distribution in specie *(Note (b))*	**–**	2,290,000

NOTES:

(a) *At a meeting held on 17 March 2016, the Directors proposed a final dividend of HK$0.15 (equivalent to US$0.019) per share. The proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as appropriation of retained earnings for the year ending 31 December 2016 (Note 25).*

(b) *The entire issued share capital of Global Brands was spun-off via a distribution in specie completed on 8 July 2014. Global Brands then became a separate listing company on the main board of the Stock Exchange.*

The transaction was recognized and measured in accordance with "HK(IFRIC) 17 – Distribution of Non-cash Assets to Owners", which resulted in a non-cash gain of approximately US$1,003,000 (Note 31).

9 Staff Costs including Directors' Emoluments for Continuing Operations

	2015 US$'000	2014 US$'000
Salaries and bonuses	**894,635**	891,751
Staff benefits	**41,064**	42,214
Pension costs of defined contribution plans *(Note)*	**61,859**	58,559
Employee share option and share award expenses	**23,583**	228
Pension costs of defined benefit plans *(Note 28)*	**2,549**	1,711
Long-service payments	**994**	745
	1,024,684	995,208

NOTE:

Forfeited contributions totalling US$1,745,000 (2014: US$2,033,000) were utilized during the year and no remaining amount was available at the year-end to reduce future contributions.

10 Directors' and Senior Management's Emoluments

(a) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2014: three) Directors whose emoluments are reflected in the analysis shown in *Note 40*. The emoluments payable to the remaining two individuals who were senior management (2014: two individuals) during the year are as follows:

	2015 US$'000	2014 US$'000
Basic salaries, housing allowances, share options, share awards, other allowances and benefits-in-kind	**1,875**	1,915
Discretionary bonuses	**1,600**	5,796
Contributions to pension scheme	**3**	1
	3,478	7,712

Emolument bands	**Number of Individuals 2015**	2014
HK$10,500,001 – HK$11,000,000 (approximately US$1,346,001 – US$1,410,000)	**1**	–
HK$16,000,001 – HK$16,500,000 (approximately US$2,051,001 – US$2,115,000)	**1**	–
HK$26,500,001 – HK$27,000,000 (approximately US$3,397,001 – US$3,462,000)	**–**	1
HK$33,000,001 – HK$33,500,000 (approximately US$4,231,001 – US$4,295,000)	**–**	1

There is no amount paid or payable to the directors as inducement to join the Group and compensation for loss of office as directors.

(b) Senior Management's Emoluments

The emoluments payable to the remaining eight senior management (2014: ten senior management) during the year fell within the following bands:

Emolument bands	**Number of Individuals 2015**	2014
Below US$1,000,000	**3**	2
US$1,000,001 – US$1,500,000	**5**	5
US$1,500,001 – US$2,000,000	**–**	2
US$2,500,001 – US$3,000,000	**–**	1

11 Intangible Assets

			Other Intangible Assets				
	Goodwill US$'000	System Development, Software and Other License Costs US$'000	Buying Agency Agreements US$'000	Customer Relationships US$'000	Patents, Trademarks and Brand Names US$'000	Others US$'000	Total US$'000
At 1 January 2015							
Cost	3,910,770	86,858	67,867	403,327	50,641	12,583	4,532,046
Accumulated amortization	–	(53,019)	(21,431)	(98,154)	(9,224)	(1,135)	(182,963)
Net Book Amount	3,910,770	33,839	46,436	305,173	41,417	11,448	4,349,083
Year ended 31 December 2015							
Opening net book amount	3,910,770	33,839	46,436	305,173	41,417	11,448	4,349,083
Exchange differences	(33,518)	(1,813)	–	(2,281)	(1,179)	89	(38,702)
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (i))*	559	–	–	–	–	(155)	404
Additions	–	7,103	–	–	–	–	7,103
Disposals	–	(2,075)	–	–	–	–	(2,075)
Amortization	–	(14,538)	(3,875)	(26,614)	(3,447)	(476)	(48,950)
Closing Net Book Amount	3,877,811	22,516	42,561	276,278	36,791	10,906	4,266,863
At 31 December 2015							
Cost	3,877,811	76,508	67,867	400,124	49,211	12,521	4,484,042
Accumulated amortization	–	(53,992)	(25,306)	(123,846)	(12,420)	(1,615)	(217,179)
Net Book Amount	3,877,811	22,516	42,561	276,278	36,791	10,906	4,266,863

11 Intangible Assets (continued)

	Goodwill US$'000	System Development, Software and Other License Costs US$'000	Other Intangible Assets: Buying Agency and License Agreements US$'000	Customer Relationships US$'000	Licensor Relationships US$'000	Patents, Trademarks and Brand Names US$'000	Others US$'000	Total US$'000
At 1 January 2014								
Cost	6,390,701	953,683	93,967	576,284	145,032	199,249	3,534	8,362,450
Accumulated amortization	–	(507,138)	(24,783)	(139,217)	(40,997)	(40,087)	(1,672)	(753,894)
Net Book Amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556
Year ended 31 December 2014								
Opening net book amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556
Continuing Operations								
Exchange differences	(57,849)	(2,321)	–	(2,740)	–	(1,475)	–	(64,385)
Acquisition of businesses	85,136	–	–	–	–	–	11,704	96,840
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (i))*	13,274	–	–	–	–	–	–	13,274
Adjustments to purchase consideration payable for acquisitions completed prior to 1 January 2010 *(Note (ii))*	(869)	–	–	–	–	–	–	(869)
Additions	–	14,247	7,000	–	–	–	456	21,703
Amortization	–	(14,574)	(3,875)	(27,115)	–	(3,634)	(838)	(50,036)
Discontinued Operations								
Exchange differences	11,251	(317)	–	2,473	(793)	(2,904)	–	9,710
Acquisition of businesses	66,853	–	–	–	8,382	–	–	75,235
Adjustments to purchase consideration payable for acquisitions and net asset value	14,581	–	–	–	–	–	–	14,581
Additions	–	142,210	–	–	–	–	–	142,210
Amortization	–	(78,834)	(1,157)	(11,941)	(6,961)	(5,652)	(90)	(104,635)
Distribution in specie	(2,612,308)	(473,117)	(24,716)	(92,571)	(104,663)	(104,080)	(1,646)	(3,413,101)
Closing Net Book Amount	3,910,770	33,839	46,436	305,173	–	41,417	11,448	4,349,083
At 31 December 2014								
Cost	3,910,770	86,858	67,867	403,327	–	50,641	12,583	4,532,046
Accumulated amortization	–	(53,019)	(21,431)	(98,154)	–	(9,224)	(1,135)	(182,963)
Net Book Amount	3,910,770	33,839	46,436	305,173	–	41,417	11,448	4,349,083

11 Intangible Assets (continued)

NOTES:

(i) *These are adjustments to purchase consideration payable for acquisitions and net asset values related to certain acquisitions of businesses in the prior year, which were previously determined on a provisional basis. During the measurement period of twelve months following a transaction, the Company recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Save as adjustments to goodwill and other intangible assets arising from business combination stated above, there were corresponding net adjustments to other assets/liabilities of approximately US$404,000 (2014: US$16,000) and no adjustment to purchase consideration payable for acquisitions (2014: US$13,258,000).*

(ii) *For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised) "Business Combination" being adopted by the Group, the changes in accrued contingent considerations determined based on post-acquisition performance were made against goodwill.*

Amortization of system development, software and other license costs of US$5,273,000 (2014: US$4,701,000) and US$9,265,000 (2014: US$9,873,000) have been expensed in merchandising and administrative expenses and selling and distribution expenses respectively.

Impairment Test for Goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segment.

A summary of goodwill by reporting segment is presented below.

	As at 31 December	
	2015	2014
	US$'000	US$'000
Trading Network	**3,321,708**	3,356,883
Logistics Network	**556,103**	553,887
	3,877,811	3,910,770

In accordance with HKAS 36 "Impairment of Assets" the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. Goodwill impairment reviews have been performed at the lowest level of CGU which generates cash flow independently. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on a one-year financial budget approved by management, extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 5%. The discount rate used of approximately 11% is pre-tax and reflects specific risks related to the relevant segments. The budgeted gross margin and net profit margin are determined by management for each individual CGU based on past performance and its expectations for market development. Management believes that any reasonably foreseeable changes in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

12 Property, Plant and Equipment

	Land and Buildings US$'000	Leasehold Improvements US$'000	Furniture, Fixtures and Equipment US$'000	Plant and Machinery US$'000	Motor Vehicles and Company Boat US$'000	Total US$'000
At 1 January 2015						
Cost	18,188	199,319	184,332	141,861	7,814	551,514
Accumulated depreciation	(2,424)	(131,732)	(120,951)	(49,158)	(2,342)	(306,607)
Net Book Amount	15,764	67,587	63,381	92,703	5,472	244,907
Year ended 31 December 2015						
Opening net book amount	15,764	67,587	63,381	92,703	5,472	244,907
Exchange differences	(1,425)	(1,951)	(3,025)	(7,075)	(150)	(13,626)
Additions	467	22,387	32,332	20,086	2,818	78,090
Disposals	(533)	(2,020)	(1,833)	(1,545)	(308)	(6,239)
Depreciation	(606)	(20,442)	(22,833)	(15,998)	(1,627)	(61,506)
Closing Net Book Amount	13,667	65,561	68,022	88,171	6,205	241,626
At 31 December 2015						
Cost	14,801	197,765	186,443	132,573	7,508	539,090
Accumulated depreciation	(1,134)	(132,204)	(118,421)	(44,402)	(1,303)	(297,464)
Net Book Amount	13,667	65,561	68,022	88,171	6,205	241,626

12 Property, Plant and Equipment (continued)

	Land and Buildings US$'000	Leasehold Improvements US$'000	Furniture, Fixtures and Equipment US$'000	Plant and Machinery US$'000	Motor Vehicles and Company Boat US$'000	Total US$'000
At 1 January 2014						
Cost	19,179	339,070	280,932	155,695	12,457	807,333
Accumulated depreciation	(1,975)	(142,406)	(171,370)	(47,625)	(4,358)	(367,734)
Net Book Amount	17,204	196,664	109,562	108,070	8,099	439,599
Year ended 31 December 2014						
Opening net book amount	17,204	196,664	109,562	108,070	8,099	439,599
Continuing Operations						
Exchange differences	(948)	(1,221)	(1,457)	(3,795)	(411)	(7,832)
Additions	336	23,424	23,315	25,418	2,806	75,299
Disposals	(137)	(1,804)	(968)	(823)	(309)	(4,041)
Depreciation	(691)	(20,835)	(23,810)	(18,016)	(1,595)	(64,947)
Discontinued Operations						
Exchange differences	–	(49)	387	–	(3)	335
Acquisition of businesses	–	87	367	–	–	454
Additions	–	11,895	10,666	1,472	52	24,085
Disposals	–	(755)	(979)	–	–	(1,734)
Depreciation	–	(8,672)	(12,540)	(861)	(45)	(22,118)
Distribution in specie	–	(131,147)	(41,162)	(18,762)	(3,122)	(194,193)
Closing Net Book Amount	15,764	67,587	63,381	92,703	5,472	244,907
At 31 December 2014						
Cost	18,188	199,319	184,332	141,861	7,814	551,514
Accumulated depreciation	(2,424)	(131,732)	(120,951)	(49,158)	(2,342)	(306,607)
Net Book Amount	15,764	67,587	63,381	92,703	5,472	244,907

Depreciation of US$33,973,000 (2014: US$36,436,000), US$19,075,000 (2014: US$19,568,000) and US$8,458,000 (2014: US$8,943,000) has been expensed in merchandising and administrative expenses, selling and distribution expenses and cost of sales respectively.

At 31 December 2015, land and buildings of US$2,545,000 (2014: US$3,248,000) were pledged as security for the Group's short-term bank loans *(Note 23)*.

13 Prepaid Premium for Land Leases

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analyzed as follows:

	2015 US$'000	2014 US$'000
Beginning of the year	**2,498**	2,789
Amortization	**(119)**	(137)
Exchange differences	**(437)**	(154)
End of the year	**1,942**	2,498

Amortization of US$117,000 (2014: US$135,000) and US$2,000 (2014: US$2,000) has been expensed in selling and distribution expenses and merchandising and administrative expenses respectively.

14 Associated Companies

	2015 US$'000	2014 US$'000
Beginning of the year	**11,890**	7,598
Acquisition of businesses	**–**	3,735
Share of profits less losses of associated companies	**1,570**	1,373
Dividend received	**(1,436)**	(595)
Disposals	**(1,802)**	–
Exchange differences	**(152)**	(221)
Total interests in associated companies	**10,070**	11,890

Details of principal associated companies are set out in *Note 42*.

15 Joint Venture

	2015 US$'000	2014 US$'000
Beginning of the year	–	14,515
Continuing Operations		
Addition	**313**	–
Discontinued Operations		
Acquisition of businesses	–	5,622
Share of profits less losses of joint ventures	–	324
Distribution in specie	–	(20,461)
Total interest in joint venture	**313**	–

Details of principal joint venture is set out in *Note 42*.

16 Available-for-sale Financial Assets

	2015 US$'000	2014 US$'000
Beginning of the year	**3,709**	3,669
Fair value gains on available-for-sale financial assets, net of tax *(Note 25)*	**126**	40
Exchange differences	**19**	–
End of the year	**3,854**	3,709

Available-for-sale financial assets include the following:

	2015 US$'000	2014 US$'000
Unlisted investments *(Note 38)*	**3,854**	3,709

Available-for-sale financial assets are denominated in HK dollar.

17 Inventories

	2015 US$'000	2014 US$'000
Finished goods	**502,447**	482,326
Raw materials	**63,555**	82,965
	566,002	565,291

18 Due from/(to) Related Companies

	2015 US$'000	2014 US$'000
Trade *(Note (a))*		
Due from:		
Associated companies	**6,983**	9,314
Other related companies	**463,369**	426,919
Non-trade *(Note (b))*		
Due from:		
Associated companies	**355**	326
Other related companies	**16,232**	75,406
	486,939	511,965
Due to:		
Other related companies	**(1,038)**	(48)

NOTES:

(a) *As of 31 December 2015, trade balances due from related companies of US$253,008,000 were current and the rest were less than 90 days past due. All balances were not considered impaired.*

(b) *The amounts are unsecured, interest free and repayable on demand. The fair values of amounts due from related companies are approximately the same as the carrying values.*

19 Derivative Financial Instruments

	2015 US$'000	2014 US$'000
Forward foreign exchange contracts – assets *(Note 38)*	**4,272**	11,323

Gain in equity of US$2,812,000 (2014: US$8,889,000) on forward foreign exchange contracts as of 31 December 2015 will be released to the consolidated profit and loss account at various dates between one month to one year from the balance sheet date *(Note 25)*.

For the years ended 31 December 2015 and 2014, no material amounts were recognized in the consolidated profit and loss account arising from ineffective cash flow hedges.

20 Trade and Other Receivables

	2015 US$'000	2014 US$'000
Trade and bills receivable – net	**1,689,413**	1,864,021
Other receivables, prepayments and deposits	**283,035**	341,313
	1,972,448	2,205,334
Less: non-current portion other receivables, prepayments and deposits	**(26,217)**	(7,570)
	1,946,231	2,197,764

The fair values of the Group's trade and other receivables were approximately the same as their carrying values as at 31 December 2015.

A significant portion of the Group's business is on sight letter of credit, usance letter of credit up to a tenor of 120 days, documents against payment or customers' letter of credit to suppliers. The balance of the business is on open account terms which is often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers. The ageing of trade and bills receivable based on invoice date is as follows:

	2015 US$'000	2014 US$'000
Current to 90 days	**1,595,433**	1,783,736
91 to 180 days	**83,376**	69,773
181 to 360 days	**7,900**	8,580
Over 360 days	**2,704**	1,932
	1,689,413	1,864,021

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers internationally dispersed.

As of 31 December 2015, trade receivables of US$1,673,045,000 (2014: US$1,849,501,000) that were current or less than 90 days past due are not considered impaired. Trade receivables of US$16,368,000 (2014: US$14,520,000) were past due over 90 days but not considered to be impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing of these trade receivables is as follows:

	2015 US$'000	2014 US$'000
91 to 180 days	**7,596**	10,093
Over 180 days	**8,772**	4,427
	16,368	14,520

As of 31 December 2015, outstanding trade receivables of US$35,252,000 (2014: US$22,556,000) and other receivables of US$11,316,000 (2014: US$29,401,000) were considered impaired and were fully provided. The individually impaired receivables mainly relate to transactions in disputes.

20 Trade and Other Receivables (continued)

Movements in the Group's provision for impairment of trade and other receivables are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**51,957**	54,423
Continuing Operations		
Provision for receivable impairment *(Note 4)*	**23,918**	31,984
Provision written off against receivables	**(14,397)**	(31,793)
Unused amounts reversed *(Note 4)*	**(2,336)**	(901)
Exchange difference	**(349)**	–
Discontinued Operations		
Provision for receivable impairment	**–**	1,967
Provision written off against receivables	**(12,225)**	(526)
Unused amounts reversed	**–**	(48)
Distribution in specie	**–**	(3,149)
At 31 December	**46,568**	51,957

The creation and release of provision for impaired receivables have been included in "Selling and distribution expenses" in the consolidated profit and loss account *(Note 4)*. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Save as disclosed as above, the other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

20 Trade and Other Receivables (continued)

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$33,681,000 (2014: US$33,834,000) to banks in exchange for cash as at 31 December 2015. The transactions have been accounted for as collateralized bank advances.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2015 US$'000	2014 US$'000
US dollar	**1,185,258**	1,331,239
HK dollar	**121,486**	146,643
Euro dollar	**205,846**	225,328
Pound sterling	**75,001**	87,657
Renminbi	**143,031**	140,810
Malaysia Ringgit	**35,798**	46,785
Thailand Baht	**54,206**	57,468
Others	**125,605**	161,834
	1,946,231	2,197,764

21 Cash and Cash Equivalents

	2015 US$'000	2014 US$'000
Cash and bank balances	**342,243**	538,529

The effective interest rate at the balance sheet date on bank balances was 0.3% (2014: 0.5%) per annum; these deposits have an average maturity period of 6 days (2014: 6 days).

22 Trade and Other Payables

	2015 US$'000	2014 US$'000
Trade and bills payable	**2,464,785**	2,561,172
Accrued charges and sundry payables	**601,129**	692,427
	3,065,914	3,253,599

The fair values of the Group's trade and other payables were approximately the same as their carrying values as at 31 December 2015.

22 Trade and Other Payables (continued)

At the balance sheet date, the ageing of trade and bills payable based on invoice date is as follows:

	2015 US$'000	2014 US$'000
Current to 90 days	**2,365,315**	2,491,454
91 to 180 days	**80,822**	55,420
181 to 360 days	**2,885**	12,241
Over 360 days	**15,763**	2,057
	2,464,785	2,561,172

23 Bank Borrowings

	2015 US$'000	2014 US$'000
Long-term bank loans		
– Unsecured *(Note 27)*	**100,000**	17,000
Short-term bank loans		
– Secured	**3,260**	4,106
– Unsecured	**92,559**	158,744
	95,819	162,850
Total bank borrowings	**195,819**	179,850

The fair values of the Group's borrowings were approximately the same as their carrying values as at 31 December 2015.

The effective interest rates at the balance sheet date were as follows:

		2015			2014	
	USD	**RMB**	**Others**	USD	RMB	Others
Long-term bank loans	**1.5%**	**–**	**–**	1.2%	–	–
Short-term bank loans	**1.4%**	**–**	**5.7%**	2.5%	5.5%	6.2%

The Group's contractual repricing dates for borrowings are all three months or less.

As at 31 December 2015, we had available bank loans and overdraft facilities of US$1,670 million comprising US$821 million committed and US$849 million uncommitted facilities. Subsequent to the balance sheet date, additional committed facilities were secured with extended tenure. At the date of this Report, the total committed facilities secured amounted to US$876 million, of which US$726 million were revolving facilities with tenure up to three years due in 2019.

23 Bank Borrowings (continued)

The carrying amounts of the borrowings are denominated in the following currencies:

	2015 US$'000	2014 US$'000
US dollar	**167,800**	116,880
Renminbi	**–**	36,554
Others	**28,019**	26,416
	195,819	179,850

24 Share Capital, Options and Award Shares

	No. of Shares (in thousand)	HK$'000	Equivalent US$'000
Authorized			
At 1 January 2014, ordinary shares of HK$0.0125 each	12,000,000	150,000	19,231
At 31 December 2014, ordinary shares of HK$0.0125 each	12,000,000	150,000	19,231
At 1 January 2015, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 31 December 2015, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and Fully Paid			
At 1 January 2014, ordinary shares of HK$0.0125 each	8,360,398	104,505	13,398
At 31 December 2014, ordinary shares of HK$0.0125 each	8,360,398	104,505	13,398
At 1 January 2015, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**
Issue of new Shares of HK$0.0125 each pursuant to Share Award Scheme *(Note)*	**55,049**	**688**	**89**
At 31 December 2015, ordinary shares of HK$0.0125 each	**8,415,447**	**105,193**	**13,487**

NOTE:
The closing market price per share on the date of the issue of new shares on 22 May 2015 was HK$7.32 per Share.

24 Share Capital, Options and Award Shares (continued)

Details of Share Options granted by the Company pursuant to the 2003 Option Scheme and 2014 Option Scheme and outstanding at 31 December 2015 are as follows:

			Number of Share Options			
Grant Date	Exercise Price HK$	Exercisable Period	As at 1/1/2015	Granted	Lapsed	As at 31/12/2015
11/4/2011	16.90[1]	1/5/2012-30/4/2015	22,318,000	–	(22,318,000)	–
21/11/2011	12.71[1]	1/5/2012-30/4/2015	1,380,000	–	(1,380,000)	–
22/12/2011	12.12[1]	1/5/2013-30/4/2015	2,000,000	–	(2,000,000)	–
22/12/2011	12.12[1]	1/5/2014-30/4/2016	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2015-30/4/2017	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2016-30/4/2018	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2017-30/4/2019	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2018-30/4/2020	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2019-30/4/2021	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2020-30/4/2022	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2021-30/4/2023	2,000,000	–	–	2,000,000
21/5/2015	7.49	1/1/2016-31/12/2017	–	28,878,000	(604,000)	28,274,000
21/5/2015	7.49	1/1/2017-31/12/2018	–	30,539,000	(604,000)	29,935,000
21/5/2015	7.49	1/1/2018-31/12/2019	–	30,690,000	(604,000)	30,086,000
16/11/2015	5.81	1/1/2017-31/12/2018	–	285,000	–	285,000
16/11/2015	5.81	1/1/2018-31/12/2019	–	604,000	–	604,000
		Total	41,698,000	90,996,000	(27,510,000)	105,184,000

NOTE:

(1) *Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$20.21 to HK$16.90, from HK$15.20 to HK$12.71 and from HK$14.50 to HK$12.12 with effect from 31 August 2014.*

Subsequent to 31 December 2015, no Shares have been allotted and issued under the Share Option Scheme.

The Share Options outstanding at 31 December 2015 had a weighted average remaining contractual life of 3.15 years (2014: 2.06 years).

24 Share Capital, Options and Award Shares (continued)

Employee share option expenses charged to the consolidated profit and loss account are determined using the Black-Scholes valuation model based on the following assumptions:

Grant Date	11/4/2011	21/11/2011	22/12/2011	21/5/2015	16/11/2015
Option value *(Note (i))*	US$0.45 – US$0.57	US$0.42 – US$0.53	US$0.45 – US$0.77	US$0.13 – US$0.17	US$0.09 – US$0.11
Share price at grant date *(Note (i))*	HK$20.21	HK$14.24	HK$14.14	HK$7.49	HK$5.33
Exercisable price *(Note (i))*	HK$16.90 *(Note (ii))*	HK$12.71 *(Note (ii))*	HK$12.12 *(Note (ii))*	HK$7.49	HK$5.81
Standard deviation	33%	48%	49%	33%	31%
Annual risk-free interest rate	0.29%-1.80%	0.14%-0.84%	0.15%-1.35%	0.08%-1.22%	0.08%-1.25%
Life of options	4–5 years	4–5 years	4–12 years	2–5 years	3–5 years
Dividend yield	2.39%	2.39%	2.39%	4.06%	4.06%

NOTES:

(i) Prior year information has been adjusted for the effect of the Bonus Issue in May 2006 and the Share Subdivision in May 2011.

(ii) Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$20.21 to HK$16.90, from HK$15.20 to HK$12.71 and from HK$14.50 to HK$12.12 with effect from 31 August 2014.

24 Share Capital, Options and Award Shares (continued)

Details of Award Shares granted by the Company pursuant to the Share Award Scheme and outstanding at 31 December 2015 are as follows:

			Number of Award Shares				
Grant Date	Fair Value per Share HK$	Vesting Date	As at 1/1/2015	Granted	Vested	Unvested/ Forfeited	As at 31/12/2015
21/5/2015	7.49	31/12/2015	–	6,433,000	(6,190,800)	(242,200)	–
21/5/2015	7.49	31/12/2016	–	13,623,500	–	(515,400)	13,108,100
21/5/2015	7.49	31/12/2017	–	20,890,000	–	(792,500)	20,097,500
21/5/2015	7.49	31/12/2018	–	14,465,000	–	(550,700)	13,914,300
21/5/2015	7.49	31/12/2019	–	7,271,500	–	(277,200)	6,994,300
16/11/2015	5.33	31/12/2016	–	100,600	–	–	100,600
16/11/2015	5.33	31/12/2017	–	346,400	–	–	346,400
16/11/2015	5.33	31/12/2018	–	342,100	–	–	342,100
16/11/2015	5.33	31/12/2019	–	245,900	–	–	245,900
		Total	–	63,718,000	(6,190,800)	(2,378,000)	55,149,200

The fair value of the Award Shares was calculated based on the market price of the Company's shares at the respective grant date.

During 2015, a total of 63,718,000 Award Shares were granted. 7,634,000 Award Shares were purchased from open market and 55,049,000 Award Shares were allotted and issued at nominal value. The balance of 1,035,000 Award Shares were satisfied by the Award Shares which had not been vested and/or been forfeited in accordance with the terms of the Share Award Scheme.

25 Reserves

	Treasury Share US$'000 *(Note (iii))*	Capital Reserve US$'000 *(Note (i))*	Contribution Surplus US$'000 *(Note (ii))*	Employee Share-Based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2015	(6,739)	3,922	710,000	37,049	2,719	8,889	(11,066)	(110,676)	634,098
Other Comprehensive (Expense)/ Income									
Currency translation differences	–	–	–	–	–	–	–	(82,617)	(82,617)
Net fair value gains on available-for-sale financial assets, net of tax *(Note 16)*	–	–	–	–	126	–	–	–	126
Net fair value losses on cash flow hedges, net of tax	–	–	–	–	–	(6,077)	–	–	(6,077)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	(63)	–	(63)
Transactions with Owners in their Capacity as Owners									
Issue of new shares for Share Award Scheme	(89)	–	–	–	–	–	–	–	(89)
Purchase of shares for Share Award Scheme	(7,300)	–	–	–	–	–	–	–	(7,300)
Employee Share Option and Share Award Scheme:									
– value of employee services	–	–	–	23,583	–	–	–	–	23,583
– vesting of shares for Share Award Scheme	828	–	–	(5,970)	–	–	–	–	(5,142)
Transfer from capital reserve	–	(1,616)	–	–	–	–	–	–	(1,616)
Balance at 31 December 2015	(13,300)	2,306	710,000	54,662	2,845	2,812	(11,129)	(193,293)	554,903

25 Reserves (continued)

	Treasury Share US$'000 *(Note (iii))*	Capital Reserve US$'000 *(Note (i))*	Contribution Surplus US$'000 *(Note (ii))*	Employee Share-Based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2014	(6,739)	3,835	–	36,821	2,679	(1,413)	(10,338)	(18,342)	6,503
Other Comprehensive (Expense)/ Income									
Currency translation differences	–	–	–	–	–	–	–	(92,334)	(92,334)
Net fair value gains on available-for-sale financial assets, net of tax *(Note 16)*	–	–	–	–	40	–	–	–	40
Net fair value gains on cash flow hedges, net of tax	–	–	–	–	–	10,302	–	–	10,302
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	(728)	–	(728)
Transactions with Owners in their Capacity as Owners									
Employee Share Option Scheme:									
– value of employee services	–	–	–	228	–	–	–	–	228
Share premium reduction	–	–	3,000,000	–	–	–	–	–	3,000,000
Distribution in specie	–	–	(2,290,000)	–	–	–	–	–	(2,290,000)
Transfer to capital reserve	–	87	–	–	–	–	–	–	87
Balance at 31 December 2014	(6,739)	3,922	710,000	37,049	2,719	8,889	(11,066)	(110,676)	634,098

NOTES:

(i) Capital reserve represents amount set aside from the profit of certain overseas subsidiaries of the Group in accordance with local statutory requirements.

(ii) During 2014, US$3,000,000,000 contributed surplus was created by reduction of the share premium of the Company and US$2,290,000,000 was distributed due to spin-off of Global Brands Group.

(iii) Treasury share represents the excess share issued for settlement of consideration for certain prior year acquisitions held by the escrow agent and shares issued and purchased for Share Award Scheme held by the trustee.

26 Perpetual Capital Securities

On 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$500 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2015 and 2014 included the accrued distribution payments.

27 Long-term Liabilities

	2015 **US$'000**	2014 US$'000
Long-term bank loans – unsecured *(Note 23)*	**100,000**	17,000
Long-term notes – unsecured	**1,253,823**	1,254,369
Purchase consideration payable for acquisitions	**242,502**	458,080
Other long-term liabilities	**16,420**	8,375
	1,612,745	1,737,824
Current portion of purchase consideration payable for acquisitions	**(86,266)**	(134,468)
	1,526,479	1,603,356

Purchase consideration payable for acquisitions is unsecured, interest-free and not repayable within twelve months. Unsecured long-term notes issued to independent third parties in 2007 of US$499,338,000 will mature in 2017 and bear annual coupon of 5.5%. Unsecured long-term notes issued to independent third parties in 2010 of US$754,485,000 will mature in 2020 and bear annual coupon of 5.25%.

Balance of purchase consideration payable for acquisitions as at 31 December 2015 amounted to US$242,502,000 (2014: US$458,080,000), of which US$181,186,000 (2014: US$304,440,000) was primarily earn-out and US$61,316,000 (2014: US$153,640,000) was earn-up. Earn-out is a contingent consideration that will be realized if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated periods of time. Earn-up is contingent consideration that will be realized if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated period of time.

Earn-out and earn-up of certain acquisitions were remeasured during the year, details are set out in *Note 4*, *Note 11* and *Note 38*.

27 Long-term Liabilities (continued)

The maturity of the financial liabilities is as follows:

	2015 US$'000	2014 US$'000
Within 1 year	**86,266**	134,468
Between 1 and 2 years	**667,776**	102,886
Between 2 and 5 years	**842,283**	736,583
Wholly repayable within 5 years	**1,596,325**	973,937
Over 5 years	**–**	755,512
	1,596,325	1,729,449

The fair values of the financial liabilities (non-current portion) are as follows:

	2015 US$'000	2014 US$'000
Long-term bank loans – unsecured	**100,000**	17,000
Long-term notes – unsecured	**1,326,280**	1,353,418
Purchase consideration payable for acquisitions	**156,236**	323,612
	1,582,516	1,694,030

The carrying amounts of financial liabilities are denominated in the following currencies:

	2015 US$'000	2014 US$'000
US dollar	**1,519,018**	1,606,959
Pound sterling	**18,547**	25,679
Euro dollar	**–**	5,485
Others	**58,760**	91,326
	1,596,325	1,729,449

28 Post-employment Benefit Obligations

	2015 US$'000	2014 US$'000
Pension obligations *(Note)*	**16,813**	16,949
Long-service payment liabilities	**5,096**	5,350
	21,909	22,299

NOTE:
The Group participates in a number of defined benefit plans in certain countries. Most of these pension plans are final salary defined benefit plans. The assets of the funded plans are held independently of the Group's assets in separate trustee-administered funds. The Group's defined benefit plans are valued by qualified actuaries annually using the projected unit credit method.

(i) The amount recognized in the consolidated balance sheet is determined as follows:

	2015 US$'000	2014 US$'000
Present value of funded obligations	**39,642**	40,922
Fair value of plan assets	**(22,829)**	(23,973)
Net liabilities in the consolidated balance sheet	**16,813**	16,949

(ii) The amount recognized in the consolidated profit and loss account is as follows:

	2015 US$'000	2014 US$'000
Current service cost	**1,757**	1,975
Past service cost and loss/(gain) on settlements	**243**	(931)
Administrative expenses paid	**102**	131
Net interest expense	**447**	536
Total, included in staff costs *(Note 9)*	**2,549**	1,711

(iii) The movements in the fair value of plan assets during the year are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**23,973**	28,684
Interest income	**675**	959
Exchange differences	**(995)**	(1,321)
Administrative expenses paid	**(102)**	(131)
Contributions	**1,331**	1,343
Benefits paid	**(1,972)**	(9,134)
Actuarial (loss)/gain on plan assets	**(81)**	3,573
At 31 December	**22,829**	23,973

28 Post-employment Benefit Obligations (continued)

(iv) Movements in the defined benefit obligation are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**40,922**	44,838
Current service cost	**1,757**	1,975
Interest cost	**1,122**	1,495
Past service cost and loss/(gain) on settlements	**243**	(931)
Actuarial loss/(gain) from changes in experiences	**1,616**	(1,575)
Actuarial losses from changes in financial assumptions	**125**	6,632
Actuarial (gain)/loss from changes in demographic assumptions	**(1,026)**	1
Exchange differences	**(1,860)**	(2,121)
Benefits paid	**(3,257)**	(9,392)
At 31 December	**39,642**	40,922

(v) The movements in net defined benefit liabilities recognized in the consolidated balance sheet are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**16,949**	16,154
Exchange differences	**(865)**	(800)
Total expense charged in the consolidated profit and loss account	**2,549**	1,711
Remeasurements losses recognized in other comprehensive income	**796**	1,485
Contributions paid	**(1,331)**	(1,343)
Benefits paid	**(1,285)**	(258)
At 31 December	**16,813**	16,949

28 Post-employment Benefit Obligations (continued)

(vi) The principal actuarial assumptions used for accounting purposes are:

	2015 %	2014 %
Discount rate	**1.0-8.9**	1.6-8.1
Salary growth rate	**2.0-8.0**	3.0-8.0
Pension growth rate	**1.5-4.5**	1.5-4.5

The sensitivity of the defined benefit obligation to changes in the principal assumption is:

	Impact on Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	**±0.25%**	**–2.74%**	**+2.86%**

The above sensitivity analysis is based on a change in discount rate while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(vii) Plan assets comprised:

	2015 US$'000	2014 US$'000
Quoted Assets		
Cash and cash equivalents	**8,061**	8,416
Equity instruments		
European	**2,781**	6,210
American	**621**	–
Asian	**800**	–
Global	**4**	–
Debt instruments		
Government securities	**5,117**	4,172
Other securities and debt instruments	**3,151**	3,468
Investment funds		
Unit investment trust funds	**1,436**	1,660
Investment bond funds	**735**	–
Mutual funds	**9**	47
Others	**114**	–
	22,829	23,973

The weighted average duration of the defined benefit obligation ranges from 7.6 to 20.9 years.

28 Post-employment Benefit Obligations (continued)

(viii) Expected maturity analysis of benefit payments:

At 31 December 2015	Within 10 years US$'000	Between 10-20 years US$'000	Beyond 20 years US$'000
Expected benefit payments	**27,576**	**37,659**	**34,384**

The Group is exposed to a number of risks in relation to the defined benefit obligation, the most significant of which are detailed below:

Investment risk — The defined benefit pension holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short term volatility can cause additional funding to be required if a deficit emerges.

Interest rate risk — The defined benefit pension's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. In countries where there is no deep market in such bonds, the market yields on government bonds are used. As the defined benefit pension holds assets such as equities, the value of the assets and liabilities may not move in the same way.

Inflation risk — A significant proportion of the benefits under the defined benefit pension are linked to inflation. Although the defined benefit pension's assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to deficits emerging.

Mortality risk — In the event that members live longer than assumed, a deficit will emerge in the defined benefit pension.

In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

29 Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using applicable taxation rates prevailing in the countries in which the Group operates.

The movements in the net deferred tax (assets)/liabilities are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**7,278**	18,769
Continuing Operations		
(Credited)/charged to consolidated profit and loss account *(Note 6)*	**(3,376)**	5,429
Recognition of prior year unrecognized deferred tax assets *(Note 6)*	**(6,795)**	–
Acquisition of businesses	**–**	2,925
Adjustments to purchase consideration payable for acquisitions and net asset value	**(128)**	–
Charged/(credited) to other comprehensive income	**37**	(359)
Charged/(credited) to hedging reserve	**1,045**	(186)
Exchange differences	**776**	671
Discontinued Operations		
Credited to consolidated profit and loss account	**–**	(20,106)
Acquisition of businesses	**–**	1,515
Distribution in specie	**–**	(1,380)
At 31 December	**(1,163)**	7,278

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The Group has unrecognized tax losses of US$164,974,000 (2014: US$183,874,000) to carry forward against future taxable income, out of which US$13,674,000 will expire during 2016-2024. Deferred tax assets for these tax losses are not recognized as it is not probable that related tax assets will be utilized in the foreseeable future.

29 Deferred Taxation (continued)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Provisions		Decelerated Tax Depreciation Allowances		Tax Losses		Others		Total	
Deferred Tax Assets	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
At 1 January	**24,290**	111,898	**8,617**	7,799	**7,166**	57,976	**7,805**	9,864	**47,878**	187,537
Continuing Operations										
Credited/(charged) to consolidated profit and loss account	**707**	(3,689)	**1,271**	1,395	**8,895**	(4,912)	**(3,228)**	(1,886)	**7,645**	(9,092)
Recognition of prior year unrecognized deferred tax assets	**–**	–	**–**	–	**6,795**	–	**–**	–	**6,795**	–
(Charged)/credited to other comprehensive income	**–**	–	**–**	–	**–**	–	**(37)**	359	**(37)**	359
(Charged)/credited to hedging reserve	**–**	–	**–**	–	**–**	–	**(1,045)**	186	**(1,045)**	186
Exchange differences	**(960)**	40	**(206)**	(451)	**(276)**	(202)	**(20)**	(350)	**(1,462)**	(963)
Discontinued Operations										
Credited to consolidated profit and loss account	**–**	11,670	**–**	–	**–**	35,549	**–**	–	**–**	47,219
Distribution in specie	**–**	(95,629)	**–**	(126)	**–**	(81,245)	**–**	(368)	**–**	(177,368)
At 31 December	**24,037**	24,290	**9,682**	8,617	**22,580**	7,166	**3,475**	7,805	**59,774**	47,878

29 Deferred Taxation (continued)

Deferred Tax Liabilities	Accelerated Tax Depreciation Allowances 2015 US$'000	Accelerated Tax Depreciation Allowances 2014 US$'000	Intangible Assets Arising from Business Combinations 2015 US$'000	Intangible Assets Arising from Business Combinations 2014 US$'000	Others 2015 US$'000	Others 2014 US$'000	Total 2015 US$'000	Total 2014 US$'000
At 1 January	**8,471**	25,866	**44,654**	177,506	**2,031**	2,934	**55,156**	206,306
Continuing Operations								
(Credited)/charged to consolidated profit and loss account	**(1,252)**	(7,211)	**4,448**	4,382	**1,073**	(834)	**4,269**	(3,663)
Acquisition of businesses	**–**	–	**–**	2,925	**–**	–	**–**	2,925
Adjustments to purchase consideration payable for acquisitions and net asset value	**–**	–	**(128)**	–	**–**	–	**(128)**	–
Exchange differences	**(723)**	(188)	**56**	(35)	**(19)**	(69)	**(686)**	(292)
Discontinued Operations								
Charged/(credited) to consolidated profit and loss account	**–**	6,266	**–**	20,847	**–**	–	**–**	27,113
Acquisition of businesses	**–**	–	**–**	1,515	**–**	–	**–**	1,515
Distribution in specie	**–**	(16,262)	**–**	(162,486)	**–**	–	**–**	(178,748)
At 31 December	**6,496**	8,471	**49,030**	44,654	**3,085**	2,031	**58,611**	55,156

After offsetting balances within the same tax jurisdiction, the balances as disclosed in the consolidated balance sheet are as follows:

	2015 US$'000	2014 US$'000
Deferred tax assets	**36,527**	32,493
Deferred tax liabilities	**(35,364)**	(39,771)
	1,163	(7,278)

The amounts shown in the consolidated balance sheet include the following:

	2015 US$'000	2014 US$'000
Deferred tax assets to be recovered after more than 12 months	**32,286**	30,073
Deferred tax assets to be recovered within 12 months	**4,241**	2,420
Deferred tax liabilities to be settled after more than 12 months	**33,829**	31,635
Deferred tax liabilities to be settled within 12 months	**1,535**	8,136

30 Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of Profit Before Taxation to Net Cash Inflow Generated from Operations of Continuing Operations

	2015 US$'000	2014 US$'000
Profit before taxation	**506,775**	626,803
Interest income	**(9,761)**	(6,984)
Interest expenses	**99,541**	105,179
Depreciation	**61,506**	64,947
Amortization of system development, software and other license costs	**14,538**	14,574
Amortization of other intangible assets	**34,412**	35,462
Amortization of prepaid premium for land leases	**119**	137
Share of profits less losses of associated companies	**(1,570)**	(1,373)
Employee share option and share award expenses	**23,583**	228
Loss on disposal of an associated company	**423**	–
Loss on disposal of property, plant and equipment, net	**1,679**	1,363
Gain on remeasurement of contingent consideration payable	**(116,973)**	(176,007)
Operating profit before working capital changes	**614,272**	664,329
(Increase)/decrease in inventories	**(711)**	31,434
Decrease/(increase) in trade and bills receivable, other receivables, prepayments and deposits and amounts due from related companies	**161,537**	(60,690)
(Decrease)/increase in trade and bills payable, accrued charges and sundry payables and amounts due to related companies	**(166,334)**	57,492
Net cash inflow generated from operations	**608,764**	692,565

30 Notes to the Consolidated Cash Flow Statement (continued)

(b) Analysis of Changes in Financing Activities During the Year

	2015		2014	
	Share Capital Including Share Premium US$'000 *(Note 24 & 25)*	**Bank Loans US$'000**	Share Capital Including Share Premium US$'000 *(Note 24 & 25)*	Bank Loans US$'000
At 1 January	**712,874**	**179,850**	3,712,874	210,785
Non-cash movement				
Issue of shares for Share Award Scheme	**89**	**–**	–	–
Vesting of shares for Share Award Scheme	**5,142**	**–**	–	–
Share premium reduction	**–**	**–**	(3,000,000)	–
	718,105	**179,850**	712,874	210,785
Continuing Operations				
Net drawdown/(repayment) of bank loans	**–**	**15,969**	–	(28,594)
Discontinued Operations				
Net drawdown of bank loans	**–**	**–**	–	725,113
Distribution in specie	**–**	**–**	–	(727,454)
At 31 December	**718,105**	**195,819**	712,874	179,850

30 Notes to the Consolidated Cash Flow Statement (continued)

(c) Distribution in Specie

Details of net assets of Global Brands Group at date of distribution in specie are set out below:

	2014 US$'000
Net assets distributed	
Intangible assets	3,413,101
Property, plant and equipment	194,193
Other non-current assets	39,946
Trade and other receivables	407,963
Cash and cash equivalents	204,601
Other current assets*	576,558
Trade and other payables	(800,980)
Other current liabilities	(238,502)
Other non-current liabilities	(879,038)
Purchase consideration payable for acquisitions	(628,845)
Book value of net assets distributed	2,288,997

* *Amounts adjusted to eliminate impacts between the Continuing Operations and the Discontinued Operations.*

Analysis of net outflow of cash and cash equivalents in respect of the distribution in specie:

	2014 US$'000
Cash proceeds on distribution in specie	–
Cash and cash equivalent distributed	204,601
Net cash outflow of cash and cash equivalents in respect of distribution in specie	204,601

Analysis of net gain on distribution in specie:

	2014 US$'000
Fair value of Global Brands Group	2,290,000
Less: Net assets value of Global Brands Group	(2,288,997)
Net gain on distribution in specie	1,003

31 Discontinued Operations

The consolidated results of Global Brands Group are presented in the consolidated profit and loss account as Discontinued Operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated statement of comprehensive income and consolidated cash flow statement distinguish the Discontinued Operations from the Continuing Operations.

31 Discontinued Operations (continued)

Results of the Discontinued Operations have been included in the consolidated profit and loss account as follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000
Turnover	1,393,940
Cost of sales*	(981,285)
Gross profit	412,655
Other income	32
Total margin	412,687
Selling and distribution expenses	(235,439)
Merchandising and administrative expenses	(240,469)
Core operating loss	(63,221)
Gain on remeasurement of contingent consideration payable	19,667
Amortization of other intangible assets	(25,801)
Professional fees for Spin-off	(11,860)
One-off reorganization costs for Spin-off	(16,880)
Other non-core operating expenses	(2,001)
Operating loss	(100,096)
Interest income	29
Interest expenses	
Non-cash interest expenses	(9,736)
Cash interest expenses	(6,852)
	(16,588)
Share of profits less losses of joint ventures	324
Loss before taxation	(116,331)
Taxation	17,206
Loss for the period	(99,125)
Net gain on distribution in specie *(Note 8(b))*	1,003
Net loss attributable to Shareholders of the Company	(98,122)

* *Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of US$782,598,000.*

Details of other financial information of the Discontinued Operations for the period from 1 January 2014 to 8 July 2014 were set out in 2014 Annual Report.

32 Contingent Liabilities

	2015 US$'000	2014 US$'000
Guarantees in respect of banking facilities granted to:		
Associated companies	**750**	750

33 Commitments from Continuing Operations

(a) Operating Lease Commitments

The Continuing Operations leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 26 years. At 31 December 2015, the Continuing Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 US$'000	2014 US$'000
Within one year	**139,170**	157,535
In the second to fifth year inclusive	**209,399**	294,639
After the fifth year	**119,010**	128,321
	467,579	580,495

(b) Capital Commitments

	2015 US$'000	2014 US$'000
Contracted but not provided for:		
Property, plant and equipment	**1,945**	17,046
System development, software and other license costs	**1,170**	–
	3,115	17,046

34 Charges on Assets

Save as disclosed in *Note 12*, there were no charges on the assets and undertakings of the Group as at 31 December 2015 and 2014.

35 Related Party Transactions

The Continuing Operations had the following material transactions with its related parties during the year ended 31 December 2015 and 2014:

	Note	2015 US$'000	2014 US$'000
Distribution and sales of goods	*(i)*	**28,128**	11,612
Operating leases rental paid	*(ii)*	**26,018**	24,549
Turnover on buying agency services provided	*(iii)*	**1,627,351**	891,587
Rental and license fee paid	*(iv)*	**2,287**	3,190
Rental and license fee received	*(iv)*	**3,464**	2,027
Logistics-related services income	*(v)*	**10,894**	10,342

(i) Pursuant to the master distribution and sales of goods agreement entered into on 5 December 2014 with FH (1937) for a term of three years ending 31 December 2017, certain distribution and sales of goods was made on mutually agreed normal commercial terms with FH (1937) and its associates.

(ii) Pursuant to the master agreement for leasing of properties dated 6 December 2013 entered into with FH (1937) for a term of three years ending 31 December 2016, the Continuing Operations had rental charge for certain properties leased from FH (1937) and its associates during the period based on mutually agreed normal commercial terms.

(iii) Pursuant to the buying agency agreement entered into with Global Brands Group on 24 June 2014, the Continuing Operations provided buying agency services to Global Brands Group and its associates for a term of three years from the listing date of Global Brands Group. For the year ended 31 December 2015, the Continuing Operations provided buying agency services to Global Brands Group with an aggregate turnover of approximately US$1,627,351,000 (for the period from 9 July 2014 to 31 December 2014: US$891,587,000).

(iv) Pursuant to the master property agreement entered into with Global Brands Group on 24 June 2014, the Continuing Operations and Global Brands Group had rental and license fee to and from one another for certain properties and license offices, showroom and warehouse premises on mutually agreed terms from the listing date of Global Brands Group to 31 December 2016. For the year ended 31 December 2015, aggregate rental and license fee paid to and from one another approximated to US$5,751,000 (for the period from 9 July 2014 to 31 December 2014: US$5,217,000).

(v) Pursuant to the master agreement for provision of logistics-related services entered into on 20 August 2015, the Continuing Operations provided certain logistics-related services to FH (1937) and its associates during the year. The aggregate service income, excluding the passed-through costs for direct freight forwarding, approximated to US$10,894,000 (2014: US$10,342,000).

The foregoing related party transactions also fall under the definition of continuing connected transactions of the Company as stipulated in the Listing Rules on the Stock Exchange.

During 2014, there were certain expenses incurred by FH (1937) and recharged to the Continuing Operations amounting to approximately US$1,000,000.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in *Notes 10* and *40*.

Save as above, the Continuing Operations had no material related party transactions during the year.

36 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market Risk

(I) FOREIGN EXCHANGE RISK

Most of the Group's cash balances were deposits in HK$ and US$ with major global financial institutions, and the Group's revenues and payments were transacted predominantly in US$. Therefore, it considers there is no significant risk exposure in relation to foreign exchange rate fluctuations.

There are small portion of sales and purchases transacted in different currencies, for which the Group arranges hedging by means of foreign exchange forward contracts. Other than this, the Group strictly prohibits any financial derivative arrangement merely for speculation.

At 31 December 2015, if the major foreign currencies, such as Euro dollar and Sterling Pound, to which the Group had exposure had strengthened/weakened by 10% (2014: 10%) against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 2.2% (2014: 2.0%) and 3.5% (2014: 3.7%) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables, borrowings and intangible assets.

(II) PRICE RISK

The Group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets. The Group maintains these investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 31 December 2015 and up to the report date of the financial statements, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies. At 31 December 2015, the fair value of foreign exchange forward contracts entered into by the Group amounted to US$4,272,000 (2014: US$11,323,000), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments assets.

(III) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from US dollar denominated bank borrowings and the US dollar denominated long-term notes issued. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

At 31 December 2015, if the variable interest rates on the bank borrowings had been 0.1% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US$1,273,000 (2014: US$811,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

36 Financial Risk Management (continued)

(b) Credit Risk

Credit risk mainly arises from trade and other receivables as well as cash and bank balances of the Group.

Most of the Group's cash and bank balances are held in major global financial institutions.

The Group has stringent policies in place to manage its credit risk with trade and other receivables, which include but are not limited to the measures set out below:

(i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing at the trade terms with individual customers. It is not uncommon that the Group requires securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers that fall short of the required minimum score under its Risk Assessment System;

(ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;

(iii) It has in place a close monitoring system with a dedicated team to ensure on-time recoveries from its trade debtors; and

(iv) Internally it has set up rigid policies on provision made for both inventories and receivables to motivate its business managers to step up efforts in these two areas so as to avoid any significant impact on their financial performance.

The Group's five largest customers of the Continuing Operations, in aggregate, account for 36% of the Continuing Operation's business. Transactions with these customers are entered into within the credit limits designated by the Group.

Except for trade receivables of US$35,252,000 (2014: US$22,556,000) and other receivables of US$11,316,000 (2014: US$29,401,000), which were considered impaired and fully provided, none of the other financial assets including available-for-sale financial assets *(Note 16)*, due from related companies *(Note 18)* and other receivables and deposits *(Note 20)* are considered impaired as there is no recent history of default of the counterparties. The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

36 Financial Risk Management (continued)

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities from the Group's bankers.

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents *(Note 21)*) on the basis of expected cash flow.

The table below analyzes the liquidity impact of the Group's non-derivative financial liabilities (including annual coupons payable for the long-term notes) into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. These amounts will not reconcile to the amounts disclosed on the consolidated balance sheet and in *Note 27* for long-term liabilities.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2015				
Long-term bank loans	**–**	**100,000**	**–**	**–**
Purchase consideration payable for acquisitions	**87,433**	**70,271**	**94,538**	**–**
Long-term notes – unsecured	**66,875**	**553,125**	**848,438**	**–**
Trade and bills payable	**2,464,785**	**–**	**–**	**–**
Accrued charges and sundry payables	**601,129**	**–**	**–**	**–**
Financial guarantee contract	**750**	**–**	**–**	**–**
Due to related companies	**1,038**	**–**	**–**	**–**
Bank advances for discounted bills	**33,681**	**–**	**–**	**–**
Short-term bank loans	**95,819**	**–**	**–**	**–**
At 31 December 2014				
Long-term bank loans	–	17,000	–	–
Purchase consideration payable for acquisitions	134,661	89,145	250,177	–
Long-term notes – unsecured	66,875	66,875	631,875	769,688
Trade and bills payable	2,561,172	–	–	–
Accrued charges and sundry payables	692,427	–	–	–
Financial guarantee contract	750	–	–	–
Due to related companies	48	–	–	–
Bank advances for discounted bills	33,834	–	–	–
Short-term bank loans	162,850	–	–	–

All of the Group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of US$212,734,000 (2014: US$205,935,000) and undiscounted contractual cash outflows of US$208,742,000 (2014: US$194,893,000).

37 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term bank loans *(Note 23)*, long-term bank loans *(Note 23)* and long-term notes *(Note 27)* less cash and cash equivalents *(Note 21)*). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

The Group's strategy is to maintain a gearing ratio not exceeding 35%. The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 **US$'000**	2014 US$'000
Long-term bank loans *(Note 23)*	**100,000**	17,000
Short-term bank loans *(Note 23)*	**95,819**	162,850
Long-term notes *(Note 27)*	**1,253,823**	1,254,369
	1,449,642	1,434,219
Less: Cash and cash equivalents *(Note 21)*	**(342,243)**	(538,529)
Net debt	**1,107,399**	895,690
Total equity	**3,010,166**	3,110,078
Total capital	**4,117,565**	4,005,768
Gearing ratio	**27%**	22%

38 Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets *(Note 16)*				
– Club debentures	**–**	**–**	**3,854**	**3,854**
Derivative financial instrument used for hedging *(Note 19)*	**–**	**4,272**	**–**	**4,272**
Total Assets	**–**	**4,272**	**3,854**	**8,126**
Liabilities				
Purchase consideration payable for acquisitions	**–**	**–**	**242,502**	**242,502**
Total Liabilities	**–**	**–**	**242,502**	**242,502**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets *(Note 16)*				
– Club debentures	–	–	3,709	3,709
Derivative financial instrument used for hedging *(Note 19)*	–	11,323	–	11,323
Total Assets	–	11,323	3,709	15,032
Liabilities				
Purchase consideration payable for acquisitions	–	–	458,080	458,080
Total Liabilities	–	–	458,080	458,080

38 Fair Value Estimation (continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfer of assets between level 1, level 2 and level 3 fair value hierarchy classifications during the year.

The following summarizes the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING

The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using discounted cash flow analysis. These valuations maximize the use of observable market data. Foreign currency exchange prices are the key observable inputs in the valuation.

PURCHASE CONSIDERATION PAYABLE FOR ACQUISITIONS

The Group recognizes the fair value of those purchase considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgment on time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 2.5%.

38 Fair Value Estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2015 and 2014.

	2015		2014	
	Purchase Consideration Payable for Acquisitions US$'000	**Others US$'000**	Purchase Consideration Payable for Acquisitions US$'000	Others US$'000
Opening balance	**458,080**	**3,709**	1,397,999	6,333
Continuing Operations				
Fair value gains	**–**	**126**	–	40
Additions	**–**	**–**	76,609	–
Settlement	**(102,268)**	**–**	(210,766)	–
Remeasurement of contingent consideration payable	**(116,973)**	**–**	(176,007)	–
Others	**3,663**	**19**	9,372	–
Discontinued Operations				
Additions	**–**	**–**	60,227	–
Settlement	**–**	**–**	(69,306)	–
Remeasurement of contingent consideration payable	**–**	**–**	(19,667)	–
Others	**–**	**–**	18,464	–
Distribution in specie	**–**	**–**	(628,845)	(2,664)
Closing balance	**242,502**	**3,854**	458,080	3,709
Total gain for the year included in profit or loss of Continuing Operations	**(116,973)**	**–**	(176,007)	–

39 Balance Sheet and Reserve Movement of the Company

Balance Sheet of the Company

	Note	As at 31 December 2015 US$'000	2014 US$'000
Non-current Assets			
Interests in subsidiaries		**1,339,604**	1,339,604
Current Assets			
Due from subsidiaries		**4,182,044**	4,327,309
Other receivables, prepayments and deposits		**139**	499
Cash and bank balances		**5,808**	1,439
		4,187,991	4,329,247
Current Liabilities			
Accrued charges and sundry payables		**9,464**	9,457
		9,464	9,457
Net Current Assets		**4,178,527**	4,319,790
Total Assets Less Current Liabilities		**5,518,131**	5,659,394
Financed by:			
Share capital		**13,487**	13,398
Reserves	*(a)*	**3,747,821**	3,888,627
Shareholders' funds		**3,761,308**	3,902,025
Holders of perpetual capital securities		**503,000**	503,000
Total Equity		**4,264,308**	4,405,025
Non-current Liabilities			
Long-term notes		**1,253,823**	1,254,369
		5,518,131	5,659,394

William Fung Kwok Lun
Group Chairman

Spencer Theodore Fung
Group Chief Executive Officer

39 Balance Sheet and Reserve Movement of the Company (continued)

(a) Reserve Movement of the Company

	Share Premium US$'000	Treasury Share US$'000 *(Note 25 (iii))*	Contribution Surplus US$'000 *(Note (i))*	Employee Share-based Compensation Reserve US$'000	Retained Earnings US$'000	Total US$'000
Balance at 1 January 2015	**699,476**	**(6,739)**	**974,189**	**37,049**	**2,184,652**	**3,888,627**
Profit for the year	**–**	**–**	**–**	**–**	**287,309**	**287,309**
Issue of shares for Share Award Scheme	**–**	**(89)**	**–**	**–**	**–**	**(89)**
Purchase of shares for Share Award Scheme	**–**	**(7,300)**	**–**	**–**	**–**	**(7,300)**
Employee Share Option and Share Award Scheme:						
– value of employee services	**–**	**–**	**–**	**23,583**	**–**	**23,583**
– vesting of shares for Share Award Scheme	**5,142**	**828**	**–**	**(5,970)**	**–**	**–**
2014 final and special dividend paid	**–**	**–**	**–**	**–**	**(303,388)**	**(303,388)**
2015 interim dividend paid	**–**	**–**	**–**	**–**	**(140,921)**	**(140,921)**
Balance at 31 December 2015	**704,618**	**(13,300)**	**974,189**	**54,662**	**2,027,652**	**3,747,821**
Balance at 1 January 2014	3,699,476	(6,739)	264,189	36,821	566,889	4,560,636
Profit for the year	–	–	–	–	2,124,700	2,124,700
Employee Share Option Scheme:						
– value of employee services	–	–	–	228	–	228
Share premium reduction	(3,000,000)	–	3,000,000	–	–	–
2013 final dividend paid	–	–	–	–	(366,779)	(366,779)
2014 interim dividend paid	–	–	–	–	(140,158)	(140,158)
Distribution in specie	–	–	(2,290,000)	–	–	(2,290,000)
Balance at 31 December 2014	699,476	(6,739)	974,189	37,049	2,184,652	3,888,627

NOTE:

(i) The contribution surplus of the Company represents:

(1) The difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Li & Fung (B.V.I.) Limited and the value of net assets of the underlying subsidiaries acquired as at 2 June 1992 amounting to US$14,232,000. At Group level, the amount is reclassified into its components of reserves of the underlying subsidiaries.

(2) The difference between the issue price and the nominal value of the Company's shares issued in connection with the acquisition of Colby in 2000 amounting to US$249,957,000. At Group level, the amount is set off against goodwill arising from the acquisition.

(3) During 2014, US$3,000,000,000 contributed surplus was created by reduction of the share premium of the Company. Contributed surplus of US$2,290,000,000 was then distributed as a result of the spin-off of Global Brands Group.

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' and Chief Executive's Emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

	Emoluments Paid or Receivable in Respect of a Person's Services as a Director, Whether of the Company or its Subsidiary Undertaking:									
Name of Director	Fees US$'000	Salary US$'000	Discretionary Bonuses US$'000 *(Note (i))*	Housing Allowance US$'000	Share Options/ Award Shares Gain US$'000 *(Note (v))*	Estimated Money Value of Other Benefits US$'000 *(Note (ii))*	Employer's Contribution to a Retirement Benefit Scheme US$'000	Remunerations Paid or Receivable in respect of Accepting Office as Director US$'000	Emoluments Paid or Receivable in respect of Director's Other Services in Connection with the Management of the Affairs of the Company or its Subsidiary Undertaking US$'000	Total US$'000
Executive Directors										
William Fung Kwok Lun	39	618	2,358	–	–	–	–	–	–	3,015
Spencer Theodore Fung	39	703	2,331	–	61	–	2	–	–	3,136
Marc Robert Compagnon	39	639	3,143	–	52	43	2	–	–	3,918
Non-executive Directors										
Victor Fung Kwok King	61	–	–	–	–	–	–	–	–	61
Paul Edward Selway-Swift	64	–	–	–	–	–	–	–	–	64
Allan Wong Chi Yun	71	–	–	–	–	–	–	–	–	71
Franklin Warren McFarlan *(Note (iv))*	27	–	–	–	–	–	–	–	–	27
Martin Tang Yue Nien	64	–	–	–	–	–	–	–	–	64
Margaret Leung Ko May Yee	64	–	–	–	–	–	–	–	–	64

NOTES:

(i) The discretionary bonuses paid in 2015 were in relation to performance and services for 2014.

(ii) Other benefits include mortgage interest subsidy and club membership.

(iii) During the year, no Share (2014: Nil) was issued to any directors of the Company under the 2003 Option Scheme and 2014 Option Scheme.

(iv) Retired as Independent Non-executive Director of the Company with effect from 21 May 2015.

(v) Share Options/Award Shares gain is determined based on the market price at the exercise/vesting date.

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(a) Directors' and Chief Executive's Emoluments (continued)

For the year ended 31 December 2014:

	Emoluments Paid or Receivable in Respect of a Person's Services as a Director, Whether of the Company or its Subsidiary Undertaking:									
Name of Director	Fees US$'000	Salary US$'000	Discretionary Bonuses US $'000 (Note (i))	Housing Allowance US$'000	Share Options/ Award Shares Gain US$'000	Estimated Money Value of Other Benefits US$'000 (Note (ii))	Employer's Contribution to a Retirement Benefit Scheme US$'000	Remunerations Paid or Receivable in respect of Accepting Office as Director US$'000	Emoluments Paid or Receivable in respect of Director's Other Services in Connection with the Management of the Affairs of the Company or its Subsidiary Undertaking US$'000	Total US$'000
Executive Directors										
William Fung Kwok Lun	39	616	2,512	–	–	–	2	–	–	3,169
Bruce Philip Rockowitz *(Note (iii))*	20	282	5,557	–	–	14	1	–	–	5,874
Spencer Theodore Fung	39	648	1,058	–	–	–	2	–	–	1,747
Marc Robert Compagnon *(Note (iv))*	20	600	4,045	–	–	46	2	–	–	4,713
Non-executive Directors										
Victor Fung Kwok King	65	–	–	–	–	–	–	–	–	65
Paul Edward Selway-Swift	69	–	–	–	–	–	–	–	–	69
Allan Wong Chi Yun	68	–	–	–	–	–	–	–	–	68
Franklin Warren McFarlan	64	–	–	–	–	–	–	–	–	64
Martin Tang Yue Nien	64	–	–	–	–	–	–	–	–	64
Benedict Chang Yew Teck *(Note (v))*	16	–	–	–	–	–	–	–	–	16
Fu Yuning *(Note (vi))*	58	–	–	–	–	–	–	–	–	58
Margaret Leung Ko May Yee	59	–	–	–	–	–	–	–	–	59

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(a) Directors' and Chief Executive's Emoluments (continued)

For the year ended 31 December 2014: (continued)

NOTES:

(i) The discretionary bonuses paid in 2014 were in relation to performance and services for 2013.

(ii) Other benefits include mortgage interest subsidy and club membership.

(iii) Resigned as Executive Director of the Company with effect from 1 July 2014.

(iv) Appointed as Executive Director of the Company with effect from 1 July 2014.

(v) Retired as Non-executive Director of the Company with effect from 15 May 2014.

(vi) Resigned as Independent Non-executive Director of the Company with effect from 31 December 2014.

As at 31 December 2015, certain Directors held the following Share Options to acquire Shares of the Company:

No. of Share Options	Exercise Price	Exercisable Period
16,000,000 (2014: 18,000,000)	HK$12.12[1]	Exercisable in eight equal tranches during the period from 1/5/2014 to 30/4/2023 with each tranche having an exercisable period of two years
16,023,000 (2014: Nil)	HK$7.49	Exercisable in three equal tranches during the period from 1/1/2016 to 31/12/2019 with each tranche having an exercisable period of two years

NOTE:

(1) Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$14.50 to HK$12.12 with effect from 31 August 2014.

The closing market price of the Shares as at 31 December 2015 was HK$5.27.

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(b) Directors' Termination Benefits

No termination benefits was provided to or receivable by any director during the year as compensation for the early termination of appointment (2014: None).

(c) Consideration Provided to Third Parties for Making Available Directors' Services

No consideration was provided to or receivable by third parties for making available directors' services (2014: None).

(d) Information about Loans, Quasi-loans and Other Dealings in Favour of Directors, Controlled Bodies Corporate by and Connected Entities with Such Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2014: None).

(e) Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

41 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 17 March 2016.

42 Principal Subsidiaries, Associated Companies and Joint Venture

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	Held Directly				
(2)	Integrated Distribution Services Group Limited	Bermuda	Ordinary US$12,000	100	Investment holding
(2)	LF Centennial Limited	British Virgin Islands	Ordinary US$50,000	100	Investment holding
(2)	LF Credit Limited	Bermuda	Ordinary US$12,000	100	Investment holding
(1)	Li & Fung (B.V.I.) Limited	British Virgin Islands	Ordinary US$400,010	100	Marketing services and investment holding
	Held Indirectly				
	888 UK Limited	England	Ordinary GBP100	100	Service company
(2)	AGI Logistics Foreign Holdings LLC	U.S.A.	Capital contribution US$1	100	Investment holding
	Algreta Solutions Limited	England	Ordinary GBP10,527	100	Sale and distribution of security products
(2)	Appleton Holdings Ltd.	British Virgin Islands	Ordinary US$1	100	Investment holding
	B.G.S. Limited	Thailand	Ordinary Baht 288,000 Preference Baht 712,000	100	Marketing and distribution of healthcare products
	Black Cat Fireworks Limited	England	Ordinary GBP15,500,000	100	Wholesaling
(2)	Bond Medical Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Bossini Fashion GmbH	Germany	EUR468,000	100	Importer
	BS Direct Limited	Hong Kong	Ordinary HK$2	100	Export trading
	C Group US LLC	U.S.A.	Capital contribution US$1,000	100	Marketing services
	Camberley Enterprises Limited	Hong Kong	Ordinary HK$250,000	100	Manufacturing and trading
	Camberley Trading Service (Shenzhen) Limited	The People's Republic of China	RMB1,500,000	100 foreign-owned enterprise	Export trading services
(2)	Catalyst Direct Sarl	France	Ordinary EUR10,000	100	Wholesaling
(2)	Catalyst Tags Inc.	U.S.A.	Common stock US$10,000	100	Distribution
(2)	Centennial (Luxembourg) S.a.r.l.	Luxembourg	EUR8,931,250	100	Investment holding
	Character Direct Limited	Hong Kong	Ordinary HK$2	100	Design and marketing
	Chuan Jui Chuan Logistics Co., Ltd.	Taiwan	NT$25,000,000	100	Transportation
	Chuan Jui Fu Logistics Co., Ltd.	Taiwan	NT$25,000,000	100	Transportation
(2)	Colby Group Holdings Limited	British Virgin Islands	Ordinary US$45,000	100	Investment holding
(2)	Colby Property Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Comet Feuerwerk GmbH	Germany	EUR1,000,000	100	Fireworks wholesaling
	Concept 3 Limited	Hong Kong	Ordinary HK$2	100	Investment holding
(2)	Covo Design (Dongguan) Co., Ltd.	The People's Republic of China	US$4,000,000	100 foreign-owned enterprise	Sample production and export trading services

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
(2)	Crimzon Rose Accessories (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,500,000	100 foreign-owned enterprise	Wholesaling
	Definitive Sourcing (India) Private Limited	India	Rs100,000	100	Buying services for sourcing goods
(2)	Direct Sourcing Group Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Direct Sourcing Group Investment Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Direct Sourcing Group Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	Dodwell (Mauritius) Limited	Hong Kong	Ordinary "A" HK$300,000 Ordinary "B" HK$200,000	60	Export trading
	Dodwell (Singapore) Pte. Ltd.	Singapore	Ordinary S$200,000	100	Export trading
(2)	Dongguan LF Beauty Manufacturing Services Limited	The People's Republic of China	HK$11,220,000	100 foreign-owned enterprise	Trading and manufacturing
(2)	Dongguan LF Products Trading Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Sample design and export trading services
(2)	DSG (Bangladesh) Limited	Bangladesh	Ordinary TK$3,750,000	100	Export trading services
	DSG (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
	DSG (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
(2)	DSG (US) Inc.	U.S.A.	Common stock US$1	100	Sourcing service
	DSG Services Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading services
(2)	Empire Knight Group Limited	British Virgin Islands	Ordinary US$1	100	Property investment
(2)	Far East Logistics (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,500,000	100 foreign-owned enterprise	Wholesaling
	Fenix Fashion Limited	Hong Kong	Ordinary HK$1	100	General trading of merchandise
(2)	Fleet Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Four Star Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
(2)	Four Star Construction and Engineering Company Limited	Macau	MOP$25,000	100	Distribution of medical and pharmaceutical products and medical equipment
(2)	GB Apparel Limited	England	Ordinary GBP1,000	100	Investment holding
	GMR (Hong Kong) Limited	Hong Kong	Ordinary HK$2	100	Export trading
(2)	Golden Gate Fireworks Inc.	U.S.A.	Common stock US$600,000	100	Commission agent and investment holding
	Golden Horn N.V.	Curacao	US$6,100	100	Investment holding
	Goodwest Enterprises Limited	Hong Kong	Ordinary HK$2	100	Export trading
	GSCM (HK) Limited	Hong Kong	Ordinary HK$140,000	100	Export trading
	GSCM LLC	U.S.A.	Capital contribution US$1	100	Trading of apparel
	Hanson Im-und Export GmbH	Germany	EUR26,000	100	Wholesaling
(2)	Homeworks (Europe) B.V.	The Netherlands	Ordinary EUR18,000	100	Export trading
	Homeworks Asia Limited	Hong Kong	Ordinary HK$2	100	Export trading
	HTL Fashion (UK) Limited	England	Ordinary GBP1	100	Design and export trading
	HTL Fashion Hazir Giyim Sanayi ve Ticaret Limited Sirketi	Turkey	YTL25,000	100	Manufacturing
	HTP Fashion Limited	Hong Kong	Ordinary HK$1	100	Manufacturing and trading
(2)	Icare Health Care Company Ltd.	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	IDS Corporate Services (S) Pte. Ltd.	Singapore	Ordinary S$24,700	100	Investment holding, distribution and provision of services including management services
(2)	IDS Group Limited	British Virgin Islands	Ordinary US$949,165	100	Investment holding
(2)	IDS International (Shanghai) Co., Ltd.	The People's Republic of China	RMB5,500,000	100 foreign-owned enterprise	Freight forwarders and other logistics services
(2)	IDS International USA Inc.	U.S.A.	Common stock US$1	100	Logistics and supply chain management
	IDS Manufacturing Sdn. Bhd.	Malaysia	Ordinary RM23,000,000	100	Manufacturing of pharmaceutical, foods and toiletries products
	Imagine POS Limited	Hong Kong	Ordinary "A" HK$2,000,000 Ordinary "B" HK$757,471	100	Export trading

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
	Imagine POS UK Limited	England	Ordinary GBP100	100	Cosmetic estate management services
	International Sources Trading Limited	Hong Kong	Ordinary HK$2	100	Export trading
	Jackel Cosmetics Limited	Hong Kong	Class "A" HK$9,950,645 Class "B" non-voting HK$13,890	100	Export trading
(2)	Jackel France SAS	France	Ordinary EUR37,500	100	Export trading
	Jackel International (Asia) Limited	Hong Kong	Ordinary "A" HK$346,500 Ordinary "B" HK$86,850	100	Export trading
(2)	Jackel International Europe SAS	France	Ordinary EUR105,000	100	Export trading
	Jackel, Inc.	U.S.A.	Class "A" voting common stock US$1 Class "B" non-voting common stock US$99	100	Export trading
	JDH Marketing (Thailand) Limited	Thailand	Ordinary Baht 210,000,000	100	Marketing and distribution of healthcare products
	JV Cosmetics Company Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
	Kariya Industries Limited	Hong Kong	Ordinary HK$1,000,000	100	Manufacturing and trading
	Lenci Calzature SpA	Italy	Equity shares EUR206,400	100	Design, marketing and sourcing
	LF (Philippines), Inc.	The Philippines	Common shares Pesos 21,000,000	100	Distribution of consumer products and provision of logistics services
(2)	LF Asia (Borneo) Sdn Bhd	Brunei Darussalam	Ordinary B$3,000,000	70	General merchandising, shipping and insurance agency
	LF Asia (Hong Kong) Limited	Hong Kong	Ordinary HK$146,000,000	100	Distribution of consumer and pharmaceutical products
	LF Asia (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM14,231,002	100	Distribution of consumer and pharmaceutical products
(2)	LF Asia (Philippines), Inc.	The Philippines	Common shares Peso 11,983,140	100	Distribution and logistics
	LF Asia (Singapore) Pte. Ltd.	Singapore	Ordinary S$300,000 Preference S$68,000	100	Distribution of healthcare products
	LF Asia (Thailand) Limited	Thailand	Ordinary Baht 16,000,000 Preference Baht 5,500,000 25% paid up	100	Distribution of consumer and pharmaceutical products
	LF Asia Distribution (Taiwan) Limited	Hong Kong	Ordinary HK$1	100	Distribution of consumer products
	LF Asia Management Limited	Hong Kong	Ordinary HK$10,000	100	Provision of management and consultancy services
	LF Asia Marketing (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM1,000,000	100	Distribution of consumer products

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
(2)	LF Asia Sebor (Sabah) Holdings Sdn. Bhd.	Malaysia	Ordinary RM11,000,000	60	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sabah) Sdn. Bhd.	Malaysia	Ordinary RM9,850,000	60	Distribution of consumer products
(2)	LF Asia Sebor (Sarawak) Holdings Sdn. Bhd.	Malaysia	Ordinary RM9,503,333	67.09	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sarawak) Sdn. Bhd.	Malaysia	Ordinary RM5,000,000	67.09	Distribution of consumer products
(2)	LF Beauty (Shenzhen) Limited	The People's Republic of China	HK$8,500,000	100 foreign-owned enterprise	Export trading services
	LF Beauty (Thailand) Ltd. (formerly known as IDS Manufacturing Limited)	Thailand	Ordinary Baht 469,500,000	100	Manufacturing of household, pharmaceutical and personal care products
	LF Beauty (UK) Limited	England	Ordinary GBP100	100	Design, marketing and manufacturing
	LF Beauty Inc.	U.S.A.	Common stock US$1	100	Investment holding
	LF Beauty Limited	Hong Kong	Ordinary HK$1	100	Export trading
(2)	LF Beauty Manufacturing China Co. Ltd (formerly known as JV Cosmetics (Dongguan) Co. Ltd.)	The People's Republic of China	HK$105,000,000	100 foreign-owned enterprise	Manufacturing and trading
	LF Centennial Pte. Ltd.	Singapore	Ordinary S$100,000	100	Export trading services
	LF Centennial Services (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
(2)	LF Corporate Capital (I) Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Credit Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of trade-related credit services
	LF Distribution Holding Inc.	U.S.A.	Common stock US$1	100	Investment holding
(2)	LF Distribution Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Distribution International Holding Limited	Hong Kong	Ordinary US$1	100	Investment holding
	LF Distribution International Inc.	U.S.A.	Common stock US$1	100	Investment holding
(2)	LF Distribution Limited	Bermuda	Ordinary US$100	100	Investment holding
	LF Europe (Germany) Services GmbH	Germany	EUR25,000	100	Provision of accounting services
	LF Europe Limited	England	Ordinary GBP26,788,000	100	Investment holding
	LF Fashion (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
	LF Fashion Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
(2)	LF Fashion Service Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	LF Freight (Hong Kong) Limited	Hong Kong	Ordinary HK$2	100	Provision of supply chain management services
	LF Home Limited	Hong Kong	Ordinary HK$2	100	Export trading
(2)	LF International Inc.	U.S.A.	Common stock US$30,002	100	Investment management
	LF Logistics (Bangladesh) Limited	Bangladesh	Ordinary TK$10,000,000	100	Freight forwarding
	LF Logistics (Cambodia) Limited	Cambodia	Ordinary Riels 20,000,000	100	Freight forwarding and other logistics services
	LF Logistics (China) Co., Ltd.	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
(2)	LF Logistics (Guangzhou) Co., Ltd.	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
	LF Logistics (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100	Provision of logistics services
(2)	LF Logistics (India) Private Limited	India	Ordinary Rs15,000,000	100	Logistics, supply chain management and freight forwarding
	LF Logistics (Taiwan) Limited	Hong Kong	Ordinary HK$200	100	Provision of logistics and packaging services
	LF Logistics (Thailand) Limited	Thailand	Ordinary Baht 307,750,000	100	Provision of logistics services
	LF Logistics (UK) Limited	England	Ordinary GBP50,000	100	Provision of logistics services
(2)	LF Logistics Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Logistics Holdings (UK) Limited	England	Ordinary GBP1	100	Investment holding
(2)	LF Logistics Korea Limited	Korea	Common stock KRW300,000,000	100	Provision of logistics services
(2)	LF Logistics Limited	Bermuda	Ordinary US$100	100	Investment holding
	LF Logistics Management Limited	Hong Kong	Ordinary HK$2	100	Provision of management and consultancy services
(2)	LF Logistics Pakistan (Private) Limited	Pakistan	Ordinary Rs5,000,000	100	Freight forwarders and other logistics services
	LF Logistics Services (M) Sdn. Bhd.	Malaysia	Ordinary RM2,000,000	100	Provision of logistics services
	LF Logistics Services Pte. Ltd.	Singapore	Ordinary S$28,296,962	100	Provision of logistics services
(2)	LF Logistics USA LLC (formerly known as LF Freight (USA) LLC)	U.S.A.	Capital contribution US$1	100	Freight forwarders and other logistics services
	LF Men's Group LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	LF Performance Services Sdn. Bhd.	Malaysia	Ordinary RM250,000	70	House Royal Custom's bonded warehouse licence
	LF Products (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Provision of management support services

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	LF Products (Shanghai) Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Export, import and domestics trading
	LF Products Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	LF Sourcing (Millwork) LLC	U.S.A.	Capital contribution US$1	100	Sourcing and export trading
	LF Sourcing Sportswear LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
(2)	Li & Fung (Australia) Proprietary Limited	Australia	Ordinary AUD1	100	Marketing liaison
	Li & Fung (Bangladesh) Limited	Bangladesh	Ordinary TK$9,500,000	100	Export trading services
(2)	Li & Fung (Brasil) Trading, Importacao E Exportacao Ltda	Brazil	Common shares R$333,559	100	Service provider
	Li & Fung (Cambodia) Limited	Cambodia	Ordinary Riels 120,000,000	100	Export trading services
(2)	Li & Fung (Chile) Limitada	Chile	Chilean Pesos $5,500,000	100	Export trading
	Li & Fung (Europe) Holding Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Exports) Limited	Hong Kong	Ordinary HK$10,000 Non-voting deferred HK$8,600,000	100	Investment holding
(2)	Li & Fung (Guatemala) S.A.	Guatemala	Nominative shares Q5,000	100	Export trading services
(2)	Li & Fung (Honduras) Limited	Honduras	Nominative common shares Lps25,000	100	Export trading services
	Li & Fung (India) Private Limited	India	Equity shares Rs64,000,200	100	Export trading services
	Li & Fung (Korea) Limited	Korea	Common stock KRW200,000,000	100	Export trading services
(2)	Li & Fung (Mauritius) Limited	Mauritius	"A" Shares Rs750,000 "B" Shares Rs500,000	60	Export trading services
(2)	Li & Fung (Morocco) SARL	Morocco	Ordinary Dirhams10,000	100	Export trading services
(2)	Li & Fung (Nicaragua), Sociedad Anonima	Nicaragua	Nominative shares C$50,000	100	Export trading
	Li & Fung (Philippines) Inc.	The Philippines	Common shares Peso 1,000,000	100	Export trading services
(2)	Li & Fung (Portugal) Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Singapore) Private Limited	Singapore	Ordinary S$25,000	100	Export trading services
	Li & Fung (Taiwan) Limited	Taiwan	NT$63,000,000	100	Sourcing and inspection
	Li & Fung (Thailand) Limited	Thailand	Ordinary Baht 20,000,000	100	Export trading services
	Li & Fung (Trading) Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000	100	Export trading services and investment holding
	Li & Fung (Vietnam) Limited	Vietnam	Charter capital US$800,000	100	Export trading services
	Li & Fung Agencia de Compras em Portugal, Limitada	Portugal	EUR99,759.58	100	Export trading services

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
(2)	Li & Fung Mexico S.A. de C.V. (formerly known as Direct SG Mexico Limited S.A. de C.V.)	Mexico	Nominative common shares MXP150,000	100	Service and import trading
	Li & Fung Mumessillik Pazarlama Limited Sirketi	Turkey	YTL45,356,100	100	Export trading services
	Li & Fung Pakistan (Private) Limited	Pakistan	Ordinary Rs10,000,000	100	Export trading services
	Li & Fung South Africa (Proprietary) Limited	South Africa	Ordinary Rand 100	100	Export trading services
	Li & Fung Taiwan Holdings Limited	Taiwan	NT$287,996,000	100	Investment holding
	Li & Fung Trading (China) Holding Limited (formerly known as Dana International Limited)	Hong Kong	Ordinary HK$2	100	Investment holding
(2)	Li & Fung Trading (Italia) S.r.l.	Italy	EUR100,000	100	Export trading services
	Li & Fung Trading (Shanghai) Limited	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Export trading
(2)	Li & Fung Trading Service (Guangzhou) Limited	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shanghai) Company Limited	The People's Republic of China	US$6,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
	Lighthouse Asia Limited	Hong Kong	Ordinary HK$10,000	100	Investment holding
	Lion Rock (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100	Investment holding
	Lion Rock Far East (1972) Limited	Hong Kong	Ordinary HK$20	100	Investment holding
	Lion Rock International Trading & Co.	Hong Kong	Capital contribution HK$3,000,000	100	Provision of management services
	Lion Rock Services (Far East) & Co.	Hong Kong	Capital contribution HK$17,000,000	100	Merchandising agent
	Lion Rock Services (Switzerland) AG	Switzerland	CHF3,400,000	100	Export trading services
	Lloyd Textile Trading Limited	Hong Kong	Ordinary HK$1,000,000	100	Manufacturing and trading
	Lornamead Acquisitions Limited	England	Ordinary GBP1,000	100	Investment holding
	Lornamead GmbH	Germany	EUR25,000	100	Manufacturing of perfumes and toilet preparations
	Lornamead Group Limited	England	Ordinary GBP1,000	100	Investment holding
	Lornamead Inc.	U.S.A.	Common stock US$26,824.8975	100	Wholesaling
	Lornamead UK Limited	England	Ordinary GBP100	100	Manufacture of perfumes and toilet preparations
	Material Sourcing (HK) Limited	Hong Kong	Ordinary HK$1	100	Export trading

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
(2)	Mercury (BVI) Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Meredith Associates Limited	Hong Kong	Ordinary US$1,327,932	100	Investment holding
	Mighty Hurricane Holdings Inc.	U.S.A.	Common stock of US$100	100	Wholesaling
	Miles Fashion Asia Pte. Ltd.	Singapore	Ordinary S$1	100	Export trading
	Miles GmbH (formerly known as Miles Fashion GmbH)	Germany	EUR11,000,000	100	Importer
	Miles Fashion Group France EURL	France	EUR10,000	100	Wholesaling
(2)	Miles Fashion USA, Inc.	U.S.A.	Common stock US$1,000	100	Importer
	Millwork Holdings Co., Inc.	U.S.A.	Common stock US$1	100	Investment holding
	Modium Konfeksiyon Sanayi ve Ticaret Anonim Sirketi	Turkey	A Shares YTL2,249,975 B Shares YTL25	100	Manufacturing
	Nanjing LF Asia Company Limited	The People's Republic of China	US$5,000,000	100 foreign-owned enterprise	Importer, export trading and distribution of general merchandise
(2)	New Star Instruments Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Ningbo Zhicheng Customs Brokerage Co., Ltd.	The People's Republic of China	RMB1,500,000	100 foreign-owned enterprise	Provision of customs brokerage services
	P.T. Lifung Indonesia	Indonesia	Ordinary US$500,000	100	Export trading services
	Paco Trading (International) Limited	Hong Kong	Ordinary HK$2	100	Export trading
	PATCH Licensing LLC	U.S.A.	Capital contribution US$1	66.67	Export trading services
	Perfect Trading Inc.	Egypt	LE2,480,000	60	Export trading services
	Peter Black Footwear & Accessories Limited	England	Ordinary GBP202,000	100	Design, marketing and sourcing
	Peter Black Holdings Limited	England	Ordinary GBP0.25	100	Investment holding
	Peter Black International Limited	England	Ordinary GBP0.01	100	Investment holding
	Peter Black Overseas Holdings Limited	England	Ordinary GBP2	100	Investment holding
	Phil Henson GmbH	Germany	EUR50,000	100	Importer
	Product Development Partners Limited	Hong Kong	Ordinary HK$2	100	Export trading
	PromOcean France SAS	France	EUR8,530,303	100	Wholesaling
	PromOcean GmbH	Germany	EUR25,570	100	Wholesaling
	PromOcean No 1 Limited	England	Ordinary GBP1	100	Investment holding
	PromOcean Spain SL	Spain	EUR3,005.06	100	Wholesaling
	PromOcean The Netherlands B.V.	The Netherlands	EUR39,379.5	100	Wholesaling
	PromOcean UK Limited	England	Ordinary GBP1	100	Wholesaling

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	PT Direct Sourcing Indonesia	Indonesia	Ordinary US$250,000	100	Export trading services
(2)	PT. IDS Logistics Indonesia	Indonesia	Ordinary Rp1,820,400,000	100	Provision of logistics services
(2)	PF. LF Asia Marketing Indonesia	Indonesia	Ordinary US$300,000	100	Import and distribution of cosmetics and personal care products
	PT. LF Beauty Manufacturing Indonesia (formerly known as PT. LF Asia Manufacturing Indonesia)	Indonesia	Ordinary Rp453,600,000	100	Manufacturing of personal care and household products
(2)	PT. LF Services Indonesia	Indonesia	Ordinary Rp5,000,000,000	100	Logistics, transport and other services
	Ralsey Group Ltd.	U.S.A.	Common stock US$1	100	Wholesaling
(2)	Ratners Enterprises Ltd.	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Region Giant Holdings Limited	British Virgin Islands	Ordinary US$31	100	Investment holding
	RMS Trading GmbH	Germany	Registered capital EUR25,000	100	General trading of merchandise
	RT Sourcing (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,000,000	100 foreign-owned enterprise	Export trading services
	RT Sourcing Asia Limited	Hong Kong	Ordinary HK$102,000	100	Investment holding
	Shanghai IDS Distribution Co., Ltd.	The People's Republic of China	US$3,100,000	100 foreign-owned enterprise	Storage and logistic transportation management
(2)	Shanghai IDS Logistics Co., Ltd.	The People's Republic of China	RMB1,000,000	100 foreign-owned enterprise	Provision of logistics services
	Shanghai LF Asia Healthcare Co., Ltd.	The People's Republic of China	RMB6,000,000	100 foreign-owned enterprise	Distribution of pharmaceutical products
(2)	Shenzhen Catalyst Trading Co., Ltd.	The People's Republic of China	US$120,000	100 foreign-owned enterprise	Security tag trading
	Shiu Fung Fireworks Company Limited	Hong Kong	Ordinary "A" HK$1,100,000 Ordinary "B" HK$1,100,000	100	Export trading
	Shiu Fung Fireworks Trading (Changsha) Limited	The People's Republic of China	RMB4,000,000	100 foreign-owned enterprise	Export trading
	Silvereed (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading
(2)	Simkar 2 Limited	Cayman Islands	Ordinary US$50,000	100	Investment holding
(2)	Simkar Limited	Cayman Islands	Ordinary US$49,999.75	100	Investment holding
	Sky Million International Limited	Hong Kong	Ordinary HK$2	100	Property investment

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	STS Shenzhen Testing Service Limited	The People's Republic of China	US$660,000	100 foreign-owned enterprise	Testing and technology consultation
(2)	Tantallon Enterprises Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Texnorte II – Industrias Texteis, Limitada	Portugal	EUR5,000	100	Export trading services
	Texnorte Industrial Limited	Hong Kong	Ordinary HK$2	100	Export trading
	Toy Island (USA) LLC	U.S.A.	Capital contribution US$100	100	Marketing
	Uncle Sam Online Vertriebs-und Vermarktungsrechte GmbH	Germany	EUR26,000	100	Wholesaling
	Ventana Bekleidungsfabrikation GmbH	Germany	EUR26,000	100	Wholesaling
	Visage Group Limited	England	Ordinary GBP100,000	100	Investment holding
	Visage Holdings (2010) Limited	England	Ordinary GBP2	100	Investment holding
	Visage Holdings Limited	England	Ordinary GBP35,163	100	Investment holding
	Visage Limited	England	Ordinary GBP54,100	100	Design, marketing and sourcing
	W S Trading Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
(2)	Welmed (Macau) Company Limited	Macau	MOP$25,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Whalen Limited	Hong Kong	Ordinary HK$62,000,000	100	Design and marketing
	Whalen LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	Wilson Textile Limited	Hong Kong	Ordinary HK$1	100	Export trading

NOTES:

(1) *Li & Fung (B.V.I.) Limited provides the subsidiaries with promotional and marketing services outside Hong Kong.*

(2) *Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited/reviewed by PricewaterhouseCoopers amounted to less than 5% of the Group's total net assets.*

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

The above table lists out the principal subsidiaries of the Company as at 31 December 2015 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Indirectly Held by the Company	Principal Activities
Note	**Principal Associated Companies**				
	Blue Work Trading Company Limited	Hong Kong	Ordinary HK$4,000,000	50	Export trading
#	Fireworks Management, Inc.	U.S.A.	Common stock US$60,000	25	Investment holding
#	Gulf Coast Fireworks Sales, LLC	U.S.A.	Capital contribution US$2,909,051	30	Fireworks distribution
#	Marshall Fireworks, Inc.	U.S.A.	Common stock US$10,000	30	Convenience and store
#	Ningbo Penavico-CCL International Freight Forwarding Co., Ltd.	The People's Republic of China	US$1,000,000	40	Provision of freight forwarding services
#	Winco Fireworks International, LLC	U.S.A.	Capital contribution US$9,753,776	30	Wholesaling
#	Winco Fireworks Mississippi, LLC	U.S.A.	Capital contribution US$177,421	30	Wholesaling
#	Winco of Tennessee, LLC	U.S.A.	Capital contribution US$364,550	30	Fireworks wholesaling and retailing
Note	**Principal Joint Venture**				
*	Red Sun Company Limited	The People's Republic of China	RMB48,000,000	20	Domestic and export trading

The associated companies are not audited by PricewaterhouseCoopers.

* *The joint venture is not audited by PricewaterhouseCoopers.*

Although the Group owns less than half of the equity interests in Red Sun Company Limited, it is able to exercise joint control by virtue of an agreement with other investors.

The above table lists out the principal associated companies and joint venture of the Company as at 31 December 2015 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.

Independent auditor's report

羅兵咸永道

TO THE SHAREHOLDERS OF LI & FUNG LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated accounts of Li & Fung Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 118 to 215, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Accounts

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this Report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2015

Statement of accounts

Notes to the accounts

Consolidated profit and loss account of the Group

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000 (Restated)
Continuing Operations			
Turnover	3	**19,288,499**	19,025,512
Cost of sales		**(17,106,990)**	(16,806,590)
Gross profit		**2,181,509**	2,218,922
Other income		**62,724**	75,318
Total margin		**2,244,233**	2,294,240
Selling and distribution expenses		**(617,178)**	(572,498)
Merchandising and administrative expenses		**(1,022,912)**	(984,648)
Core operating profit	3	**604,143**	737,094
Gain on remeasurement of contingent consideration payable	4	**176,007**	112,648
Amortization of other intangible assets	4	**(35,462)**	(32,009)
One-off reorganisation costs		**(19,763)**	–
Other non-core operating expenses	4	**(1,300)**	(6,007)
Operating profit	4	**723,625**	811,726
Interest income		**6,984**	9,177
Interest expenses	5		
Non-cash interest expenses		**(9,976)**	(13,274)
Cash interest expenses		**(95,203)**	(94,301)
		(105,179)	(107,575)
Share of profits less losses of associated companies	16	**1,373**	442
Profit before taxation		**626,803**	713,770
Taxation	6	**(59,035)**	(72,011)
Profit for the year from Continuing Operations		**567,768**	641,759
Discontinued Operations			
(Loss for the period)/profit for the year from Discontinued Operations	33	**(98,122)**	113,528
Net profit for the year		**469,646**	755,287
Attributable to:			
Shareholders of the Company		**441,276**	725,337
Holders of perpetual capital securities		**30,000**	30,000
Non-controlling interests		**(1,630)**	(50)
		469,646	755,287

	Note	**2014** **US$'000**	2013 US$'000 (Restated)
Attributable to Shareholders of the Company arising from:			
Continuing Operations		**539,398**	611,809
Discontinued Operations		**(98,122)**	113,528
		441,276	725,337
Earnings/(losses) per share for profit/(loss) attributable to the Shareholders of the Company during the year	*8*		
– basic from Continuing Operations		**50.3 HK cents**	57.1 HK cents
(equivalent to)		**6.46 US cents**	7.32 US cents
– basic from Discontinued Operations		**(9.2) HK cents**	10.6 HK cents
(equivalent to)		**(1.17) US cents**	1.36 US cents
– diluted from Continuing Operations		**50.3 HK cents**	57.1 HK cents
(equivalent to)		**6.46 US cents**	7.32 US cents
– diluted from Discontinued Operations		**(9.2) HK cents**	10.6 HK cents
(equivalent to)		**(1.17) US cents**	1.36 US cents

Details of distribution in specie and dividends to Shareholders of the Company are set out in *Note 9*. The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Consolidated statement of comprehensive income of the Group

For the year ended 31 December 2014

	2014 US$'000	2013 US$'000
Net Profit for the Year	**469,646**	755,287
Other Comprehensive (Expense)/Income:		
Items that will not be reclassified to profit or loss		
Remeasurements from post-employment benefits recognized in reserve, net of tax	**(728)**	4,440
Total Items that will not be Reclassified to Profit or Loss	**(728)**	4,440
Items that may be reclassified subsequently to profit or loss		
Currency translation differences*	**(92,158)**	11,195
Net fair value gains/(losses) on cash flow hedges, net of tax	**10,302**	(398)
Net fair value gains on available-for-sale financial assets, net of tax	**40**	71
Total Items that may be Reclassified Subsequently to Profit or Loss	**(81,816)**	10,868
Total Other Comprehensive (Expense)/Income for the Year, Net of Tax	**(82,544)**	15,308
Total Comprehensive Income for the Year	**387,102**	770,595
Attributable to:		
Shareholders of the Company	**358,556**	741,260
Holders of perpetual capital securities	**30,000**	30,000
Non-controlling interests	**(1,454)**	(665)
Total Comprehensive Income for the Year	**387,102**	770,595
Attributable to Shareholders of the Company Arising from:		
Continuing Operations	**457,778**	630,998
Discontinued Operations	**(99,222)**	110,262
	358,556	741,260

* *Exchange differences resulting from translation of the results and financial positions of the Group entities with functional currencies other than the Group's presentation currency.*

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Consolidated balance sheet of the Group

As at 31 December 2014

	Note	As at 31 December 2014 US$'000	2013 US$'000
Non-Current Assets			
Intangible assets	*12*	**4,349,083**	7,608,556
Property, plant and equipment	*13*	**244,907**	439,599
Prepaid premium for land leases	*14*	**2,498**	2,789
Associated companies	*16*	**11,890**	7,598
Joint ventures	*17*	**–**	14,515
Available-for-sale financial assets	*18*	**3,709**	3,669
Other receivables and deposits	*22*	**7,570**	15,623
Deferred tax assets	*31*	**32,493**	75,364
		4,652,150	8,167,713
Current Assets			
Inventories	*19*	**565,291**	1,100,486
Due from related companies	*20*	**511,965**	67,670
Trade and bills receivable	*22*	**1,864,021**	2,220,841
Other receivables, prepayments and deposits	*22*	**333,743**	446,520
Derivative financial instruments	*21*	**11,323**	2,664
Cash and bank balances	*23*	**538,529**	459,559
		3,824,872	4,297,740
Current Liabilities			
Due to related companies	*20*	**48**	14,682
Trade and bills payable	*24*	**2,561,172**	2,552,495
Accrued charges and sundry payables	*24*	**692,427**	837,790
Purchase consideration payable for acquisitions	*29*	**134,468**	409,512
Taxation		**116,719**	127,035
Derivative financial instruments	*21*	**–**	8,275
Bank advances for discounted bills	*22*	**33,834**	38,190
Short-term bank loans	*25*	**162,850**	94,145
		3,701,518	4,082,124
Net Current Assets		**123,354**	215,616
Total Assets Less Current Liabilities		**4,775,504**	8,383,329

Consolidated balance sheet of the Group (continued)
As at 31 December 2014

		As at 31 December	
		2014	2013
	Note	**US$'000**	US$'000
Financed by:			
Share capital	*26*	**13,398**	13,398
Reserves		**2,284,969**	4,658,811
Proposed dividend		**300,117**	364,428
		2,585,086	5,023,239
Shareholders' funds attributable to the Company's Shareholders		**2,598,484**	5,036,637
Holders of perpetual capital securities	*28*	**503,000**	503,000
Non-controlling interests		**8,594**	10,048
Total Equity		**3,110,078**	5,549,685
Non-Current Liabilities			
Long-term notes	*29*	**1,254,369**	1,254,915
Purchase consideration payable for acquisitions	*29*	**323,612**	988,487
Other long-term liabilities	*29*	**25,375**	471,779
Post-employment benefit obligations	*30*	**22,299**	24,330
Deferred tax liabilities	*31*	**39,771**	94,133
		1,665,426	2,833,644
		4,775,504	8,383,329

William Fung Kwok Lun
Group Chairman

Spencer Theodore Fung
Group Chief Executive Officer

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Balance sheet of the Company

As at 31 December 2014

	Note	As at 31 December 2014 US$'000	2013 US$'000
Interests in subsidiaries	*15*	**1,339,604**	1,339,604
Current Assets			
Due from subsidiaries	*20*	**4,327,309**	5,001,637
Other receivables, prepayments and deposits	*22*	**499**	313
Cash and bank balances	*23*	**1,439**	110
		4,329,247	5,002,060
Current Liabilities			
Accrued charges and sundry payables	*24*	**9,457**	9,715
		9,457	9,715
Net current assets		**4,319,790**	4,992,345
Total assets less current liabilities		**5,659,394**	6,331,949
Financed by:			
Share capital	*26*	**13,398**	13,398
Reserves	*27(b)*	**3,588,510**	4,196,208
Proposed dividend	*27(b)*	**300,117**	364,428
		3,888,627	4,560,636
Shareholders' funds		**3,902,025**	4,574,034
Holders of perpetual capital securities	*28*	**503,000**	503,000
		4,405,025	5,077,034
Non-Current Liabilities			
Long-term notes	*29*	**1,254,369**	1,254,915
		5,659,394	6,331,949

William Fung Kwok Lun
Group Chairman

Spencer Theodore Fung
Group Chief Executive Officer

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Consolidated statement of changes in equity of the Group

For the year ended 31 December 2014

	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities US$'000 *(Note 28)*	Non-Controlling Interests US$'000	Total Equity US$'000
	Share Capital US$'000 *(Note 26)*	Share Premium US$'000	Other Reserves US$'000 *(Note 27(a))*	Retained Earnings US$'000	Total US$'000			
Balance at 1 January 2014	**13,398**	**3,699,476**	**6,503**	**1,317,260**	**5,036,637**	**503,000**	**10,048**	**5,549,685**
Comprehensive Income/(Expense)								
Profit or loss	**–**	**–**	**–**	**441,276**	**441,276**	**30,000**	**(1,630)**	**469,646**
Other Comprehensive (Expense)/ Income								
Currency translation differences	**–**	**–**	**(92,334)**	**–**	**(92,334)**	**–**	**176**	**(92,158)**
Net fair value gains on available-for-sale financial assets, net of tax	**–**	**–**	**40**	**–**	**40**	**–**	**–**	**40**
Net fair value gains on cash flow hedges, net of tax	**–**	**–**	**10,302**	**–**	**10,302**	**–**	**–**	**10,302**
Remeasurements from post-employment benefits recognized in reserve, net of tax	**–**	**–**	**(728)**	**–**	**(728)**	**–**	**–**	**(728)**
Total other comprehensive (expense)/ income	**–**	**–**	**(82,720)**	**–**	**(82,720)**	**–**	**176**	**(82,544)**
Total Comprehensive (Expense)/Income	**–**	**–**	**(82,720)**	**441,276**	**358,556**	**30,000**	**(1,454)**	**387,102**
Transactions with Owners								
Employee share option scheme:								
– value of employee services	**–**	**–**	**228**	**–**	**228**	**–**	**–**	**228**
Distribution to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**(30,000)**	**–**	**(30,000)**
Share premium reduction	**–**	**(3,000,000)**	**3,000,000**	**–**	**–**	**–**	**–**	**–**
Transfer to capital reserve	**–**	**–**	**87**	**(87)**	**–**	**–**	**–**	**–**
2013 final dividend paid	**–**	**–**	**–**	**(366,779)**	**(366,779)**	**–**	**–**	**(366,779)**
2014 interim dividend paid	**–**	**–**	**–**	**(140,158)**	**(140,158)**	**–**	**–**	**(140,158)**
Distribution in specie	**–**	**–**	**(2,290,000)**	**–**	**(2,290,000)**	**–**	**–**	**(2,290,000)**
Total Transactions with Owners	**–**	**(3,000,000)**	**710,315**	**(507,024)**	**(2,796,709)**	**(30,000)**	**–**	**(2,826,709)**
Balance at 31 December 2014	**13,398**	**699,476**	**634,098**	**1,251,512**	**2,598,484**	**503,000**	**8,594**	**3,110,078**

	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities US$'000 (Note 28)	Non-Controlling Interests US$'000	Total Equity US$'000
	Share Capital US$'000 (Note 26)	Share Premium US$'000	Other Reserves US$'000 (Note 27(a))	Retained Earnings US$'000	Total US$'000			
Balance at 1 January 2013	13,396	3,697,012	(12,504)	924,288	4,622,192	504,415	10,713	5,137,320
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	725,337	725,337	30,000	(50)	755,287
Other Comprehensive Income/(Expense)								
Currency translation differences	–	–	11,810	–	11,810	–	(615)	11,195
Net fair value gains on available-for-sale financial assets, net of tax	–	–	71	–	71	–	–	71
Net fair value losses on cash flow hedges, net of tax	–	–	(398)	–	(398)	–	–	(398)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	4,440	–	4,440	–	–	4,440
Total other comprehensive income/(expense)	–	–	15,923	–	15,923	–	(615)	15,308
Total Comprehensive Income/(Expense)	–	–	15,923	725,337	741,260	30,000	(665)	770,595
Transactions with Owners								
Employee share option scheme:								
– value of employee services	–	–	3,522	–	3,522	–	–	3,522
– proceeds from shares issued	2	1,933	–	–	1,935	–	–	1,935
– transfer to share premium	–	531	(531)	–	–	–	–	–
Distribution to holders of perpetual capital securities	–	–	–	–	–	(31,415)	–	(31,415)
Transfer to capital reserve	–	–	93	(93)	–	–	–	–
2012 final dividend paid	–	–	–	(171,495)	(171,495)	–	–	(171,495)
2013 interim dividend paid	–	–	–	(160,777)	(160,777)	–	–	(160,777)
Total Transactions with Owners	2	2,464	3,084	(332,365)	(326,815)	(31,415)	–	(358,230)
Balance at 31 December 2013	13,398	3,699,476	6,503	1,317,260	5,036,637	503,000	10,048	5,549,685

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Consolidated cash flow statement of the Group

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000 (Restated)
Continuing Operations			
Operating Activities			
Net cash inflow generated from operations	*32(a)*	**692,565**	913,261
Hong Kong profits tax paid		**(12,584)**	(9,691)
Overseas taxation paid		**(42,042)**	(50,401)
Net Cash Inflow from Operating Activities		**637,939**	853,169
Investing Activities			
Purchases of property, plant and equipment	*13*	**(75,299)**	(59,208)
Payments for system development, software, license and other intangible assets		**(11,124)**	(7,369)
Settlement of consideration payable for prior years acquisitions of businesses		**(189,930)**	(150,114)
Acquisitions of businesses		**(34,285)**	(128,079)
Proceeds from disposal of property, plant and equipment		**2,678**	275
Interest income		**6,984**	9,177
Settlement from debt security	*18*	**–**	57,000
Payment on behalf of a related company		**(57,134)**	–
Dividends received from associated companies	*16*	**595**	516
Addition of premium for land leases	*14*	**–**	(71)
Net Cash Outflow from Investing Activities		**(357,515)**	(277,873)
Net Cash Inflow before Financing Activities		**280,424**	575,296
Financing Activities			
Interest paid		**(95,203)**	(94,301)
Net proceeds from issuance of shares upon exercise of Share Options	*32(b)*	**–**	1,935
Distributions made to holders of perpetual capital securities		**(30,000)**	(31,415)
Dividends paid		**(506,937)**	(332,272)
Net repayment of bank loans	*32(b)*	**(28,594)**	(9,075)
Net Cash Outflow from Financing Activities		**(660,734)**	(465,128)
(Decrease)/Increase in Cash and Cash Equivalents from Continuing Operations *(Note)*		**(380,310)**	110,168
Discontinued Operations			
Increase/(decrease) in cash and cash equivalents from Discontinued Operations *(Note 33(d))*		**668,374**	(333,619)
Increase/(Decrease) in Cash and Cash Equivalents		**288,064**	(223,451)

NOTE:
Change in cash and cash equivalents before financing activities between Continuing Operations and Discontinued Operations.

	Note	2014 US$'000	2013 US$'000 (Restated)
Cash and Cash Equivalents at 1 January			
Continuing Operations		**344,471**	613,037
Discontinued Operations		**115,088**	67,342
		459,559	680,379
Increase/(Decrease) in Cash and Cash Equivalents		**288,064**	(223,451)
Effect of foreign exchange rate changes		**(4,493)**	2,631
Distribution in specie	*32(c)*	**(204,601)**	–
Cash and Cash Equivalents of Continuing Operations at 31 December		**538,529**	459,559
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	*23*	**538,529**	459,559

Movement of Cash and Cash Equivalents*

		2014 US$'000		2013 US$'000 (Restated)
Cash and Cash Equivalents at 1 January				
Continuing Operations		**344,471**		613,037
Discontinued Operations		**115,088**		67,342
		459,559		680,379
Continuing Operations				
(Decrease)/increase in cash and cash equivalents	**(380,310)**		110,168	
Loan repayment from/(finance to) Discontinued Operations	**593,821**		(225,529)	
Capital injection to Discontinued Operations	**(15,000)**		(155,180)	
Net Cash Inflow/(Outflow) from Continuing Operations		**198,511**		(270,541)
Discontinued Operations				
Increase/(decrease) in cash and cash equivalents	**668,374**		(333,619)	
Loan (repayment to)/finance from Continuing Operations	**(593,821)**		225,529	
Capital injection from Continuing Operations	**15,000**		155,180	
Net Cash Inflow from Discontinued Operations		**89,553**		47,090
Effect of foreign exchange rate changes		**(4,493)**		2,631
Distribution in specie		**(204,601)**		–
Cash and Cash Equivalents of Continuing Operations at 31 December		**538,529**		459,559

* *Additional information to illustrate the cash flow effect including financing activities between the Continuing Operations and the Discontinued Operations.*

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Notes to the accounts

1 Basis of Preparation and Principal Accounting Policies

The basis of preparation and principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

On 8 July 2014, the Group spun-off its licensed brands and controlled brands businesses, named as the Global Brands Group, via a distribution in specie. The financial results of the Global Brands Group for the period ended 8 July 2014 were presented as Discontinued Operations and comparatives for the year ended 31 December 2013 have been restated accordingly.

1.1 Basis of Preparation

The consolidated accounts of Li & Fung Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments and contingent consideration payable) at fair value through profit or loss.

The consolidated accounts are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of accounts in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in *Note 2*.

(A) NEW STANDARDS, NEW INTERPRETATION AND AMENDMENTS TO EXISTING STANDARDS ADOPTED BY THE GROUP

The following new standards, new interpretations and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new or revised HKFRSs in the current year has had no material effect on the Group's reported financial performance and position for the current and prior years and/or disclosures set out in these consolidated accounts.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.1 Basis of Preparation (continued)

(B) NEW STANDARDS, NEW INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The following new standards, new interpretations and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods, but the Group has not early adopted them:

HKAS 1 Amendment	Disclosure Initiative[2]
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants[2]
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions[1]
HKAS 27 Amendment	Equity Method in Separate Financial Statements[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 9	Financial Instruments[4]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Annual Improvements Project	Annual Improvements 2010-2012 Cycle[1]
Annual Improvements Project	Annual Improvements 2011-2013 Cycle[1]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[2]

NOTES:

1 *Effective for annual periods beginning on or after 1 January 2015*
2 *Effective for annual periods beginning on or after 1 January 2016*
3 *Effective for annual periods beginning on or after 1 January 2017*
4 *Effective for annual periods beginning on or after 1 January 2018*

The Group is in the process of making an assessment of the impact of these new standards, new interpretations and amendments to existing standards upon initial application.

1.2 Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December 2014.

(A) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(A) SUBSIDIARIES (continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration for the acquisition of a subsidiary is the aggregate of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill *(Note 1.6)*. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies and financial information of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses *(Note 1.7)*. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(B) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(C) ASSOCIATED COMPANIES

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition *(Note 1.6)*.

The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profits less losses of associated companies" in the consolidated profit and loss account.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of associated companies has been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognized in the consolidated profit and loss account.

(D) JOINT VENTURES

Under the equity method of accounting, interests in joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified for making strategic decisions.

1.4 Foreign Currency Translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated accounts are presented in US dollar, which is the Company's functional and presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in other comprehensive income.

(C) GROUP COMPANIES

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.4 Foreign Currency Translation (continued)

(C) GROUP COMPANIES (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

1.5 Property, Plant and Equipment

(A) LAND AND BUILDINGS

Freehold land is stated at cost less impairment.

Buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

(B) OTHER PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment, comprising leasehold improvements, furniture, fixtures and equipment, plant and machinery, motor vehicles and company boat, are stated at cost less accumulated depreciation and accumulated impairment losses.

(C) DEPRECIATION AND IMPAIRMENT

Freehold land is not depreciated. Other classes of property, plant and equipment are depreciated at rates sufficient to allocate their costs less accumulated impairment losses to their residual values over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	shorter of lease term or useful life
Buildings and leasehold improvements	2% – 20%
Furniture, fixtures and equipment	$6^2/_3$% – $33^1/_3$%
Plant and machinery	10% – 15%
Motor vehicles and company boat	15% – 20%

1 Basis of Preparation and Principal Accounting Policies (continued)

1.5 Property, Plant and Equipment (continued)

(C) DEPRECIATION AND IMPAIRMENT (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 1.7)*. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are expensed in the consolidated profit and loss account during the financial period in which they are incurred.

(D) GAIN OR LOSS ON DISPOSAL

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant item, and is recognized in the consolidated profit and loss account.

1.6 Intangible Assets

(A) GOODWILL

Goodwill represents the excess of the considerations transferred over the net fair value of the Group's share of the net identifiable assets/liabilities and contingent liabilities of the acquired business/associated company/joint venture at the date of acquisition *(Note 1.2(a))*. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies and joint ventures is included in interests in associated accompanies and joint ventures and is tested annually for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. Each unit or groups of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purpose.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.6 Intangible Assets (continued)

(B) SYSTEM DEVELOPMENT, SOFTWARE AND OTHER LICENSE COSTS

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful lives of 3 to 10 years.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

System development costs recognized as assets are amortized over their estimated useful lives of 3 to 10 years.

Brand licenses are license contracts entered into with the brandholders by the Group in the capacity as licensee. Brand licenses are capitalized based on the upfront costs incurred and the present value of guaranteed royalty payments to be made subsequent to the inception of the license contracts. Brand licenses are amortized based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 10 years.

(C) OTHER INTANGIBLE ASSETS

Intangible assets, other than goodwill, identified on business combinations are capitalized at their fair values. They represent mainly trademarks, buying agency agreements secured, and relationships with customers and licensors. Intangible assets arising from business combinations with definite useful lives are amortized on a straight-line basis from the date of acquisition over their estimated useful lives ranging from 5 to 20 years.

1.7 Impairment of Investments in Subsidiaries, Associated Companies, Joint Ventures and Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate accounts exceeds the carrying amount in the consolidated accounts of the investee's net assets including goodwill.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.8 Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated profit and loss account, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

1.9 Financial Assets

CLASSIFICATION

The Group classifies its financial assets as either loans and receivables or available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivable", "other receivables, prepayments and deposits", "cash and bank balances" and "amount due from related companies" in the balance sheet *(Note 1.12)*.

(b) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.9 Financial Assets (continued)

RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in consolidated profit or loss; translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair values of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated profit and loss account as net investment loss.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated profit and loss account as part of interest income. Dividends on available-for-sale equity instruments are recognized in the consolidated profit and loss account as part of other revenues when the Group's right to receive payments is established.

1.10 Impairment of Financial Assets

(A) ASSETS CLASSIFIED AS LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.10 Impairment of Financial Assets (continued)

(A) ASSETS CLASSIFIED AS LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST (continued)

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated profit and loss account.

(B) ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated profit and loss account. Impairment losses recognized in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the separate consolidated profit and loss account.

1.11 Inventories

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out (FIFO) basis, comprises purchase prices of inventories and direct costs (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.12 Trade and Other Receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated profit and loss account within selling expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the consolidated profit and loss account.

1.13 Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.14 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.16 Current and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.17 Employee Benefits

(A) EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave entitlements as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(B) DISCRETIONARY BONUS

The expected costs of discretionary bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for discretionary bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(C) POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group participates in a number of defined contribution plans and defined benefit plans throughout the world, the assets of which are generally held in separate trustee – administrated funds. The defined benefit pension plans are generally funded by payments from employees and by the relevant Group companies, taking into account of the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution plans are charged to the consolidated profit and loss account in the year to which the contributions relate.

For defined benefit plans, pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans on an annual basis. The pension obligation is measured as the present value of the estimated future cash outflows, discounted by reference to market yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. In countries where there is no deep market in such bonds, the market yields on government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the consolidated profit and loss account.

The Group's net obligation in respect of long-service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The obligation is calculated using the projected unit credit method by a qualified actuary. The discount rate is determined by reference to market yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. In countries where there is no deep market in such bonds, the market yields on government bonds are used.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(D) SHARE-BASED COMPENSATION

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sale, growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates on the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated profit and loss account, with a corresponding adjustment to employee share-based compensation reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

1.18 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

1.19 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.20 Total Margin

Total margin includes gross profit and other recurring income relating to the trading and logistics businesses.

1.21 Core Operating Profit

Core operating profit is the profit before taxation generated from the Group's trading and logistics businesses excluding share of results of associated companies, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related cost. This also excludes gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items.

1.22 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

A service income is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

Dividend income is recognized when the right to receive payment is established.

Other income incidental to normal operating activities is recognized when the services are rendered or the right to receive payment is established.

1.23 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.24 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease. The upfront prepayments made for leasehold land and land use rights are amortized on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

1.25 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the fair values of hedging derivatives are included within shareholders' equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. Trading derivatives are classified as a current asset or liability.

(A) CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated profit and loss account.

Amounts accumulated in equity are recycled to the consolidated profit and loss account in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognized in the consolidated profit and loss account within sales. The gain or loss relating to the ineffective portion is recognized in the consolidated profit and loss account within other gains/(losses) – net. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory, or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated profit and loss account.

(B) DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives financial instruments recognized at fair value through profit or loss include certain derivative instruments that do not qualify for hedge accounting and conversion right embedded in convertible promissory note *(Note 21)*. Both are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair values of derivative financial instruments are recognized immediately in the consolidated profit and loss account.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.26 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

1.27 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's accounts in the period in which the dividends are approved by the Company's shareholders.

1.28 Treasury Shares

In relation to certain business combinations, the Company may issue shares to escrow agents for the settlement of acquisition consideration payables. The shares, valued at the agreed upon issue price, including any directly attributable incremental costs, are presented as "treasury shares" and deducted from total equity. The number of shares held by escrow agent for settlement of acquisition consideration would be eliminated against the corresponding amount of share capital issued in the calculation of the earnings per share for profit attributable to the shareholders of the Company.

1.29 Financial Guarantee Contract

Financial guarantees are initially recognized in the accounts at fair value on the date the guarantee was given. The Company's liabilities under such guarantees are subsequently measured at the higher of the initial amount, less amortization of fees recognized in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on the experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated profit and loss account within administrative expenses.

2 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated Impairment of Intangible Assets Including Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in *Note 1.6*. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates *(Note 12)*.

2 Critical Accounting Estimates and Judgments (continued)

(b) Useful Lives of Intangible Assets

The Group amortizes its intangible assets with finite useful lives on a straight-line basis over their estimated useful lives. The estimated useful lives reflect the management's estimates of the periods that the Group intends to derive future economic benefits from the use of these intangible assets.

(c) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Contingent Considerations of Acquisitions

Certain of the Group's business acquisitions have involved post-acquisition performance-based contingent considerations. HKFRS 3 (Revised) is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group follows the requirement of HKFRS 3 (Revised) to recognize the fair value of those contingent considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses/subsidiaries. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired subsidiaries/business and significant judgment on time value of money. Contingent considerations shall be remeasured at their fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognized in the consolidated profit and loss account in accordance with HKFRS 3 (Revised). For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised) for the Group, changes in the fair values of contingent consideration are recognized in goodwill.

The basis of the contingent consideration differs for each acquisition; generally however the contingent consideration reflects a specified multiple of the post-acquisition financial profitability of the acquired business. Consequently, the actual additional consideration payable may vary according to the future performance of each individual acquired business, and the liabilities provided reflect estimates of such future performances.

Due to the number of acquisitions for which additional consideration remains outstanding and the variety of bases of determination, it is not practicable to provide any meaningful sensitivity in relation to the critical assumptions concerning future profitability of each acquired business and the potential impact on the gain or loss on remeasurement of contingent consideration payables and goodwill for each acquired business.

However, if the total actual contingent consideration payables are 10% lower or higher than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables for acquisitions made after 2010 would be US$46 million.

2 Critical Accounting Estimates and Judgments (continued)

(e) Distribution in Specie

Accounting for the distribution in specie of Global Brands Group *(Note 33)*, and in particular the calculation of any gain or loss arising, requires determination of the fair value of the assets distributed, at the effective date of distribution. The fair value of the Global Brands Group at the spin-off date is determined by the valuation result from an independent valuer based on the discounted cash flow method under the income approach.

The valuation result from independent valuer is based on Global Brands Group's projected future cash flows discounted at a rate of return reflecting the inherent risks of its operations. Such a valuation technique involved several significant management estimates and judgements, for example, profitability, cash flows and discount rates adopted.

Management has applied judgement in determining a valuation from the range provided by the independent valuer, with consideration to the specific assumptions underlying that valuation and the circumstances existing at the relevant date as well as making reference to the market price of Global Brands Group's shares on the first day of trading.

3 Segment Information

The Company is domiciled in Bermuda. The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its Hong Kong office is at 11/F, Li Fung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. The Group is principally engaged in managing the supply chain for retailers and brands worldwide with over 300 offices and distribution centers in more than 40 economies spanning across the Americas, Europe, Africa and Asia. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Continuing Operations less discounts and returns.

During the year, the Group has accomplished a major restructuring of its operations. After the restructuring, the Group spun-off its licensed brands and controlled brands businesses primarily under Distribution Network, named as the Global Brands Group, via a distribution in specie on 8 July 2014. After the spin-off, the Group has grouped the remaining business under Distribution Network into Trading Network and continued to operate under two business networks, namely the Trading Network and the Logistics Network. The Trading Network focuses on provision of the global sourcing services via multiple channels, such as buying agent, trading-as-principal for private label merchandise and on-shore wholesale business. The Logistics Network focuses on provision of logistics solutions and freight forwarding services. The Group's Management (Chief Operating Decision-Maker) considers the business principally from the perspective of the two networks. Prior year comparative segment information has been restated to conform with the current year presentation accordingly.

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit *(see Note 1.21)*. This measurement basis includes profit of the operating segments before share of results of associated companies, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related cost. This also excludes any gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items. Other information provided to the Group's management is measured in a manner consistent with that in the accounts.

3 Segment Information (continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Year ended 31 December 2014				
Turnover	18,430,816	873,577	(15,894)	19,288,499
Total margin	2,003,932	240,301		2,244,233
Operating costs	(1,445,648)	(194,442)		(1,640,090)
Core operating profit	558,284	45,859		604,143
Gain on remeasurement of contingent consideration payable				176,007
Amortization of other intangible assets				(35,462)
One-off reorganization costs				(19,763)
Other non-core operating expenses				(1,300)
Operating profit				723,625
Interest income				6,984
Interest expenses				
Non-cash interest expenses				(9,976)
Cash interest expenses				(95,203)
				(105,179)
Share of profits less losses of associated companies				1,373
Profit before taxation				626,803
Taxation				(59,035)
Profit for the year from Continuing Operations				567,768
Loss for the period from Discontinued Operations				(98,122)
Net profit for the year				469,646
Depreciation and amortization	100,922	14,198		115,120
31 December 2014				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,974,971	640,977		4,615,948

3 Segment Information (continued)

	Trading Network US$'000 (Restated)	Logistics Network US$'000 (Restated)	Elimination US$'000 (Restated)	Total US$'000 (Restated)
Year ended 31 December 2013				
Turnover	18,514,259	526,259	(15,006)	19,025,512
Total margin	2,099,751	194,489		2,294,240
Operating costs	(1,398,463)	(158,683)		(1,557,146)
Core operating profit	701,288	35,806		737,094
Gain on remeasurement of contingent consideration payable				112,648
Amortization of other intangible assets				(32,009)
Other non-core operating expenses				(6,007)
Operating profit				811,726
Interest income				9,177
Interest expenses				
Non-cash interest expenses				(13,274)
Cash interest expenses				(94,301)
				(107,575)
Share of profits less losses of associated companies				442
Profit before taxation				713,770
Taxation				(72,011)
Profit for the year from Continuing Operations				641,759
Profit for the year from Discontinued Operations				113,528
Net profit for the year				755,287
Depreciation and amortization	100,019	10,588		110,607
31 December 2013				
Non-current assets (other than available-for-sale financial assets and deferred tax assets) *(Note)*	N/A	N/A		8,088,680

NOTE:
Balance as of 31 December 2013 included non-current assets attributable to the Discontinued Operations which could not be allocated to the Trading Network and the Logistics Network.

3 Segment Information (continued)

The geographical analysis of the Continuing Operations' turnover and the Group's non-current assets (other than available-for-sale financial assets and deferred tax assets) is as follows:

	Turnover		Non-Current Assets (Other Than Available-For-Sale Financial and Deferred Tax Assets) As at 31 December	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
United States of America	**11,587,145**	11,572,310	**1,981,767**	4,944,414
Europe	**3,488,136**	3,531,988	**1,264,408**	1,591,060
Asia	**2,744,264**	2,400,867	**1,116,474**	1,218,857
Rest of the world	**1,468,954**	1,520,347	**253,299**	334,349
	19,288,499	19,025,512	**4,615,948**	8,088,680

Turnover of the Continuing Operations consists of sales of softgoods, hardgoods and logistics income as follows:

	2014 US$'000	2013 US$'000 (Restated)
Softgoods	**11,674,826**	11,572,574
Hardgoods	**6,727,997**	6,910,459
Logistics	**885,676**	542,479
	19,288,499	19,025,512

For the year ended 31 December 2014, approximately 14% (2013 (restated): 14%) of the Continuing Operations' total turnover of US$19,288 million is derived from a single external customer, which is wholly attributable to the Trading Network.

Segment information for the Discontinued Operations is set out in *Note 33*.

4 Operating Profit from Continuing Operations

Operating profit from Continuing Operations is stated after crediting and charging the following:

	2014 US$'000	2013 US$'000 (Restated)
Crediting		
Gain on remeasurement of contingent consideration payable *(Note)**	**176,007**	112,648
Charging		
Cost of inventories sold	**17,106,990**	16,806,590
Amortization of system development, software and other license costs *(Note 12)*	**14,574**	12,336
Amortization of other intangible assets *(Note 12)**	**35,462**	32,009
Amortization of prepaid premium for land leases *(Note 14)*	**137**	144
Depreciation of property, plant and equipment *(Note 13)*	**64,947**	66,118
Loss on disposal of property, plant and equipment, net	**1,363**	3,959
Operating leases rental in respect of land and building	**146,292**	149,562
Provision for impaired receivables *(Note 22)*	**31,083**	9,512
Staff costs including Directors' emoluments *(Note 10)*	**995,208**	951,476
Business acquisition-related cost*	**1,300**	6,007
Net exchange losses	**4,611**	4,237

* *Excluded from the core operating profit*

NOTE:
During the year, the Group remeasured contingent consideration payable for all acquisitions with outstanding contingent consideration arrangements based on the market outlook and their prevailing business plans and projections. Accordingly, a gain of approximately US$176 million was recognized. Among the total remeasurement gain, approximately US$114 million was adjustments to earn-up consideration. The revised provision for performance-based contingent considerations are calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of these acquired businesses. These gains were recognized as a non-core operating gain on remeasurement of contingent consideration payable.

The remuneration to the auditors for audit and non-audit services is as follows:

	2014 US$'000	2013 US$'000 (Restated)
Audit services	**4,486**	4,427
Non-audit services		
– due diligence reviews on acquisitions	**211**	1,236
– taxation services	**2,606**	2,036
– others	**110**	238
Total remuneration to auditors charged to consolidated profit and loss account	**7,413**	7,937

NOTE:
Of the above audit and non-audit services fees, US$4,384,000 (2013 (restated): US$4,381,000) and US$2,927,000 (2013 (restated): US$3,510,000) respectively are payable to the Company's auditor.

5 Interest Expenses from Continuing Operations

	2014 **US$'000**	2013 US$'000 (Restated)
Non-cash interest expenses on purchase consideration payable for acquisitions, brand licenses payable and long-term notes		
– wholly repayable within five years	**9,763**	12,806
– not wholly repayable within five years	**213**	468
Cash interest on bank loans and overdrafts, long-term notes		
– wholly repayable within five years	**55,828**	54,926
– not wholly repayable within five years	**39,375**	39,375
	105,179	107,575

6 Taxation from Continuing Operations

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2014 **US$'000**	2013 US$'000 (Restated)
Current taxation		
– Hong Kong profits tax	**11,394**	12,220
– Overseas taxation	**51,463**	85,342
(Over)/underprovision in prior years	**(9,251)**	11,839
Deferred taxation *(Note 31)*	**5,429**	(37,390)
	59,035	72,011

The taxation on the Continuing Operations' profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2014 **%**	2013 % (Restated)
Calculated at a taxation rate of	**16.5**	16.5
Effect of different taxation rates in other countries	**(3.8)**	(5.4)
Income net of expenses not subject to taxation	**(1.9)**	(1.4)
(Over)/underprovision in prior years	**(1.5)**	1.7
Utilization of previously unrecognized tax losses	**(0.1)**	(2.4)
Unrecognized tax losses	**0.2**	1.1
Effective tax rate	**9.4**	10.1

6 Taxation from Continuing Operations (continued)

In December 2014, the Group reached a settlement with the Hong Kong Inland Revenue ("HKIR") in relation to disputes involving additional tax assessments amounting to approximately US$251 million on both the non-taxable claim of certain non-Hong Kong sourced income ("Offshore Claim") and the deduction claim of marketing expenses ("Deduction Claim") for the years of assessment from 1992/93 to 2012/13.

Under the terms of the settlement, the appeal by one of the subsidiaries of the Group, Li & Fung (Trading) Limited, on the Deduction Claim for the years of assessment from 1992/93 to 2001/02 before the Court of First Instance and the Board of Review was settled and discontinued. The Group's dispute with the HKIR regarding the additional tax assessments in respect of certain other subsidiaries for the years of assessment from 1992/93 to 2001/02, and in respect of the Group for the period from 2002/03 to 2012/13 were also resolved as part of this settlement.

Having taken into account the assessment of the Group's professional advisors and the impact and ramifications of the judicial rulings, the Directors consider that the settlement reached with the HKIR is in the interest and benefit of the Group, and brings certainty and finality to the tax affairs of the Group for the years of assessment from 1992/93 to 2012/13. The Directors consider that the settlement does not have any material impact on the Group's financial position.

7 Profit Attributable to Shareholders of the Company

Profit attributable to Shareholders of the Company is dealt with in the accounts of the Company to the extent of US$2,124,700,000 (2013: US$601,460,000) *(Note 27)*.

8 Earnings/(Losses) per Share

The calculation of basic earnings/(losses) per share is based on the Group's profit attributable to Shareholders arising from the Continuing Operations of US$539,398,000 (2013 (restated): US$611,809,000) and the Group's losses attributable to Shareholders arising from the Discontinued Operations of US$98,122,000 (2013 (restated): profit of US$113,528,000) and on the weighted average number of 8,356,317,000 (2013: 8,356,237,000) shares in issue during the year.

The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share for the year ended 31 December 2014 as the potential ordinary shares in respect of outstanding Share Options are anti-dilutive. The diluted earnings per share for the year ended 31 December 2013 was calculated by adjusting the weighted average number of 8,356,237,000 ordinary shares in issue by 34,000 to assume conversion or all dilutive potential ordinary shares granted under the Company's Option Scheme. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Share Options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Share Options.

9 Distribution in Specie and Dividends

	2014 US$'000	2013 US$'000 *(Note (b))*
Interim, paid, of HK$0.13 (equivalent to US$0.017) (2013: HK$0.15 (equivalent to US$0.019)) per ordinary share	**140,158**	160,777
Final, proposed, of HK$0.21 (equivalent to US$0.027) (2013: HK$0.34 (equivalent to US$0.044)) per ordinary share *(Note (a))*	**225,088**	364,428
Full year	**365,246**	525,205
Special, proposed, of HK$0.07 (equivalent to US$0.009) (2013: Nil) per ordinary share *(Note (a))*	**75,029**	–
	440,275	525,205
Distribution in specie *(Note (c))*	**2,290,000**	–

NOTES:

(a) *At a meeting held on 19 March 2015, the Directors proposed final dividend and special dividend of HK$0.21 (equivalent to US$0.027) and HK$0.07 (equivalent to US$0.009) per share, respectively. The proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as appropriation of retained earnings for the year ending 31 December 2015 (Note 27).*

(b) *Dividend for 2013 has not been restated to exclude contribution from Global Brands Group.*

(c) *The entire issued share capital of Global Brands was spun-off via a distribution in specie completed on 8 July 2014. Global Brands then became a separate listing company on the main board of the Stock Exchange.*

The transaction was recognized and measured in accordance with "HK(IFRIC) 17 – Distribution of Non-cash Assets to Owners", which resulted in a non-cash gain of approximately US$1,003,000 (Note 33).

10 Staff Costs Including Directors' Emoluments for Continuing Operations

	2014 US$'000	2013 US$'000 (Restated)
Salaries and bonuses	**891,751**	849,596
Staff benefits	**42,214**	40,954
Pension costs of defined contribution plans *(Note)*	**58,559**	55,619
Employee share option expenses	**228**	2,963
Pension costs of defined benefits plans *(Note 30)*	**1,711**	2,332
Long-service payments	**745**	12
	995,208	951,476

NOTE:

Forfeited contributions totalling US$2,033,000 (2013: US$2,412,000) were utilized during the year and no remaining amount was available at the year-end to reduce future contributions.

11 Directors' and Senior Management's Emoluments

(a) Directors' and Senior Management's Emoluments

The remuneration of every Director for the year ended 31 December 2014 is set out below:

	2014					
Name of Director	**Fees US$'000**	**Salary & Allowance US$'000**	**Discretionary Bonuses US$'000 *(Note(i))***	**Other Benefits US$'000 *(Note(ii))***	**Employer's Contribution to Pension Scheme US$'000**	**Total US$'000**
Executive Directors						
William Fung Kwok Lun	39	616	2,512	–	2	3,169
Bruce Philip Rockowitz *(Note(iii))*	20	282	5,557	14	1	5,874
Spencer Theodore Fung	39	648	1,058	–	2	1,747
Marc Robert Compagnon *(Note(iv))*	20	600	4,045	46	2	4,713
Non-executive Directors						
Victor Fung Kwok King	65	–	–	–	–	65
Paul Edward Selway-Swift	69	–	–	–	–	69
Allan Wong Chi Yun	68	–	–	–	–	68
Franklin Warren McFarlan	64	–	–	–	–	64
Martin Tang Yue Nien	64	–	–	–	–	64
Benedict Chang Yew Teck *(Note(v))*	16	–	–	–	–	16
Fu Yuning *(Note(vi))*	58	–	–	–	–	58
Margaret Leung Ko May Yee	59	–	–	–	–	59

NOTES:

(i) The discretionary bonuses paid in 2014 were in relation to performance and services for 2013.

(ii) Other benefits include leave pay, insurance premium and club membership.

(iii) Resigned as Executive Director of the Company with effect from 1 July 2014.

(iv) Appointed as Executive Director of the Company with effect from 1 July 2014.

(v) Retired as Non-executive Director of the Company with effect from 15 May 2014.

(vi) Resigned as Independent Non-executive Director of the Company with effect from 31 December 2014.

11 Directors' and Senior Management's Emoluments (continued)

(a) Directors' and Senior Management's Emoluments (continued)

The remuneration of every Director for the year ended 31 December 2013 is set out below:

	2013					
Name of Director	Fees US$'000	Salary & Allowance US$'000	Discretionary Bonuses US$'000 *(Note (i))*	Other Benefits US$'000 *(Note (ii))*	Employer's Contribution to Pension Scheme US$'000	Total US$'000
Executive Directors						
William Fung Kwok Lun	39	615	1,878	–	2	2,534
Bruce Philip Rockowitz	21	572	2,458	32	2	3,085
Spencer Theodore Fung	21	592	426	–	2	1,041
Non-executive Directors						
Victor Fung Kwok King	47	–	–	–	–	47
Paul Edward Selway-Swift	59	–	–	–	–	59
Allan Wong Chi Yun	46	–	–	–	–	46
Franklin Warren McFarlan	46	–	–	–	–	46
Martin Tang Yue Nien	46	–	–	–	–	46
Benedict Chang Yew Teck	20	–	–	–	–	20
Fu Yuning	40	–	–	–	–	40
Margaret Leung Ko May Yee	25	–	–	–	–	25

NOTES:

(i) The discretionary bonuses paid in 2013 were in relation to performance and services for 2012.

(ii) Other benefits include leave pay, insurance premium and club membership.

During the year, no Share (2013: Nil) was issued to any Directors under the Option Scheme.

As at 31 December 2014, certain Directors held the following Share Options to acquire Shares of the Company:

No. of Share Options	Exercise Price	Exercisable Period
960,000 (2013: 1,440,000)	HK$16.90[1]	01/5/2012–30/4/2015
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2013–30/4/2015
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2014–30/4/2016
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2015–30/4/2017
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2016–30/4/2018
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2017–30/4/2019
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2018–30/4/2020
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2019–30/4/2021
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2020–30/4/2022
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2021–30/4/2023

NOTE:

(1) Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$20.21 to HK$16.90 and from HK$14.50 to HK$12.12 with effect from 31 August 2014.

The closing market price of the Shares as at 31 December 2014 was HK$7.26.

11 Directors' and Senior Management's Emoluments (continued)

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2013: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (2013: three senior management) during the year are as follows:

	2014 US$'000	2013 US$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,915**	4,189
Discretionary bonuses	**5,796**	8,095
Contributions to pension scheme	**1**	5
	7,712	12,289

	Number of Individuals	
Emolument Bands	**2014**	2013
HK$21,000,001 – HK$21,500,000 (approximately US$2,692,001 – US$2,756,000)	**–**	1
HK$26,500,001 – HK$27,000,000 (approximately US$3,397,001 – US$3,462,000)	**1**	–
HK$29,000,001 – HK$29,500,000 (approximately US$3,718,001 – US$3,782,000)	**–**	1
HK$33,000,001 – HK$33,500,000 (approximately US$4,231,001 – US$4,295,000)	**1**	–
HK$44,500,001 – HK$45,000,000 (approximately US$5,705,001 – US$5,769,000)	**–**	1

There is no amount paid or payable to the Directors as inducement to join the Group and compensation for loss of office as Directors.

(c) Senior Management's Emoluments

The emoluments payable to the senior management (2013: remaining senior management) during the year fell within the following bands:

	Number of Individuals	
Emolument Bands	**2014**	2013
Below US$1,000,000	**2**	4
US$1,000,001 – US$1,500,000	**5**	5
US$1,500,001 – US$2,000,000	**2**	–
US$2,500,001 – US$3,000,000	**1**	–

12 Intangible Assets

	The Group							
		Other Intangible Assets						
	Goodwill US$'000	System Development, Software and Other License Costs US$'000	Buying Agency and License Agreements US$'000	Customer Relationships US$'000	Licensor Relationships US$'000	Patents, Trademarks and Brandnames US$'000	Others US$'000	Total US$'000
At 1 January 2014								
Cost	6,390,701	953,683	93,967	576,284	145,032	199,249	3,534	8,362,450
Accumulated amortization	–	(507,138)	(24,783)	(139,217)	(40,997)	(40,087)	(1,672)	(753,894)
Net Book Amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556
Year ended 31 December 2014								
Opening net book amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556
Continuing Operations								
Exchange differences	(57,849)	(2,321)	–	(2,740)	–	(1,475)	–	(64,385)
Acquisition of businesses	85,136	–	–	–	–	–	11,704	96,840
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (i))*	13,274	–	–	–	–	–	–	13,274
Adjustments to purchase consideration payable for acquisitions completed prior to 1 January 2010 *(Note (ii))*	(869)	–	–	–	–	–	–	(869)
Additions	–	14,247	7,000	–	–	–	456	21,703
Amortization	–	(14,574)	(3,875)	(27,115)	–	(3,634)	(838)	(50,036)
Discontinued Operations								
Exchange differences	11,251	(317)	–	2,473	(793)	(2,904)	–	9,710
Acquisition of businesses	66,853	–	–	–	8,382	–	–	75,235
Adjustments to purchase consideration payable for acquisitions and net asset value	14,581	–	–	–	–	–	–	14,581
Additions	–	142,210	–	–	–	–	–	142,210
Amortization	–	(78,834)	(1,157)	(11,941)	(6,961)	(5,652)	(90)	(104,635)
Distribution in specie	(2,612,308)	(473,117)	(24,716)	(92,571)	(104,663)	(104,080)	(1,646)	(3,413,101)
Closing Net Book Amount	3,910,770	33,839	46,436	305,173	–	41,417	11,448	4,349,083
At 31 December 2014								
Cost	3,910,770	86,858	67,867	403,327	–	50,641	12,583	4,532,046
Accumulated amortization	–	(53,019)	(21,431)	(98,154)	–	(9,224)	(1,135)	(182,963)
Net Book Amount	3,910,770	33,839	46,436	305,173	–	41,417	11,448	4,349,083

12 Intangible Assets (continued)

	The Group							
			Other Intangible Assets					
	Goodwill US$'000	System Development, Software and Other License Costs US$'000	Buying Agency and License Agreements US$'000	Customer Relationships US$'000	Licensor Relationships US$'000	Patents, Trademarks and Brandnames US$'000	Others US$'000	Total US$'000
At 1 January 2013								
Cost	6,019,569	659,206	93,967	506,902	126,341	181,476	2,200	7,589,661
Accumulated amortization	–	(363,431)	(19,390)	(91,069)	(29,358)	(26,731)	(1,276)	(531,255)
Net Book Amount	6,019,569	295,775	74,577	415,833	96,983	154,745	924	7,058,406
Year ended 31 December 2013								
Opening net book amount	6,019,569	295,775	74,577	415,833	96,983	154,745	924	7,058,406
Continuing Operations								
Exchange differences	17,544	(633)	–	1,396	–	202	–	18,509
Acquisition of businesses	236,805	30	–	60,970	–	2,290	1,334	301,429
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (i))*	(12,005)	270	–	1,237	–	1,797	–	(8,701)
Adjustments to purchase consideration payable for acquisitions completed prior to 1 January 2010 *(Note (ii))*	867	–	–	–	–	–	–	867
Additions	–	16,805	–	–	–	–	–	16,805
Disposals	–	(3,887)	–	–	–	–	–	(3,887)
Amortization	–	(12,336)	(3,175)	(25,708)	–	(3,021)	(105)	(44,345)
Discontinued Operations								
Exchange differences	3,141	1,029	–	25	116	317	–	4,628
Acquisition of businesses	117,189	515	–	6,548	14,937	8,045	–	147,234
Adjustments to purchase consideration payable for acquisitions and net asset value	7,591	–	–	(767)	3,064	5,000	–	14,888
Additions	–	292,620	–	–	–	–	–	292,620
Disposal of businesses/licensing right	–	(11,531)	–	–	–	–	–	(11,531)
Amortization	–	(132,112)	(2,218)	(22,467)	(11,065)	(10,213)	(291)	(178,366)
Closing Net Book Amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556
At 31 December 2013								
Cost	6,390,701	953,683	93,967	576,284	145,032	199,249	3,534	8,362,450
Accumulated amortization	–	(507,138)	(24,783)	(139,217)	(40,997)	(40,087)	(1,672)	(753,894)
Net Book Amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556

12 Intangible Assets (continued)

Amortization of system development, software and other license costs of US$4,701,000 (2013 (restated): US$5,728,000) and US$9,873,000 (2013 (restated): US$6,608,000) has been expensed in merchandising and administrative expenses and selling and distribution expenses respectively.

NOTES:

i These are adjustments to purchase consideration payable for acquisitions and net asset values related to certain acquisitions of businesses in the prior year, which were previously determined on a provisional basis. During the measurement period of twelve months following a transaction, the Company recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Save as adjustments to goodwill and other intangible assets arising from business combination stated above, there were corresponding net adjustments to purchase consideration payable for acquisitions of US$13,258,000 (2013 (restated): US$41,307,000) and other assets/liabilities of approximately US$16,000 (2013 (restated): US$32,606,000).

ii For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised) "Business Combination" being adopted by the Group, the changes in accrued contingent considerations determined based on post-acquisition performance were made against goodwill.

Impairment Test for Goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segment.

A summary of goodwill by reporting segment is presented below.

	The Group	
	As at 31 December	
	2014	2013
	US$'000	US$'000
		(Restated)
Trading Network	**3,356,883**	3,400,695
Logistics Network	**553,887**	470,383
Discontinued Operations	**–**	2,519,623
	3,910,770	6,390,701

In accordance with HKAS 36 "Impairment of Assets" the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. Goodwill impairment reviews have been performed at the lowest level of CGU which generates cash flow independently. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on a one-year financial budget approved by management, extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 5%. The discount rates used of approximately 11% are pre-tax and reflect specific risks related to the relevant segments. The budgeted gross margin and net profit margin are determined by management for each individual CGU based on past performance and its expectations for market development. Management believes that any reasonably foreseeable changes in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

13 Property, Plant and Equipment

	The Group					
	Land and buildings US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Plant and machinery US$'000	Motor vehicles and company boat US$'000	Total US$'000
At 1 January 2014						
Cost	19,179	339,070	280,932	155,695	12,457	807,333
Accumulated depreciation	(1,975)	(142,406)	(171,370)	(47,625)	(4,358)	(367,734)
Net Book Amount	17,204	196,664	109,562	108,070	8,099	439,599
Year ended 31 December 2014						
Opening net book amount	17,204	196,664	109,562	108,070	8,099	439,599
Continuing Operations						
Exchange differences	(948)	(1,221)	(1,457)	(3,795)	(411)	(7,832)
Additions	336	23,424	23,315	25,418	2,806	75,299
Disposals	(137)	(1,804)	(968)	(823)	(309)	(4,041)
Depreciation	(691)	(20,835)	(23,810)	(18,016)	(1,595)	(64,947)
Discontinued Operations						
Exchange differences	–	(49)	387	–	(3)	335
Acquisition of businesses	–	87	367	–	–	454
Additions	–	11,895	10,666	1,472	52	24,085
Disposals	–	(755)	(979)	–	–	(1,734)
Depreciation	–	(8,672)	(12,540)	(861)	(45)	(22,118)
Distribution in specie	–	(131,147)	(41,162)	(18,762)	(3,122)	(194,193)
Closing Net Book Amount	15,764	67,587	63,381	92,703	5,472	244,907
At 31 December 2014						
Cost	18,188	199,319	184,332	141,861	7,814	551,514
Accumulated depreciation	(2,424)	(131,732)	(120,951)	(49,158)	(2,342)	(306,607)
Net Book Amount	15,764	67,587	63,381	92,703	5,472	244,907

13 Property, Plant and Equipment (continued)

	The Group					
	Land and buildings US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Plant and machinery US$'000	Motor vehicles and company boat US$'000	Total US$'000
At 1 January 2013						
Cost	20,056	278,386	269,951	145,392	7,166	720,951
Accumulated depreciation	(2,003)	(112,272)	(149,327)	(35,808)	(2,917)	(302,327)
Net book amount	18,053	166,114	120,624	109,584	4,249	418,624
Year ended 31 December 2013						
Opening net book amount	18,053	166,114	120,624	109,584	4,249	418,624
Continuing Operations						
Exchange differences	(507)	(540)	(234)	(2,192)	(69)	(3,542)
Acquisition of businesses	–	169	273	418	3,861	4,721
Adjustment to purchase consideration payable for acquisitions and net asset value *(Note)*	–	–	(750)	29	–	(721)
Additions	2,544	16,372	18,068	21,128	1,096	59,208
Disposals	(1,414)	(1,523)	(1,210)	–	(87)	(4,234)
Depreciation	(1,472)	(25,638)	(22,334)	(13,753)	(2,921)	(66,118)
Discontinued Operations						
Exchange differences	–	116	2	1	3	122
Acquisition of businesses	–	310	283	31	52	676
Additions	–	51,153	12,152	68	2,057	65,430
Disposals of businesses	–	–	(1,452)	(3,111)	(7)	(4,570)
Depreciation	–	(9,869)	(15,860)	(4,133)	(135)	(29,997)
Closing Net Book Amount	17,204	196,664	109,562	108,070	8,099	439,599
At 31 December 2013						
Cost	19,179	339,070	280,932	155,695	12,457	807,333
Accumulated depreciation	(1,975)	(142,406)	(171,370)	(47,625)	(4,358)	(367,734)
Net Book Amount	17,204	196,664	109,562	108,070	8,099	439,599

Depreciation of US$36,436,000 (2013 (restated): US$38,754,000), US$19,568,000 (2013 (restated): US$17,003,000) and US$8,943,000 (2013 (restated): US$10,361,000) has been expensed in merchandising and administrative expenses, selling and distribution expenses and cost of sales respectively.

At 31 December 2014, land and buildings of US$3,248,000 (2013: US$3,589,000) were pledged as security for the Group's short-term bank loans *(Note 25)*.

NOTE:
Adjustments to net asset values related to certain acquisitions of businesses in prior years, which were previously determined on a provisional basis. During the measurement period, the Company recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the date of acquisition.

14 Prepaid Premium for Land Leases

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analyzed as follows:

	The Group	
	2014	2013
	US$'000	US$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**1,978**	2,375
Leases of over 50 years	**520**	414
	2,498	2,789

	The Group	
	2014	2013
	US$'000	US$'000
Beginning of the year	**2,789**	3,073
Addition	**–**	71
Amortization	**(137)**	(144)
Exchange differences	**(154)**	(211)
End of the year	**2,498**	2,789

Amortization of US$135,000 (2013: US$144,000) and US$2,000 (2013: nil) has been expensed in selling and distribution expenses and merchandising and administrative expenses respectively.

15 Interests in Subsidiaries

	The Company	
	2014	2013
	US$'000	US$'000
Unlisted shares, at cost	**1,089,285**	1,089,285
Loan to a subsidiary	**250,319**	250,319
	1,339,604	1,339,604

The loan to a subsidiary is interest free and unsecured. The Company does not have any intention to seek repayment from the subsidiary.

Details of principal subsidiaries are set out in *Note 43*.

16 Associated Companies

	The Group	
	2014 **US$'000**	2013 US$'000
Beginning of the year	**7,598**	7,571
Acquisition of businesses	**3,735**	–
Share of profits less losses of associated companies	**1,373**	442
Dividend received	**(595)**	(516)
Exchange differences	**(221)**	101
Total interests in associated companies	**11,890**	7,598

Details of principal associated companies are set out in *Note 43*.

17 Joint Ventures

	The Group	
	2014 **US$'000**	2013 US$'000
Beginning of the year	**14,515**	–
Discontinued Operations		
Acquisition of businesses	**5,622**	–
Additions	**–**	14,106
Share of profits less losses of joint ventures	**324**	409
Distribution in specie	**(20,461)**	–
Total interests in joint ventures	**–**	14,515

18 Available-for-Sale Financial Assets

	The Group	
	2014 **US$'000**	2013 US$'000
Beginning of the year	**3,669**	60,598
Settlement from debt security	**–**	(57,000)
Fair value gains on available-for-sale financial assets *(Note 27)*	**40**	71
End of the year	**3,709**	3,669

Available-for-sale financial assets include the following:

	The Group	
	2014 **US$'000**	2013 US$'000
Unlisted securities	**3,709**	3,669

18 Available-for-Sale Financial Assets (continued)

Available-for-sale financial assets are denominated in the following currency:

	The Group	
	2014 US$'000	2013 US$'000
HK dollar	**3,709**	3,669

19 Inventories

	The Group	
	2014 US$'000	2013 US$'000
Finished goods	**482,326**	976,797
Raw materials	**82,965**	123,689
	565,291	1,100,486

20 Due from/(to) Related Companies

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Trade				
Due from:				
Other related companies	**426,919**	–	**–**	–
Non-trade				
Due from:				
Subsidiaries	**–**	–	**4,327,309**	5,001,637
Associated companies	**9,640**	9,615	**–**	–
Other related companies *(Note)*	**75,406**	58,055	**–**	–
	511,965	67,670	**4,327,309**	5,001,637
Due to:				
Associated companies	**–**	27	**–**	–
Other related companies	**48**	14,655	**–**	–
	48	14,682	**–**	–

The amounts are unsecured, interest free and repayable on demand, except for the trade balance with other related companies which are subject to certain trade terms and an amount due from an associated company amounting to US$9,314,000 (2013: US$9,371,000) which are unsecured but interest bearing at approximately 5% per annum. The fair values of amounts due from related companies are approximately the same as the carrying values.

NOTE:

During the year, the Group made certain transitional payments on behalf of Global Brands Group with balance of US$57,134,000 outstanding as at 31 December 2014.

21 Derivative Financial Instruments

	The Group	
	2014 **US$'000**	2013 US$'000
Conversion right embedded in convertible promissory note *(Note 41)*	**–**	2,664
Forward foreign exchange contracts – assets/(liabilities) *(Note 41)*	**11,323**	(8,275)

The conversion right embedded in convertible promissory note referred to the Discontinued Operations' investment in an unlisted convertible promissory note issued by British Heritage Brands, Inc. ("BHB") as set out in *Note 33(f)*.

Gain in equity of US$8,889,000 (2013: loss of US$1,413,000) on forward foreign exchange contracts as of 31 December 2014 will be released to the consolidated profit and loss account at various dates between one month to one year from the balance sheet date *(Note 27)*.

For the years ended 31 December 2014 and 2013, no material amounts were recognized in the consolidated profit and loss account arising from ineffective cash flow hedges.

22 Trade and Other Receivables

	The Group		The Company	
	2014 **US$'000**	2013 US$'000	**2014** **US$'000**	2013 US$'000
Trade and bills receivable – net	**1,864,021**	2,220,841	**–**	–
Other receivables, prepayments and deposits	**341,313**	462,143	**499**	313
	2,205,334	2,682,984	**499**	313
Less: non-current portion other receivables *(Note)*	**–**	(7,326)	**–**	–
Deposits	**(7,570)**	(8,297)	**–**	–
	2,197,764	2,667,361	**499**	313

NOTE:

The balance represents the Discontinued Operations' investment in an unlisted convertible promissory note issued by BHB as set out in Note 33(f).

The convertible promissory note is denominated in US dollars.

The effective interest rate of the convertible promissory note at 31 December 2013 was 5.38%.

The fair values of the Group's and the Company's trade and other receivables were approximately the same as their carrying values as at 31 December 2014.

22 Trade and Other Receivables (continued)

A significant portion of the Group's business is on sight letter of credit, usance letter of credit up to a tenor of 120 days, documents against payment or customers' letter of credit to suppliers. The balance of the business is on open account terms which is often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers. The ageing of trade and bills receivable based on invoice date is as follows:

	The Group	
	2014 US$'000	2013 US$'000
Current to 90 days	**1,783,736**	2,112,726
91 to 180 days	**69,773**	93,213
181 to 360 days	**8,580**	9,569
Over 360 days	**1,932**	5,333
	1,864,021	2,220,841

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers internationally dispersed.

As of 31 December 2014, trade receivables of US$1,849,501,000 (2013: US$2,203,876,000) that are current or less than 90 days past due are not considered impaired. Trade receivables of US$14,520,000 (2013: US$16,965,000) were past due over 90 days but not considered to be impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing of these trade receivables is as follows:

	The Group	
	2014 US$'000	2013 US$'000
91 to 180 days	**10,093**	7,202
Over 180 days	**4,427**	9,763
	14,520	16,965

As of 31 December 2014, outstanding trade receivables of US$40,097,000 (2013: US$41,765,000) and other receivables of US$11,860,000 (2013: US$12,658,000) were considered impaired and were fully provided. The individually impaired receivables mainly relate to transactions in disputes.

22 Trade and Other Receivables (continued)

Movements in the Group's provision for impairment of trade and other receivables are as follows:

	The Group	
	2014 **US$'000**	2013 US$'000
At 1 January	**54,423**	55,748
Continuing Operations		
Provision for receivable impairment *(Note 4)*	**31,984**	10,075
Receivables written off during the year as uncollectible	**(31,793)**	(12,076)
Unused amounts reversed *(Note 4)*	**(901)**	(563)
Exchange difference	**–**	(7)
Discontinued Operations		
Provision for receivable impairment	**1,967**	1,806
Receivables written off during the year as uncollectible	**(526)**	(170)
Unused amounts reversed	**(48)**	(397)
Exchange difference	**–**	7
Distribution in specie	**(3,149)**	–
At 31 December	**51,957**	54,423

The creation and release of provision for impaired receivables have been included in "Selling and distribution expenses" in the consolidated profit and loss account *(Note 4)*. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Save as disclosed as above, the other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$33,834,000 (2013: US$38,190,000) to banks in exchange for cash as at 31 December 2014. The transactions have been accounted for as collateralized bank advances.

22 Trade and Other Receivables (continued)

The carrying amounts of the Group's and the Company's trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
US dollar	**1,331,239**	1,588,874	**–**	–
HK dollar	**146,643**	292,324	**499**	313
Euro dollar	**225,328**	318,857	**–**	–
Pound sterling	**87,657**	90,518	**–**	–
Renminbi	**140,810**	169,764	**–**	–
Malaysia Ringgit	**46,785**	50,004	**–**	–
Thailand Baht	**57,468**	54,724	**–**	–
Others	**161,834**	102,296	**–**	–
	2,197,764	2,667,361	**499**	313

23 Cash and Cash Equivalents

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Cash and bank balances	**538,529**	459,559	**1,439**	110

The effective interest rate at the balance sheet date on bank balances was 0.5% (2013: 0.4%) per annum; these deposits have an average maturity period of 6 days (2013: 10 days).

24 Trade and Other Payables

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Trade and bills payable	**2,561,172**	2,552,495	**–**	–
Other accrued charges and sundry payables	**692,427**	837,790	**9,457**	9,715
	3,253,599	3,390,285	**9,457**	9,715

The fair values of the Group's and the Company's trade and other payables were approximately the same as their carrying values as at 31 December 2014.

24 Trade and Other Payables (continued)

At the balance sheet date, the ageing of trade and bills payable based on invoice date is as follows:

	The Group	
	2014 **US$'000**	2013 US$'000
Current to 90 days	**2,491,454**	2,452,932
91 to 180 days	**55,420**	66,220
181 to 360 days	**12,241**	6,725
Over 360 days	**2,057**	26,618
	2,561,172	2,552,495

25 Bank Borrowings

	The Group	
	2014 **US$'000**	2013 US$'000
Long-term bank loans		
– Unsecured *(Note 29)*	**17,000**	116,640
Short-term bank loans		
– Secured	**4,106**	4,845
– Unsecured	**158,744**	89,300
	162,850	94,145
Total bank borrowings	**179,850**	210,785

The fair values of the Group's borrowings were approximately the same as their carrying values as at 31 December 2014.

The effective interest rates at the balance sheet date were as follows:

	2014				2013			
	USD	**EUR**	**RMB**	**Others**	USD	EUR	RMB	Others
Long-term bank loans	**1.2%**	**–**	**–**	**–**	2.3%	–	–	–
Short-term bank loans	**2.5%**	**–**	**5.5%**	**6.2%**	–	3.8%	5.7%	6.0%

The Group's contractual repricing dates for borrowings are all three months or less.

25 Bank Borrowings (continued)

The carrying amounts of the borrowings are denominated in the following currencies:

	The Group	
	2014 **US$'000**	2013 US$'000
US dollar	**116,880**	116,640
Euro dollar	**–**	2,341
Renminbi	**36,554**	64,926
Others	**26,416**	26,878
	179,850	210,785

26 Share Capital and Options

	No. of shares (in thousand)	**HK$'000**	**Equivalent US$'000**
Authorized			
At 1 January 2013, ordinary shares of HK$0.0125 each	12,000,000	150,000	19,231
At 31 December 2013, ordinary shares of HK$0.0125 each	12,000,000	150,000	19,231
At 1 January 2014, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 31 December 2014, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and Fully Paid			
At 1 January 2013, ordinary shares of HK$0.0125 each	8,359,048	104,488	13,396
Exercise of Share Options	1,350	17	2
At 31 December 2013, ordinary shares of HK$0.0125 each	8,360,398	104,505	13,398
At 1 January 2014, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**
At 31 December 2014, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**

26 Share Capital and Options (continued)

Details of Share Options granted by the Company pursuant to the Option Scheme and outstanding at 31 December 2014 are as follows:

			Number of Share Options			
Grant Date	Exercise Price HK$	Exercisable period	As at 1/1/2014	Cancelled	Lapsed	As at 31/12/2014
11/4/2011	16.90[1]	1/5/2012–30/4/2015	32,860,000	(10,268,000)	(274,000)	22,318,000
11/4/2011	20.21	1/5/2013–30/4/2015	33,404,000	(33,404,000)	–	–
11/4/2011	20.21	1/5/2014–30/4/2016	83,226,000	(83,226,000)	–	–
21/11/2011	12.71[1]	1/5/2012–30/4/2015	2,033,000	(653,000)	–	1,380,000
21/11/2011	15.20	1/5/2013–30/4/2015	4,228,000	(4,228,000)	–	–
21/11/2011	15.20	1/5/2014–30/4/2016	9,457,000	(9,457,000)	–	–
22/12/2011	12.12[1]	1/5/2013–30/4/2015	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2014–30/4/2016	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2015–30/4/2017	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2016–30/4/2018	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2017–30/4/2019	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2018–30/4/2020	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2019–30/4/2021	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2020–30/4/2022	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2021–30/4/2023	3,000,000	–	(1,000,000)	2,000,000
26/6/2012	15.09	1/5/2013–30/4/2015	3,742,000	(3,742,000)	–	–
26/6/2012	15.09	1/5/2014–30/4/2016	8,357,000	(8,357,000)	–	–
12/11/2012	13.04	1/5/2013–30/4/2015	813,000	(813,000)	–	–
12/11/2012	13.04	1/5/2014–30/4/2016	3,014,000	(3,014,000)	–	–
		Total	208,134,000	(157,162,000)	(9,274,000)	41,698,000

NOTE:

(1) *Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$20.21 to HK$16.90, from HK$14.50 to HK$12.12 and from HK$15.20 to HK$12.71 with effect from 31 August 2014.*

Subsequent to 31 December 2014, no Shares have been allotted and issued under the Option Scheme.

The Share Options outstanding at 31 December 2014 had a weighted average remaining contractual life of 2.06 years (2013: 2.35 years).

26 Share Capital and Options (continued)

Employee share option expenses charged to the consolidated profit and loss account are determined using the Black-Scholes valuation model based on the following assumptions:

Date of Grant	11/4/2011	21/11/2011	22/12/2011	26/6/2012	12/11/2012
Option value *(Note (i))*	US$0.45 – US$0.57	US$0.42 – US$0.53	US$0.45 – US$0.77	US$0.33 – US$0.40	US$0.29 – US$0.34
Share price at date of grant *(Note (i))*	HK$20.21	HK$14.24	HK$14.14	HK$14.38	HK$12.52
Exercisable price *(Note (i))*	HK$16.90 *(Note (ii))*	HK$12.71 *(Note (ii))*	HK$12.12 *(Note (ii))*	HK$15.09	HK$13.04
Standard deviation	33%	48%	49%	43%	42%
Annual risk-free interest rate	0.29%-1.80%	0.14%-0.84%	0.15%-1.35%	0.17%-0.37%	0.21%-0.26%
Life of options	4–5 years	4–5 years	4–12 years	3–4 years	3–4 years
Dividend yield	2.39%	2.39%	2.39%	3.09%	3.09%

NOTES:

(i) Prior year information has been adjusted for the effect of the Bonus Issue in May 2006 and the Share Subdivision in May 2011.

(ii) Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$20.21 to HK$16.90, from HK$14.50 to HK$12.12 and from HK$15.20 to HK$12.71 with effect from 31 August 2014.

27 Reserves

(a) The Group

	Treasury Share US$'000 *(Note (iii))*	Capital Reserve US$'000 *(Note (i))*	Contribution Surplus US$'000 *(Note (ii))*	Employee Share-Based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2014	(6,739)	3,835	–	36,821	2,679	(1,413)	(10,338)	(18,342)	6,503
Comprehensive Income/(Expense)									
Currency translation differences	–	–	–	–	–	–	–	(92,334)	(92,334)
Net fair value gains on available-for-sale financial assets, net of tax *(Note 18)*	–	–	–	–	40	–	–	–	40
Net fair value gains on cash flow hedges, net of tax	–	–	–	–	–	10,302	–	–	10,302
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	(728)	–	(728)
Transactions with Owners									
Employee share option scheme:									
– value of employee services	–	–	–	228	–	–	–	–	228
Share premium reduction	–	–	3,000,000	–	–	–	–	–	3,000,000
Distribution in specie	–	–	(2,290,000)	–	–	–	–	–	(2,290,000)
Transfer to capital reserve	–	87	–	–	–	–	–	–	87
Balance at 31 December 2014	(6,739)	3,922	710,000	37,049	2,719	8,889	(11,066)	(110,676)	634,098

27 Reserves (continued)

(a) The Group (continued)

	Treasury Share US$'000 *(Note (iii))*	Capital Reserve US$'000 *(Note (i))*	Employee Share-Based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2013	(6,739)	3,742	33,830	2,608	(1,015)	(14,778)	(30,152)	(12,504)
Comprehensive Income/(Expense)								
Currency translation differences	–	–	–	–	–	–	11,810	11,810
Net fair value gains on available-for-sale financial assets, net of tax *(Note 18)*	–	–	–	71	–	–	–	71
Net fair value losses on cash flow hedges, net of tax	–	–	–	–	(398)	–	–	(398)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	4,440	–	4,440
Transactions with Owners								
Employee share option scheme:								
– value of employee services	–	–	3,522	–	–	–	–	3,522
– transfer to share premium	–	–	(531)	–	–	–	–	(531)
Transfer to capital reserve	–	93	–	–	–	–	–	93
Balance at 31 December 2013	(6,739)	3,835	36,821	2,679	(1,413)	(10,338)	(18,342)	6,503

27 Reserves (continued)

(b) The Company

	Share Premium US$'000	Treasury Share US$'000 *(Note (iii))*	Contribution Surplus US$'000 *(Note (ii))*	Employee Share-Based Compensation Reserve US$'000	Retained Earnings US$'000	Total US$'000
Balance at 1 January 2014	**3,699,476**	**(6,739)**	**264,189**	**36,821**	**566,889**	**4,560,636**
Profit for the year	**–**	**–**	**–**	**–**	**2,124,700**	**2,124,700**
Employee share option scheme:						
– value of employee services	**–**	**–**	**–**	**228**	**–**	**228**
Share premium reduction	**(3,000,000)**	**–**	**3,000,000**	**–**	**–**	**–**
2013 final dividend paid	**–**	**–**	**–**	**–**	**(366,779)**	**(366,779)**
2014 interim dividend paid	**–**	**–**	**–**	**–**	**(140,158)**	**(140,158)**
Distribution in specie	**–**	**–**	**(2,290,000)**	**–**	**–**	**(2,290,000)**
Reserves	**699,476**	**(6,739)**	**974,189**	**37,049**	**1,884,535**	**3,588,510**
Proposed dividend	**–**	**–**	**–**	**–**	**300,117**	**300,117**
Balance at 31 December 2014	**699,476**	**(6,739)**	**974,189**	**37,049**	**2,184,652**	**3,888,627**
Balance at 1 January 2013	3,697,012	(6,739)	264,189	33,830	297,701	4,285,993
Profit for the year	–	–	–	–	601,460	601,460
Employee share option scheme:						
– value of employee services	–	–	–	3,522	–	3,522
– proceeds from shares issued	1,933	–	–	–	–	1,933
– transfer to share premium	531	–	–	(531)	–	–
2012 final dividend paid	–	–	–	–	(171,495)	(171,495)
2013 interim dividend paid	–	–	–	–	(160,777)	(160,777)
Reserves	3,699,476	(6,739)	264,189	36,821	202,461	4,196,208
Proposed dividend	–	–	–	–	364,428	364,428
Balance at 31 December 2013	3,699,476	(6,739)	264,189	36,821	566,889	4,560,636

NOTES:

(i) Capital reserve represents amount set aside from the profit of certain overseas subsidiaries of the Group in accordance with local statutory requirements.

(ii) The contribution surplus of the Company represents:

(1) The difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Li & Fung (B.V.I.) Limited and the value of net assets of the underlying subsidiaries acquired as at 2 June 1992 amounting to US$14,232,000. At Group level, the amount is reclassified into its components of reserves of the underlying subsidiaries.

(2) The difference between the issue price and the nominal value of the Company's shares issued in connection with the acquisition of Colby in 2000 amounting to US$249,957,000. At Group level, the amount is set off against goodwill arising from the acquisition.

During the year, US$3,000,000,000 contributed surplus was created by reduction of the share premium of the Company and US$2,290,000,000 was distributed due to spin-off of Global Brands Group.

(iii) Treasury share represents the excess share issued for settlement of consideration for certain prior year acquisitions held by the escrow agent.

28 Perpetual Capital Securities

On 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$500 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2014 and 2013 included the accrued distribution payments.

29 Long-term Liabilities

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Long-term bank loans – unsecured *(Note 25)*	**17,000**	116,640	**–**	–
Long-term notes – unsecured	**1,254,369**	1,254,915	**1,254,369**	1,254,915
Purchase consideration payable for acquisitions	**458,080**	1,397,999	**–**	–
Brand license payable	**–**	266,541	**–**	–
Other non-current liability (non-financial liability)	**8,375**	88,598	**–**	–
	1,737,824	3,124,693	**1,254,369**	1,254,915
Current portion of purchase consideration payable for acquisitions	**(134,468)**	(409,512)	**–**	–
	1,603,356	2,715,181	**1,254,369**	1,254,915

Purchase consideration payable for acquisitions and long-term loans from non-controlling shareholders are unsecured, interest-free and not repayable within twelve months. Unsecured long-term notes issued to independent third parties in 2007 of US$498,857,000 will mature in 2017 and bear annual coupon of 5.5%. Unsecured long-term notes issued to independent third parties in 2010 of US$755,512,000 will mature in 2020 and bear annual coupon of 5.25%.

Balance of purchase consideration payable for acquisitions as at 31 December 2014 amounted to US$458,080,000 (2013: US$1,397,999,000), of which US$304,440,000 (2013: US$693,549,000) was primarily earn-out and US$153,640,000 (2013: US$704,450,000) was earn-up. Earn-out is a contingent consideration that will be realized if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated periods of time. Earn-up is contingent consideration that will be realized if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated period of time.

Earn-out and earn-up of certain acquisitions were remeasured during the year, details are set out in *Note 4* and *Note 12*.

29 Long-term Liabilities (continued)

The maturity of the financial liabilities is as follows:

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Within 1 year	**134,468**	409,512	**–**	–
Between 1 and 2 years	**102,886**	362,617	**–**	–
Between 2 and 5 years	**736,583**	1,343,700	**498,857**	498,376
Wholly repayable within 5 years	**973,937**	2,115,829	**498,857**	498,376
Over 5 years	**755,512**	920,266	**755,512**	756,539
	1,729,449	3,036,095	**1,254,369**	1,254,915

The fair values of the financial liabilities (non-current portion) are as follows:

	The Group	
	2014 US$'000	2013 US$'000
Long-term bank loans – unsecured	**17,000**	116,640
Long-term notes – unsecured	**1,353,418**	1,331,675
Purchase consideration payable for acquisitions	**323,612**	988,487
Brand license payable	**–**	266,541
	1,694,030	2,703,343

The carrying amounts of financial liabilities are denominated in the following currencies:

	The Group	
	2014 US$'000	2013 US$'000
US dollar	**1,606,959**	2,658,395
Pound sterling	**25,679**	107,276
Euro dollar	**5,485**	206,442
Hong Kong dollar	**–**	2,675
Others	**91,326**	61,307
	1,729,449	3,036,095

30 Post-employment Benefit Obligations

	The Group	
	2014 US$'000	2013 US$'000
Pension obligations *(Note)*	**16,949**	16,154
Long-service payment liabilities	**5,350**	8,176
	22,299	24,330

NOTE:
The Group participates in a number of defined benefit plans in certain countries. Most of these pension plans are final salary defined benefit plans. The assets of the funded plans are held independently of the Group's assets in separate trustee-administered funds. The Group's defined benefit plans are valued by qualified actuaries annually using the projected unit credit method.

(i) The amount recognized in the consolidated balance sheet is determined as follows:

	The Group	
	2014 US$'000	2013 US$'000
Present value of funded obligations	**40,922**	44,838
Fair value of plan assets	**(23,973)**	(28,684)
Net liabilities in the consolidated balance sheet	**16,949**	16,154

(ii) The amount recognized in the consolidated profit and loss account is as follows:

	The Group	
	2014 US$'000	2013 US$'000
Current service cost	**1,975**	2,271
Past service cost and (gain)/loss on settlements	**(931)**	606
Administrative expenses paid	**131**	131
Net interest expense/(income)	**536**	(676)
Total, included in staff costs *(Note 10)*	**1,711**	2,332

30 Post-employment Benefit Obligations (continued)

(iii) The movements in the fair value of plan assets during the year are as follows:

	The Group	
	2014 **US$'000**	2013 US$'000
At 1 January	**28,684**	30,274
Interest income	**959**	1,824
Exchange differences	**(1,321)**	(257)
Administrative expenses paid	**(131)**	(131)
Contributions	**1,343**	1,454
Benefits paid	**(9,134)**	(3,132)
Actuarial gain/(loss) on plan assets	**3,573**	(1,348)
At 31 December	**23,973**	28,684

(iv) Movements in the defined benefit obligation are as follows:

	The Group	
	2014 **US$'000**	2013 US$'000
At 1 January	**44,838**	50,772
Current service cost	**1,975**	2,271
Interest cost	**1,495**	1,148
Past service cost and (gain)/loss on settlements	**(931)**	606
Actuarial gain from changes in experiences	**(1,575)**	(188)
Actuarial loss/(gain) from changes in financial assumptions	**6,632**	(4,983)
Actuarial loss from changes in demographic assumptions	**1**	275
Exchange differences	**(2,121)**	(1,185)
Benefits paid	**(9,392)**	(3,878)
At 31 December	**40,922**	44,838

30 Post-employment Benefit Obligations (continued)

(v) The movements in net defined benefit liabilities recognized in the consolidated balance sheet are as follows:

	The Group	
	2014 US$'000	2013 US$'000
At 1 January	**16,154**	20,498
Exchange differences	**(800)**	(928)
Total expense charged in the consolidated profit and loss account	**1,711**	2,332
Remeasurements losses/(gains) recognized in other comprehensive income	**1,485**	(3,548)
Contributions paid	**(1,343)**	(1,454)
Benefits paid	**(258)**	(746)
At 31 December	**16,949**	16,154

(vi) The principal actuarial assumptions used for accounting purposes are:

	2014 %	2013 %
Discount rate	**1.6-8.1**	1.9-9.0
Inflation	**1.5-4.5**	2.5-4.5
Salary growth rate	**3.0-8.0**	3.0-8.0
Pension growth rate	**3.1**	3.3

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**±0.25%**	**–8.07%**	**8.49%**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

30 Post-employment Benefit Obligations (continued)

(vii) Plan assets comprised:

	2014 **%**	2013 %
Equity instruments	**28**	61
Debt instruments	**15**	10
Others	**57**	29
	100	100

As at 31 December 2014, planned assets were mainly invested in (1) financial services, consumer goods & services and industrial sectors of equity instruments; (2) government bonds; and (3) bank deposits.

The weighted average duration of the defined benefit obligation ranges from 8.8 to 24.4 years.

(viii) Expected maturity analysis of benefit payments:

	The Group		
At 31 December 2014	**Within 10 years US$'000**	**Between 10-20 years US$'000**	**Beyond 20 years US$'000**
Expected benefit payments	**27,227**	**45,764**	**46,767**

The Group is exposed to a number of risks in relation to the defined benefit obligation, the most significant of which are detailed below:

Investment risk	The defined benefit pension holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.
Interest rate risk	The defined benefit pension's liabilities are assessed using market yields on high-quality corporate bonds to discount the liabilities. In countries where there is no deep market in such bonds, the market yields on government bonds are used. As the defined benefit pension holds assets such as equities, the value of the assets and liabilities may not move in the same way.
Inflation risk	A significant proportion of the benefits under the defined benefit pension are linked to inflation. Although the defined benefit pension's assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to deficits emerging.
Mortality risk	In the event that members live longer than assumed, a deficit will emerge in the defined benefit pension.

30 Post-employment Benefit Obligations (continued)

(viii) Expected maturity analysis of benefit payments (continued):
In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

31 Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2013: 16.5%).

The movements in the net deferred tax liabilities are as follows:

	The Group	
	2014 US$'000	2013 US$'000
At 1 January	**18,769**	1,345
Continuing Operations		
Charged/(credited) to consolidated profit and loss account *(Note 6)*	**5,429**	(37,390)
Acquisition of businesses	**2,925**	5,308
Adjustments to purchase consideration payable for acquisitions and net asset value	**–**	7,893
Charged to other comprehensive income	**(359)**	–
(Credited)/charged to hedging reserve	**(186)**	8
Exchange differences	**671**	110
Discontinued Operations		
(Credited)/charged to consolidated profit and loss account	**(20,106)**	36,732
Acquisition of businesses	**1,515**	4,762
Exchange differences	**–**	1
Distribution in specie	**(1,380)**	–
At 31 December	**7,278**	18,769

31 Deferred Taxation (continued)

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The Group has unrecognized tax losses of US$162,084,000 (2013: US$733,660,000) to carry forward against future taxable income, out of which US$10,480,000 will expire during 2015–2024. Deferred tax assets for these tax losses are not recognized as it is not probable that related tax assets will be utilized in the foreseeable future.

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	The Group									
	Provisions		Decelerated Tax Depreciation Allowances		Tax Losses		Others		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Deferred Tax Assets	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
As at 1 January	**111,898**	102,365	**7,799**	4,623	**57,976**	37,544	**9,864**	4,887	**187,537**	149,419
Continuing Operations										
(Charged)/credited to consolidated profit and loss account	**(3,689)**	(6,997)	**1,395**	3,147	**(4,912)**	31,008	**(1,886)**	4,838	**(9,092)**	31,996
Acquisitions of businesses	**–**	55	**–**	(126)	**–**	–	**–**	(368)	**–**	(439)
Charged to other comprehensive income	**–**	–	**–**	–	**–**	–	**359**	–	**359**	–
Charged/(credited) to hedging reserve	**–**	–	**–**	–	**–**	–	**186**	(8)	**186**	(8)
Exchange differences	**40**	(513)	**(451)**	29	**(202)**	31	**(350)**	147	**(963)**	(306)
Discontinued Operations										
Credited/(charged) to consolidated profit and loss account	**11,670**	14,756	**–**	–	**35,549**	(10,607)	**–**	–	**47,219**	4,149
Acquisitions of businesses	**–**	2,232	**–**	126	**–**	–	**–**	368	**–**	2,726
Distribution in specie	**(95,629)**	–	**(126)**	–	**(81,245)**	–	**(368)**	–	**(177,368)**	–
As at 31 December	**24,290**	111,898	**8,617**	7,799	**7,166**	57,976	**7,805**	9,864	**47,878**	187,537

31 Deferred Taxation (continued)

Deferred Tax Liabilities	The Group: Accelerated Tax Depreciation Allowances 2014 US$'000	2013 US$'000	Intangible Assets Arising from Business Combinations 2014 US$'000	2013 US$'000	Others 2014 US$'000	2013 US$'000	Total 2014 US$'000	2013 US$'000
As at 1 January	**25,866**	41,173	**177,506**	106,679	**2,934**	2,912	**206,306**	150,764
Continuing Operations								
(Credited)/charged to consolidated profit and loss account	**(7,211)**	(2,365)	**4,382**	(3,186)	**(834)**	157	**(3,663)**	(5,394)
Acquisition of businesses	**–**	–	**2,925**	4,864	**–**	5	**2,925**	4,869
Adjustments to purchase consideration payable for acquisitions and net asset value	**–**	–	**–**	7,893	**–**	–	**–**	7,893
Exchange differences	**(188)**	(56)	**(35)**	–	**(69)**	(140)	**(292)**	(196)
Discontinued Operations								
Charged/(credited) to consolidated profit and loss account	**6,266**	(12,887)	**20,847**	53,768	**–**	–	**27,113**	40,881
Acquisition of businesses	**–**	–	**1,515**	7,488	**–**	–	**1,515**	7,488
Exchange differences	**–**	1	**–**	–	**–**	–	**–**	1
Distribution in specie	**(16,262)**	–	**(162,486)**	–	**–**	–	**(178,748)**	–
As at 31 December	**8,471**	25,866	**44,654**	177,506	**2,031**	2,934	**55,156**	206,306

After offsetting balances within the same tax jurisdiction, the balances as disclosed in the consolidated balance sheet are as follows:

	The Group 2014 US$'000	2013 US$'000
Deferred tax assets	**32,493**	75,364
Deferred tax liabilities	**(39,771)**	(94,133)
	(7,278)	(18,769)

	The Group 2014 US$'000	2013 US$'000
The amounts shown in the consolidated balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	**30,073**	52,284
Deferred tax assets to be recovered within 12 months	**2,420**	23,080
Deferred tax liabilities to be settled after more than 12 months	**31,635**	83,336
Deferred tax liabilities to be settled within 12 months	**8,136**	10,797

32 Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of Profit Before Taxation to Net Cash Inflow Generated from Operations of Continuing Operations

	2014 US$'000	2013 US$'000 (Restated)
Profit before taxation	**626,803**	713,770
Interest income	**(6,984)**	(9,177)
Interest expenses	**105,179**	107,575
Depreciation	**64,947**	66,118
Amortization of system development, software and other license costs	**14,574**	12,336
Amortization of other intangible assets	**35,462**	32,009
Amortization of prepaid premium for land leases	**137**	144
Share of profits less losses of associated companies	**(1,373)**	(442)
Employee share option expenses	**228**	2,963
Loss on disposal of property, plant and equipment, net	**1,363**	3,959
Gain on remeasurement of contingent consideration payable	**(176,007)**	(112,648)
Operating profit before working capital changes	**664,329**	816,607
Decrease/(increase) in inventories	**31,434**	(63,060)
(Increase)/decrease in trade and bills receivable, other receivables, prepayments, deposits and amount due from related companies	**(60,690)**	174,889
Increase/(decrease) in trade and bills payable, accrued charges and sundry payables and amount due to related companies	**57,492**	(15,175)
Net cash inflow generated from operations	**692,565**	913,261

32 Notes to the Consolidated Cash Flow Statement (continued)

(b) Analysis of Changes in Financing During the Year

	2014		2013	
	Share capital including share premium US$'000 ***(Note 26 & 27)***	**Bank loans US$'000**	Share capital including share premium US$'000 *(Note 26 & 27)*	Bank loans US$'000
At 1 January	**3,712,874**	**210,785**	3,710,408	217,519
Non-cash movement				
Transfer from employee share-based compensation reserve	**–**	**–**	531	–
Share premium reduction	**(3,000,000)**	**–**	–	–
	712,874	**210,785**	3,710,939	217,519
Continuing Operations				
Net proceeds from issue of shares upon exercise of Share Options	**–**	**–**	1,935	–
Net repayment of bank loans	**–**	**(28,594)**	–	(9,075)
Discontinued Operations				
Net drawdown of bank loans	**–**	**725,113**	–	2,341
Distribution in specie	**–**	**(727,454)**	–	–
At 31 December	**712,874**	**179,850**	3,712,874	210,785

32 Notes to the Consolidated Cash Flow Statement (continued)

(c) Distribution in Specie

Details of net assets of Global Brands Group at date of distribution in specie are set out below:

	2014 US$'000
Net assets distributed	
Intangible assets	**3,413,101**
Property, plant and equipment	**194,193**
Other non-current assets	**39,946**
Trade and other receivables	**407,963**
Cash and cash equivalents	**204,601**
Other current assets*	**576,558**
Trade and other payables	**(800,980)**
Other current liabilities	**(238,502)**
Other non-current liabilities	**(879,038)**
Purchase consideration payable for acquisitions	**(628,845)**
Book value of net assets distributed	**2,288,997**

* *Amounts adjusted to eliminate impacts between the Continuing Operations and the Discontinued Operations.*

Analysis of net outflow of cash and cash equivalents in respect of the distribution in specie:

	2014 US$'000
Cash proceeds on distribution in specie	**–**
Cash and cash equivalent distributed	**204,601**
Net cash outflow of cash and cash equivalents in respect of distribution in specie	**204,601**

Analysis of net gain on distribution in specie:

	2014 US$'000
Fair value of Global Brands Group	**2,290,000**
Less: Net assets value of Global Brands Group	**(2,288,997)**
Net gain on distribution in specie	**1,003**

33 Discontinued Operations

The consolidated results of Global Brands Group are presented in the consolidated profit and loss account as Discontinued Operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated statement of comprehensive income and consolidated cash flow statement distinguish the Discontinued Operations from the Continuing Operations. Comparative figures have been restated.

(a) Results of the Discontinued Operations have been included in the Consolidated Profit and Loss Account as Follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Turnover	**1,393,940**	3,288,132
Cost of sales*	**(981,285)**	(2,292,597)
Gross profit	**412,655**	995,535
Other income	**32**	14,263
Total margin	**412,687**	1,009,798
Selling and distribution expenses	**(235,439)**	(400,448)
Merchandising and administrative expenses	**(240,469)**	(475,653)
Core operating (loss)/profit	**(63,221)**	133,697
Gain on remeasurement of contingent consideration payable	**19,667**	74,752
Amortization of other intangible assets	**(25,801)**	(46,254)
Gain on disposal of businesses/licensing rights	**–**	5,317
Professional fees for Spin-off	**(11,860)**	–
One-off reorganisation costs for Spin-off	**(16,880)**	–
Other non-core operating expenses	**(2,001)**	(3,414)
Operating (loss)/profit	**(100,096)**	164,098
Interest income	**29**	334
Interest expenses		
Non-cash interest expenses	**(9,736)**	(15,844)
Cash interest expenses	**(6,852)**	(9,118)
	(16,588)	(24,962)
Share of profits less losses of joint ventures	**324**	409
(Loss)/profit before taxation	**(116,331)**	139,879
Taxation	**17,206**	(26,351)
(Loss for the period)/profit for the year	**(99,125)**	113,528
Net gain on distribution in specie *(Note 9)*	**1,003**	–
Net (loss)/profit attributable to Shareholders of the Company	**(98,122)**	113,528

* *Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of US$782,598,000 (2013: US$1,568,234,000).*

33 Discontinued Operations (continued)

(a) Results of the Discontinued Operations have been included in the Consolidated Profit and Loss Account as Follows: (continued)

Operating (loss)/profit is stated after crediting and charging the following:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Crediting		
Gain on remeasurement of contingent consideration payable	**19,667**	74,752
Gain on disposal of businesses/licensing right	**–**	5,317
Charging		
Cost of inventories sold	**981,285**	2,292,597
Amortization of system development, software and other license costs	**78,834**	132,112
Amortization of other intangible assets	**25,801**	46,254
Depreciation of property, plant and equipment	**22,118**	29,997
Loss on disposal of property, plant and equipment, net	**1,734**	–
Operating leases rental in respect of land and building	**32,176**	73,529
Provision for impaired receivables	**1,919**	1,409
Staff costs including Directors' emoluments	**181,932**	369,066
Business acquisition-related costs	**2,001**	3,414
Net exchange losses	**1,200**	579

(b) Segment Information

Turnover of the Discontinued Operations consisting of sales of licensed brands and controlled brands are as follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Controlled brands	**205,212**	607,959
Licensed brands	**1,188,728**	2,680,173
	1,393,940	3,288,132

33 Discontinued Operations (continued)

(b) Segment Information (continued)

The geographical analysis of turnover of the Discontinued Operations is as follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
United States of America	**1,128,235**	2,808,141
Europe	**194,155**	350,905
Asia	**71,550**	129,086
	1,393,940	3,288,132

(c) Cumulative Expense Recognized in Other Comprehensive Income Relating to the Discontinued Operations

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Currency translation differences	**1,100**	3,266

(d) An Analysis of the Cash Flows of the Discontinued Operations is as Follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Net cash generated from operating activities	**64,689**	89,604
Net cash used in investing activities	**(114,576)**	(416,446)
Net cash generated from/(used in) financing activities*	**718,261**	(6,777)
Total cash flow	**668,374**	(333,619)

* *Amounts adjusted to eliminate impact from financing activities between the Discontinued Operations and the Continuing Operations.*

33 Discontinued Operations (continued)

(e) Commitments

(I) OPERATING LEASE COMMITMENTS

As at 31 December 2013, the Discontinued Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013 US$'000
Within one year	49,101
In the second to fifth year inclusive	185,416
After the fifth year	347,978
	582,495

(II) CAPITAL COMMITMENTS

	2013 US$'000
Contracted but not provided for:	
Property, plant and equipment	14,166
System development, software and other license costs	9,066
Authorized but not contracted for:	
Property, plant and equipment	8,254
System development, software and other license costs	21,034
	52,520

(f) Related Party Transactions

The Discontinued Operations had the following related party transactions during the period from 1 January 2014 to 8 July 2014:

(i) Pursuant to the master distribution and sales of goods agreement entered into on 19 January 2012 with FH (1937) for a term of three years ended 31 December 2014, the Group's Discontinued Operations recognized distribution and sales to FH (1937) and its associates of US$12,480,000 for the period from 1 January 2014 to 8 July 2014. These transactions were made on mutually agreed normal commercial terms.

(ii) On 21 August 2013, a subsidiary of the Group's Discontinued Operations formed a business co-operation arrangement based on mutually agreed terms with Heritage Global Partners, LLC ("Heritage") and Trinity International Brands Limited, an associate of FH (1937), for launching the Kent & Curwen brand in the United States, which is conducted under BHB, a wholly-owned subsidiary of Heritage. Pursuant to the arrangement, the subsidiary entered into a convertible promissory note purchase agreement with BHB to contribute a maximum aggregate amount of US$32,000,000 in 6 tranches over three years.

The convertible promissory note carries interest at 5% per annum maturing on 31 December 2027 with a right of conversion up to 51.1% equity interest of BHB. The interest income recognized by the Group for the period from 1 January 2014 to 8 July 2014 amounted to US$315,000.

(iii) On 26 December 2013, the Group entered into a sale & purchase agreement with Fung Retailing Limited for the sale of the Roots License Rights at the consideration of US$18 million. The Group's Discontinued Operations may entitle contingent payments over the seven financial years ending 31 December 2020 of up to US$13.6 million in aggregate if certain turnover targets for the underlying business of the License Rights are achieved.

34 Business Combinations

During the year, the Group completed a series of acquisitions to expand the Group's existing scale of operation and enlarge the Group's market presence. Details of principal acquisitions were listed as below.

In April 2014, the Group's Continuing Operations acquired China Container Line Limited, a global sea freight forwarders based in China.

In January 2014, the Group's Discontinued Operations acquired The Licensing Company Limited, a global licensing agent based in UK.

In June 2014, the Group's Discontinued Operations acquired the business and assets of Cocaban Co. Ltd., a licensing brand management specialist in Korea.

The Group was not required to make any announcement in accordance with Chapter 14 of the Listing Rules for any individual acquisition completed during the year since none of the acquisitions, on a standalone basis, would be of sufficient material to be recognized as a notifiable transaction, and, accordingly no disclosure is provided for the details and impact of any individual acquisition.

35 Contingent Liabilities

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Guarantees in respect of banking facilities granted to:				
Subsidiaries	**–**	–	**4,533,536**	4,644,267
Associated companies	**750**	750	**–**	–
	750	750	**4,533,536**	4,644,267

36 Commitments from Continuing Operations

(a) Operating Lease Commitments

The Continuing Operations leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 15 years. At 31 December 2014, the Continuing Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Within one year	**157,535**	115,186
In the second to fifth year inclusive	**294,639**	238,809
After the fifth year	**128,321**	89,482
	580,495	443,477

36 Commitments from Continuing Operations (continued)

(b) Capital Commitments

	The Group	
	2014 **US$'000**	2013 US$'000 (Restated)
Contracted but not provided for:		
Property, plant and equipment	**17,046**	5,445
System development, software and other license costs	**–**	102
Authorized but not contracted for:		
Property, plant and equipment	**22,738**	4,640
	39,784	10,187

37 Charges on Assets

Save as disclosed in *Note 13*, at 31 December 2014 and 2013 there were no charges on the assets and undertakings of the Company and the Group.

38 Related Party Transactions

The Continuing Operations had the following material transactions with its related parties during the year ended 31 December 2014 and 2013:

	Note	**2014** **US$'000**	2013 US$'000 (Restated)
Distribution and sales of goods	*(i)*	**11,612**	3,236
Operating leases rental paid	*(ii)*	**24,549**	26,934
Turnover on buying agency services provided	*(iii)*	**891,587**	–
Rental and license fee paid	*(iv)*	**3,190**	–
Rental and license fee received	*(iv)*	**2,027**	–

(i) Pursuant to the master distribution and sales of goods agreement entered into on 19 January 2012 with FH (1937) for a term of three years ended 31 December 2014, certain distribution and sales of goods was made on mutually agreed normal commercial terms with FH (1937) and its associates.

(ii) Pursuant to the master agreement for leasing of properties dated 6 December 2013 entered into with FH (1937) for a term of three years ending 31 December 2016, the Continuing Operations had rental charge for certain properties leased from FH (1937) and its associates during the period based on mutually agreed terms.

(iii) Pursuant to the buying agency agreement the Continuing Operations entered into with Global Brands Group on 24 June 2014, the Continuing Operations provided buying agency services to Global Brands Group and its associates for a term of three years from the listing date of Global Brands. For the period from 9 July 2014 to 31 December 2014, the Continuing Operations provided buying agency services to Global Brands Group with an aggregate turnover of approximately US$891,587,000.

38 Related Party Transactions (continued)

(iv) Pursuant to the master property agreement the Continuing Operations entered into with Global Brands Group on 24 June 2014, the Continuing Operations and Global Brands Group had rental and license fee to and from one another for certain properties and license offices, showroom and warehouse premises on mutually agreed terms from the listing date of Global Brands to 31 December 2016. For the period from 9 July 2014 to 31 December 2014, aggregate rental and license fee paid to and from one another approximated to US$5,217,000.

The foregoing related party transactions also fall under the definition of continuing connected transactions of the Company as stipulated in the Listing Rules on the Stock Exchange.

During the year, there were certain expenses incurred by FH (1937) and recharged to the Continuing Operations amounting to approximately US$1,000,000 (2013: US$5,000,000).

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in *Note 11*.

Save as above, the Continuing Operations had no material related party transactions during the year.

39 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market Risk

(I) FOREIGN EXCHANGE RISK

Most of the Group's cash balances were deposits in HK$ and US$ with major global financial institutions, and the Group's revenues and payments were transacted predominantly in US$. Therefore, it considers there is no significant risk exposure in relation to foreign exchange rate fluctuations.

There are small portion of sales and purchases transacted in different currencies, for which the Group arranges hedging by means of foreign exchange forward contracts. Other than this, the Group strictly prohibits any financial derivative arrangement merely for speculation.

At 31 December 2014, if the major foreign currencies, such as Euro dollar and Sterling Pound, to which the Group had exposure had strengthened/weakened by 10% (2013: 10%) against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 2.0% (2013: 2.1%) and 3.7% (2013: 1.9%) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables, borrowings and intangible assets.

39 Financial Risk Management (continued)

(a) Market Risk (continued)

(II) PRICE RISK

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets. The Group maintains these equity securities investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 31 December 2014 and up to the Report date of the accounts, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies. At 31 December 2014, the fair value of foreign exchange forward contracts entered into by the Group amounted to US$11,323,000 (2013: liabilities of US$8,275,000), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments assets.

(III) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from US dollar denominated bank borrowings and the US dollar denominated long-term notes issued. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

At 31 December 2014, if the variable interest rates on the bank borrowings had been 0.1% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US$811,000 (2013: US$1,190,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings. At 31 December 2013, if the prevailing market interest rate on the available-for-sale debt security had been 0.1% higher/lower with all other variables held constant, the Group's profit and equity would have increased or decreased by approximately US$92,000.

39 Financial Risk Management (continued)

(b) Credit Risk

Credit risk mainly arises from trade and other receivables as well as cash and bank balances of the Group.

Most of the Group's cash and bank balances are held in major global financial institutions.

The Group has stringent policies in place to manage its credit risk with trade and other receivables, which include but are not limited to the measures set out below:

(i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing at the trade terms with individual customers. It is not uncommon that the Group requires securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers that fall short of the required minimum score under its Risk Assessment System;

(ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;

(iii) It has in place a close monitoring system with a dedicated team to ensure on-time recoveries from its trade debtors; and

(iv) Internally it has set up rigid policies on provision made for both inventories and receivables to motivate its business managers to step up efforts in these two areas so as to avoid any significant impact on their financial performance.

The Group's five largest customers of the Continuing Operations, in aggregate, account for 35% of the Continuing Operation's business. Transactions with these customers are entered into within the credit limits designated by the Group.

Except for trade receivables of US$40,097,000 (2013: US$41,765,000) and other receivables of US$11,860,000 (2013: US$12,658,000), which were considered impaired and fully provided, none of the other financial assets including available-for-sale financial assets *(Note 18)*, due from related companies *(Note 20)* and other receivables and deposits *(Note 22)* are considered impaired as there is no recent history of default of the counterparties. The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

39 Financial Risk Management (continued)

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities from the Group's bankers.

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents *(Note 23)*) on the basis of expected cash flow.

The table below analyzes the liquidity impact of the Group's non-derivative financial liabilities (including annual coupons payable for the long-term notes) into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. These amounts will not reconcile to the amounts disclosed on the consolidated balance sheet and in *Note 29* for long-term liabilities.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
The Group				
At 31 December 2014				
Long-term bank loans	**–**	**17,000**	**–**	**–**
Purchase consideration payable for acquisitions	**134,661**	**89,145**	**250,177**	**–**
Long-term notes – unsecured	**66,875**	**66,875**	**631,875**	**769,688**
Trade and bills payable	**2,561,172**	**–**	**–**	**–**
Accrued charges and sundry payables	**692,427**	**–**	**–**	**–**
Financial guarantee contract	**750**	**–**	**–**	**–**
Due to related companies	**48**	**–**	**–**	**–**
Bank advances for discounted bills	**33,834**	**–**	**–**	**–**
Short-term bank loans	**162,850**	**–**	**–**	**–**
At 31 December 2013				
Long-term bank loans	–	99,640	17,000	–
Purchase consideration payable for acquisitions	411,976	249,875	753,235	23,880
Long-term notes – unsecured	66,875	66,875	659,375	809,063
Brand license payable	41,746	23,242	107,283	163,954
Trade and bills payable	2,552,495	–	–	–
Accrued charges and sundry payables	837,790	–	–	–
Financial guarantee contract	750	–	–	–
Due to related companies	14,682	–	–	–
Bank advances for discounted bills	38,190	–	–	–
Short-term bank loans	94,145	–	–	–

All of the Group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of US$205,935,000 (2013: US$259,531,000) and undiscounted contractual cash outflows of US$194,893,000 (2013: US$267,167,000).

39 Financial Risk Management (continued)

(c) Liquidity Risk (continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
The Company				
At 31 December 2014				
Long-term notes – unsecured	**66,875**	**66,875**	**631,875**	**769,688**
Financial guarantee contract	**4,533,536**	**–**	**–**	**–**
Accrued charges and sundry payables	**9,457**	**–**	**–**	**–**
At 31 December 2013				
Long-term notes – unsecured	66,875	66,875	659,375	809,063
Financial guarantee contract	4,644,267	–	–	–
Accrued charges and sundry payables	9,715	–	–	–

40 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term bank loans *(Note 25)*, long-term bank loans *(Note 25)* and long-term notes *(Note 29)* less cash and cash equivalents *(Note 23)*). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

The Group's strategy is to maintain a gearing ratio not exceeding 35%. The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 US$'000	2013 US$'000
Long-term bank loans *(Note 25)*	**17,000**	116,640
Short-term bank loans *(Note 25)*	**162,850**	94,145
Long-term notes *(Note 29)*	**1,254,369**	1,254,915
	1,434,219	1,465,700
Less: Cash and cash equivalents *(Note 23)*	**(538,529)**	(459,559)
Net debt	**895,690**	1,006,141
Total equity	**3,110,078**	5,549,685
Total capital	**4,005,768**	6,555,826
Gearing ratio	**22%**	15%

41 Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets *(Note 18)*				
– Club debentures	**–**	**–**	**3,709**	**3,709**
Derivative financial instrument				
used for hedging *(Note 21)*	**–**	**11,323**	**–**	**11,323**
Total Assets	**–**	**11,323**	**3,709**	**15,032**
Liabilities				
Purchase consideration payable for acquisitions	**–**	**–**	**458,080**	**458,080**
Total Liabilities	**–**	**–**	**458,080**	**458,080**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets *(Note 18)*				
– Club debentures	–	–	3,669	3,669
Derivative financial instrument *(Note 21)*	–	–	2,664	2,664
Total Assets	–	–	6,333	6,333
Liabilities				
Derivative financial instruments				
used for hedging *(Note 21)*	–	8,275	–	8,275
Purchase consideration payable for acquisitions	–	–	1,397,999	1,397,999
Total Liabilities	–	8,275	1,397,999	1,406,274

41 Fair Value Estimation (continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfer of assets between level 1, level 2 and level 3 fair value hierarchy classifications during the year.

The following summarizes the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING

The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using discounted cash flow analysis. These valuations maximize the use of observable market data. Foreign currency exchange prices are the key observable inputs in the valuation.

PURCHASE CONSIDERATION PAYABLE FOR ACQUISITIONS

The Group recognizes the fair value of those purchase considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgment on time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 2.5%.

41 Fair Value Estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2014 and 2013.

	2014		2013	
	Purchase Consideration Payable for Acquisitions US$'000	**Others US$'000**	Purchase Consideration Payable for Acquisitions US$'000	Others US$'000
Opening balance	**1,397,999**	**6,333**	1,648,275	3,598
Continuing Operations				
Fair value gains	**–**	**40**	–	71
Additions	**76,609**	**–**	226,699	–
Settlement	**(210,766)**	**–**	(150,114)	–
Remeasurement of acquisitions payable	**(176,007)**	**–**	(112,648)	–
Others	**9,372**	**–**	(28,258)	–
Discontinued Operations				
Additions	**60,227**	**–**	128,262	2,664
Settlement	**(69,306)**	**–**	(258,739)	–
Remeasurement of acquisitions payable	**(19,667)**	**–**	(74,752)	–
Others	**18,464**	**–**	19,274	–
Distribution in specie	**(628,845)**	**(2,664)**	–	–
Closing balance	**458,080**	**3,709**	1,397,999	6,333
Total gain for the year included in profit or loss of Continuing Operations	**(176,007)**	**–**	(112,648)	–

42 Approval of Accounts

The accounts were approved by the Board of Directors on 19 March 2015.

43 Principal Subsidiaries and Associated Companies

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	Held Directly				
(2)	Integrated Distribution Services Group Limited	Bermuda	Ordinary US$12,000	100	Investment holding
(2)	LF Centennial Limited	British Virgin Islands	Ordinary US$50,000	100	Investment holding
(2)	LF Credit Limited	Bermuda	Ordinary US$12,000	100	Investment holding
(1)	Li & Fung (B.V.I.) Limited	British Virgin Islands	Ordinary US$400,010	100	Marketing services and investment holding
	Held Indirectly				
	888 UK Limited	England	Ordinary GBP100	100	Service company
	AGI Logistics (S) Pte Ltd	Singapore	Ordinary S$500,000	100	Freight forwarders and other logistics services
(2)	AGI Logistics Foreign Holdings LLC	U.S.A.	Capital contribution US$1	100	Investment holding
	Algreta Solutions Limited	England	Ordinary GBP10,527	100	Sale and distribution of security products
	Alster International Trading Company Pte. Ltd.	Singapore	Ordinary S$5,000,000	100	Provision of inspection services and export trading
(2)	Appleton Holdings Ltd.	British Virgin Islands	Ordinary US$1	100	Investment holding
	B.G.S. Limited	Thailand	Ordinary Baht 288,000 Preference Baht 712,000	100	Marketing and distribution of healthcare products
	Black Cat Fireworks Limited	England	Ordinary GBP15,500,000	100	Wholesaling
(2)	Bond Medical Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Bossini Fashion GmbH	Germany	EUR468,000	100	Importer
	BS Direct Limited	Hong Kong	Ordinary HK$2	100	Export trading
	C Group US LLC	U.S.A.	Capital contribution US$1,000	100	Marketing services
	Camberley Enterprises Limited	Hong Kong	Ordinary HK$250,000	100	Manufacturing and trading
	Camberley Trading Service (Shenzhen) Limited	The People's Republic of China	RMB1,500,000	100 foreign-owned enterprise	Export trading services
(2)	Catalyst Direct Sarl	France	Ordinary EUR10,000	100	Wholesaling
(2)	Catalyst Tags Inc.	U.S.A.	Common stock US$10,000	100	Distribution
(2)	Centennial (Luxembourg) S.a.r.l.	Luxembourg	EUR8,931,250	100	Investment holding
	CGroup HK Limited	Hong Kong	Ordinary HK$2,970,000 Class "B" Non-voting HK$330,000	100	Export trading
	Character Direct Limited	Hong Kong	Ordinary HK$2	100	Design and marketing
	Chuan Jui Chuan Logistics Co., Ltd.	Taiwan	NT$25,000,000	100	Transportation
	Chuan Jui Fu Logistics Co., Ltd.	Taiwan	NT$25,000,000	100	Transportation
(2)	Colby Group Holdings Limited	British Virgin Islands	Ordinary US$45,000	100	Investment holding

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	Colby Property Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Colourful Express Trading Pte. Ltd.	Singapore	Ordinary S$2	100	Investment holding
	Comet Feuerwerk GmbH	Germany	EUR1,000,000	100	Fireworks wholesaling
	Concept 3 Limited	Hong Kong	Ordinary HK$2	100	Investment holding
(2)	Covo Design (Dongguan) Co., Ltd.	The People's Republic of China	US$4,000,000	100 foreign-owned enterprise	Sample production and exporting trading services
(2)	Crimzon Rose Accessories (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,500,000	100 foreign-owned enterprise	Wholesaling
	Crimzon Rose Asia Limited	Hong Kong	Ordinary HK$3	100	Wholesaling
	Dana International Limited	Hong Kong	Ordinary HK$2	100	Investment holding
	Definitive Sourcing (India) Private Limited	India	Rs100,000	100	Buying services for sourcing goods
(2)	Direct SG Mexico Ltd	Mexico	Common nominative shares MXP150,000	100	Service and import trading
(2)	Direct Sourcing Group Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Direct Sourcing Group Investment Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Direct Sourcing Group Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	Dodwell (Mauritius) Limited	Hong Kong	Ordinary "A" HK$300,000 Ordinary "B" HK$200,000	60	Export trading
	Dodwell (Singapore) Pte. Ltd.	Singapore	Ordinary S$200,000	100	Export trading
(2)	Dongguan LF Beauty Manufacturing Services Limited	The People's Republic of China	HK$11,220,000	100 foreign-owned enterprise	Trading and manufacturing
(2)	DSG (Bangladesh) Limited	Bangladesh	Ordinary TK$3,750,000	100	Export trading services
	DSG (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
	DSG (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
(2)	DSG (US) Inc.	U.S.A.	Common stock US$1	100	Sourcing service
	DSG Services Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading services
(2)	Eclat Properties Inc.	British Virgin Islands	Ordinary US$100	100	Property investment
(2)	Empire Knight Group Limited	British Virgin Islands	Ordinary US$1	100	Property investment
(2)	Far East Logistics (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,500,000	100 foreign-owned enterprise	Wholesaling

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
	Fashion Design (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Design
	Fashion Design NY LLC	U.S.A.	Capital contribution US$1	100	Design
	Fenix Fashion Limited	Hong Kong	Ordinary HK$1	100	General trading of merchandise
(2)	Fleet Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Forrestgrove Limited	Hong Kong	Ordinary HK$20	100	Export trading
	Four Star Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
(2)	Four Star Construction and Engineering Company Limited	Macau	MOP$25,000	100	Distribution of medical and pharmaceutical products and medical equipment
(2)	GB Apparel Limited	England	Ordinary GBP1,000	100	Investment holding
	GMR (Hong Kong) Limited	Hong Kong	Ordinary HK$2	100	Export trading
(2)	Golden Gate Fireworks Inc.	U.S.A.	Common stock US$600,000	100	Commission agent and investment holding
	Golden Horn N.V.	Curacao	US$6,100	100	Investment holding
	Goodwest Enterprises Limited	Hong Kong	Ordinary HK$2	100	Export trading
	GSCM (HK) Limited	Hong Kong	Ordinary HK$140,000	100	Export trading
	GSCM LLC	U.S.A.	Capital contribution US$1	100	Trading of apparel
	Hanson Im-und Export GmbH	Germany	EUR26,000	100	Wholesaling
	Heusel Textilhandelsgesellschaft mbH	Germany	EUR225,645.94	100	Wholesaling
	Homeworks Asia Limited	Hong Kong	Ordinary HK$2	100	Export trading
	HTL Fashion (UK) Limited	England	Ordinary GBP1	100	Design and export trading
(2)	HTL Fashion Hazir Giyim Sanayi ve Ticaret Limited Sirketi	Turkey	YTL25,000	100	Manufacturing
	HTP Fashion Limited	Hong Kong	Ordinary HK$1	100	Manufacturing and trading
(2)	Icare Health Care Company Ltd.	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	IDS Corporate Services (S) Pte. Ltd.	Singapore	Ordinary S$24,700	100	Investment holding, Distribution and provision of services including Management Services
(2)	IDS Group Limited	British Virgin Islands	Ordinary US$949,165	100	Investment holding
	IDS International (Shanghai) Co., Ltd.	The People's Republic of China	RMB5,500,000	100 foreign-owned enterprise	Freight forwarders and other logistics services

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	IDS International USA Inc.	U.S.A.	Common stock US$1	100	Logistics and supply chain management
	IDS Manufacturing Limited	Thailand	Ordinary Baht 469,500,000	100	Manufacturing of household, pharmaceutical and personal care products
	IDS Manufacturing Sdn. Bhd.	Malaysia	Ordinary RM23,000,000	100	Manufacturing of pharmaceutical, foods and toiletries products
	Imagine POS Limited	Hong Kong	Ordinary "A" HK$2,000,000 Ordinary "B" HK$757,471	100	Export trading
	Imagine POS UK Limited	England	Ordinary GBP100	100	Cosmetic estate management services
	International Sources Trading Limited	Hong Kong	Ordinary HK$2	100	Export trading
	JAC TISSOT Solutions GmbH	Germany	EUR520,000	100	Importer
	Jackel Cosmetics Limited	Hong Kong	Class "A" HK$9,950,645 Class "B" non-voting HK$13,890	100	Export trading
(2)	Jackel France SAS	France	Ordinary EUR37,500	100	Export trading
	Jackel International (Asia) Limited	Hong Kong	Ordinary "A" HK$346,500 Ordinary "B" HK$86,850	100	Export trading
(2)	Jackel International Europe SAS	France	Ordinary EUR105,000	100	Export trading
	Jackel, Inc.	U.S.A.	Class "A" voting common stock US$1 Class "B" non-voting common stock US$99	100	Export trading
	JDH Marketing (Thailand) Limited	Thailand	Ordinary Baht 210,000,000	100	Marketing and distribution of healthcare products
	Just Jamie and Paulrich Limited	England	Ordinary GBP439	100	Wholesaling
(2)	JV Cosmetics (Dongguan) Co. Ltd.	The People's Republic of China	HK$105,000,000	100 foreign-owned enterprise	Manufacturing and trading
	JV Cosmetics Company Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
	Kariya Industries Limited	Hong Kong	Ordinary HK$1,000,000	100	Manufacturing and trading
	Kenas Pacific Trading (Pte.) Ltd.	Singapore	Ordinary S$100	100	Export trading services
	Kingsbury International Limited	Hong Kong	Ordinary HK$2	100	Provision of services
	Lenci Calzature SpA	Italy	Equity shares EUR206,400	100	Design, marketing and sourcing
	LF (Philippines), Inc.	The Philippines	Common shares Pesos 21,000,000	100	Distribution of consumer products and provision of logistics services
(2)	LF Asia (Borneo) Sdn Bhd	Brunei Darussalam	Ordinary B$3,000,000	70	General merchandising, shipping and insurance agency

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
	LF Asia (Hong Kong) Limited	Hong Kong	Ordinary HK$146,000,000	100	Distribution of consumer and pharmaceutical products
	LF Asia (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM14,231,002	100	Distribution of consumer and pharmaceutical products
	LF Asia (Singapore) Pte. Ltd.	Singapore	Ordinary S$300,000 Preference S$68,000	100	Distribution of healthcare products
	LF Asia (Thailand) Limited	Thailand	Ordinary Baht 16,000,000 Preference Baht 5,500,000 25% paid up	100	Distribution of consumer and pharmaceutical products
	LF Asia Distribution (Taiwan) Limited	Hong Kong	Ordinary HK$1	100	Distribution of consumer products
	LF Asia Management Limited	Hong Kong	Ordinary HK$10,000	100	Provision of management and consultancy services
	LF Asia Marketing (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM1,000,000	100	Distribution of consumer products
(2)	LF Asia Sebor (Sabah) Holdings Sdn. Bhd.	Malaysia	Ordinary RM11,000,000	60	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sabah) Sdn. Bhd.	Malaysia	Ordinary RM9,850,000	60	Distribution of consumer products
(2)	LF Asia Sebor (Sarawak) Holdings Sdn. Bhd.	Malaysia	Ordinary RM9,503,333	67.09	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sarawak) Sdn. Bhd.	Malaysia	Ordinary RM5,000,000	67.09	Distribution of consumer products
(2)	LF Beauty (Shenzhen) Limited	The People's Republic of China	HK$8,500,000	100 foreign-owned enterprise	Export trading services
	LF Beauty (UK) Limited	England	Ordinary GBP100	100	Design, marketing and manufacturing
	LF Beauty Inc.	U.S.A.	Common stock US$1	100	Investment holding
	LF Beauty Limited	Hong Kong	Ordinary HK$1	100	Export trading
	LF Centennial Pte. Ltd.	Singapore	Ordinary S$100,000	100	Export trading services
	LF Centennial Service (Singapore) Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading services
	LF Centennial Services (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
(2)	LF Corporate Capital (I) Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Credit Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of trade-related credit services
	LF Distribution Holding Inc.	U.S.A.	Common stock US$1	100	Investment holding

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
(2)	LF Distribution Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Distribution International Holding Limited	Hong Kong	Ordinary US$1	100	Investment holding
	LF Distribution International Inc.	U.S.A.	Common stock US$1	100	Investment holding
(2)	LF Distribution Limited	Bermuda	Ordinary US$100	100	Investment holding
	LF Europe (Germany) Services GmbH	Germany	EUR25,000	100	Provision of accounting services
	LF Europe Limited	England	Ordinary GBP26,788,000	100	Investment holding
	LF Fashion (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
	LF Fashion Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	LF Freight (Hong Kong) Limited	Hong Kong	Ordinary HK$2	100	Provision of supply chain management services
	LF Freight (Singapore) Pte. Limited	Singapore	Ordinary S$2	100	Provision of supply chain management services
(2)	LF Freight (USA) LLC	U.S.A.	Capital contribution US$1	100	Freight forwarders and other logistics services
(2)	LF Freight (West) LLC	U.S.A.	Capital contribution US$1	100	Freight forwarders and other logistics services
	LF Home Limited	Hong Kong	Ordinary HK$2	100	Export trading
(2)	LF International Inc.	U.S.A.	Common stock US$30,002	100	Investment management
	LF Logistics (Bangladesh) Limited	Bangladesh	Ordinary TK$10,000,000	100	Freight forwarding
	LF Logistics (Cambodia) Limited	Cambodia	Ordinary Riels 20,000,000	100	Freight forwarding and other logistics services
	LF Logistics (China) Co., Ltd.	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
(2)	LF Logistics (Guangzhou) Co., Ltd.	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
	LF Logistics (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100	Provision of logistics services
(2)	LF Logistics (India) Private Limited	India	Ordinary Rs15,000,000	100	Logistics, supply chain management and freight forwarding
	LF Logistics (Taiwan) Limited	Hong Kong	Ordinary HK$200	100	Provision of logistics and packaging services
	LF Logistics (Thailand) Limited	Thailand	Ordinary Baht 307,750,000	100	Provision of logistics services
	LF Logistics (UK) Limited	England	Ordinary GBP50,000	100	Provision of logistics services
(2)	LF Logistics Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Logistics Holdings (UK) Limited	England	Ordinary GBP1	100	Investment holding

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	LF Logistics Korea Limited	Korea	Common stock KRW300,000,000	100	Provision of logistics services
	LF Logistics Limited	Bermuda	Ordinary US$100	100	Investment holding
	LF Logistics Management Limited	Hong Kong	Ordinary HK$2	100	Provision of management and consultancy services
(2)	LF Logistics Pakistan (Private) Limited	Pakistan	Ordinary Rs5,000,000	100	Freight forwarders and other logistics services
	LF Logistics Services (M) Sdn. Bhd.	Malaysia	Ordinary RM2,000,000	100	Provision of logistics services
	LF Logistics Services Pte. Ltd.	Singapore	Ordinary S$28,296,962	100	Provision of logistics services
	LF Men's Group LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	LF Performance Services Sdn. Bhd.	Malaysia	Ordinary RM250,000	70	House Royal Custom's bonded warehouse licence
	LF Products (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Provision of management support services
	LF Products (Shanghai) Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Export, import and domestics trading
	LF Products Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	LF Sourcing (Millwork) LLC	U.S.A.	Capital contribution US$1	100	Sourcing and export trading
	LF Sourcing Sportswear LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
(2)	LFCF Investment I (Europe) Limited	British Virgin Islands	Ordinary US$1	100	Investment management
(2)	LFCF Investment I (USA) Limited	British Virgin Islands	Ordinary US$1	100	Investment management
	Li & Fung (Bangladesh) Limited	Bangladesh	Ordinary TK$9,500,000	100	Export trading services
(2)	Li & Fung (Brasil) Trading, Importacao E Exportacao Ltda	Brazil	Common shares R$333,559	100	Service provider
	Li & Fung (Cambodia) Limited	Cambodia	Ordinary Riels 120,000,000	100	Export trading services
(2)	Li & Fung (Chile) Limitada	Chile	Chilean Pesos $5,500,000	100	Export trading
	Li & Fung (Europe) Holding Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Exports) Limited	Hong Kong	Ordinary HK$10,000 Non-voting deferred HK$8,600,000	100	Investment holding
(2)	Li & Fung (Guatemala) S.A.	Guatemala	Nominative shares Q5,000	100	Export trading services
(2)	Li & Fung (Honduras) Limited	Honduras	Nominative common shares Lps25,000	100	Export trading services
	Li & Fung (India) Private Limited	India	Equity shares Rs64,000,200	100	Export trading services
	Li & Fung (Korea) Limited	Korea	Common stock KRW 200,000,000	100	Export trading services
(2)	Li & Fung (Mauritius) Limited	Mauritius	"A" Shares Rs750,000 "B" Shares Rs500,000	60	Export trading services
(2)	Li & Fung (Morocco) SARL	Morocco	Ordinary Dirhams10,000	100	Export trading services
(2)	Li & Fung (Nicaragua), Sociedad Anonima	Nicaragua	Nominative shares C$50,000	100	Export trading

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	Li & Fung (Philippines) Inc.	The Philippines	Common shares Peso 1,000,000	100	Export trading services
(2)	Li & Fung (Portugal) Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Singapore) Private Limited	Singapore	Ordinary S$25,000	100	Export trading services
	Li & Fung (Taiwan) Limited	Taiwan	NT$63,000,000	100	Sourcing and inspection
	Li & Fung (Thailand) Limited	Thailand	Ordinary Baht 20,000,000	100	Export trading services
	Li & Fung (Trading) Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000	100	Export trading services and investment holding
	Li & Fung (Vietnam) Limited	Vietnam	Charter capital US$800,000	100	Export trading services
	Li & Fung Agencia de Compras em Portugal, Limitada	Portugal	EUR99,759.58	100	Export trading services
	Li & Fung Mumessillik Pazarlama Limited Sirketi	Turkey	YTL45,356,100	100	Export trading services
	Li & Fung Pakistan (Private) Limited	Pakistan	Ordinary Rs10,000,000	100	Export trading services
	Li & Fung South Africa (Proprietary) Limited	South Africa	Ordinary Rand 100	100	Export trading services
	Li & Fung Taiwan Holdings Limited	Taiwan	NT$287,996,000	100	Investment holding
(2)	Li & Fung Trading (Italia) S.r.l.	Italy	EUR100,000	100	Export trading services
	Li & Fung Trading (Shanghai) Limited	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Export trading
(2)	Li & Fung Trading Service (Guangzhou) Limited	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shanghai) Company Limited	The People's Republic of China	US$6,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
	Lighthouse Asia Limited	Hong Kong	Ordinary HK$10,000	100	Investment holding
	Lion Rock (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100	Investment holding
	Lion Rock Far East (1972) Limited	Hong Kong	Ordinary HK$20	100	Investment holding
	Lion Rock International Trading & Co.	Hong Kong	Capital contribution HK$3,000,000	100	Provision of management services
	Lion Rock Services (Far East) & Co.	Hong Kong	Capital contribution HK$17,000,000	100	Merchandising agent
	Lion Rock Services (Switzerland) AG	Switzerland	CHF3,400,000	100	Export trading services
	Lloyd Textile Trading Limited	Hong Kong	Ordinary HK$1,000,000	100	Manufacturing and trading
	Lornamead Acquisitions Limited	England	Ordinary GBP1,000	100	Investment holding

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
	Lornamead GmbH	Germany	EUR25,000	100	Manufacturing of perfumes and toilet preparations
	Lornamead Group Limited	England	Ordinary GBP1,000	100	Investment holding
	Lornamead Inc.	U.S.A.	Common stock US$26,824.8975	100	Wholesaling
	Lornamead UK Limited	England	Ordinary GBP100	100	Manufacture of perfumes and toilet preparations
(2)	Mercury (BVI) Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Meredith Associates Limited	Hong Kong	Ordinary US$1,327,932	100	Investment holding
	Mighty Hurricane Holdings Inc.	U.S.A.	Common stock of US$100	100	Wholesaling
	Miles Fashion Asia Pte. Ltd.	Singapore	Ordinary S$1	100	Export trading
	Miles Fashion GmbH	Germany	EUR11,000,000	100	Importer
	Miles Fashion Group France EURL	France	EUR10,000	100	Wholesaling
(2)	Miles Fashion USA, Inc.	U.S.A.	Common stock US$1,000	100	Importer
	Millwork Holdings Co., Inc.	U.S.A.	Common stock US$1	100	Investment holding
(2)	Modium Konfeksiyon Sanayi ve Ticaret Anonim Sirketi	Turkey	A Shares YTL2,249,975 B Shares YTL25	100	Manufacturing
	Nanjing LF Asia Company Limited	The People's Republic of China	US$5,000,000	100 foreign-owned enterprise	Importer, export trading and distribution of general merchandise
(2)	New Star Instruments Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Ningbo Zhicheng Customs Brokerage Co., Ltd.	The People's Republic of China	RMB1,500,000	100	Provision of customs brokerage services
	On-Tip LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	P.T. Lifung Indonesia	Indonesia	Ordinary US$500,000	100	Export trading services
	Paco Trading (International) Limited	Hong Kong	Ordinary HK$2	100	Export trading
	PATCH Licensing LLC	U.S.A.	Capital contribution US$1	66.67	Export trading services
	Perfect Trading Inc.	Egypt	LE2,480,000	60	Export trading services
	Peter Black Footwear & Accessories Limited	England	Ordinary GBP202,000	100	Design, marketing and sourcing
	Peter Black Holdings Limited	England	Ordinary GBP0.25	100	Investment holding
	Peter Black International Limited	England	Ordinary GBP0.01	100	Investment holding
	Peter Black Overseas Holdings Limited	England	Ordinary GBP2	100	Investment holding
	Phil Henson GmbH	Germany	EUR50,000	100	Importer
	Product Development Partners Limited	Hong Kong	Ordinary HK$2	100	Export trading
	PromOcean France SAS	France	EUR8,530,303	100	Wholesaling

43 Principal Subsidiaries and Associated Companies (continued)

		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	PromOcean GmbH	Germany	EUR25,570	100	Wholesaling
	PromOcean No 1 Limited	England	Ordinary GBP1	100	Investment holding
	PromOcean Spain SL	Spain	EUR3,005.06	100	Wholesaling
	PromOcean The Netherlands B.V.	The Netherlands	EUR39,379.5	100	Wholesaling
	PromOcean UK Limited	England	Ordinary GBP1	100	Wholesaling
(2)	PT Direct Sourcing Indonesia	Indonesia	Ordinary US$250,000	100	Export trading services
(2)	PT. IDS Logistics Indonesia	Indonesia	Ordinary Rp1,820,400,000	100	Provision of logistics services
	PT. LF Asia Manufacturing Indonesia	Indonesia	Ordinary Rp453,600,000	100	Manufacturing of personal care and household products
(2)	PT. LF Asia Marketing Indonesia	Indonesia	Ordinary US$300,000	100	Import and distribution of cosmetics and personal care products
(2)	PT. LF Services Indonesia	Indonesia	Ordinary Rp5,000,000,000	100	Logistics, transport and other services
	Ralsey Group Ltd.	U.S.A.	Common stock US$1	100	Wholesaling
(2)	Ratners Enterprises Ltd.	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Region Giant Holdings Limited	British Virgin Islands	Ordinary US$31	100	Investment holding
	RT Sourcing (Shenzhen) Co. Limited	The People's Republic of China	HK$1,000,000	100 foreign-owned enterprise	Export trading services
	RT Sourcing Asia Limited	Hong Kong	Ordinary HK$102,000	100	Investment holding
(2)	RT Sourcing USA Inc.	U.S.A.	Common shares US$6	100	Importer
	Shanghai IDS Distribution Co., Ltd.	The People's Republic of China	US$3,100,000	100 foreign-owned enterprise	Storage and logistic transportation management
	Shanghai IDS Logistics Co., Ltd.	The People's Republic of China	RMB1,000,000	100 foreign-owned enterprise	Provision of logistics services
	Shanghai LF Asia Healthcare Co., Ltd.	The People's Republic of China	RMB6,000,000	100 foreign-owned enterprise	Distribution of pharmaceutical products
(2)	Shenzhen Catalyst Trading Co., Ltd.	The People's Republic of China	US$120,000	100 foreign-owned enterprise	Security tag trading
	Shiu Fung Fireworks Company Limited	Hong Kong	Ordinary "A" HK$1,100,000 Ordinary "B" HK$1,100,000	100	Export trading
	Shiu Fung Fireworks Trading (Changsha) Limited	The People's Republic of China	RMB4,000,000	100 foreign-owned enterprise	Export trading

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
	Shubiz Limited	England	Ordinary GBP2	100	Design, marketing and sourcing
	Shutoo Limited	England	Ordinary GBP1	100	Design, marketing and sourcing
	Silvereed (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading
(2)	Simkar 2 Limited	Cayman Islands	Ordinary US$50,000	100	Investment holding
(2)	Simkar Limited	Cayman Islands	Ordinary US$49,999.75	100	Investment holding
	Sky Million International Limited	Hong Kong	Ordinary HK$2	100	Property investment
	Sports Brands Italia Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
(2)	STS Shenzhen Testing Service Limited	The People's Republic of China	US$660,000	100 foreign-owned enterprise	Testing and technology consultation
(2)	Tantallon Enterprises Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Texnorte II – Industrias Texteis, Limitada	Portugal	EUR5,000	100	Export trading services
	Texnorte Industrial Limited	Hong Kong	Ordinary HK$2	100	Export trading
	TH Success Limited	Hong Kong	Ordinary HK$1,560,000	100	Export trading
	Toy Island (USA) LLC	U.S.A.	Capital contribution US$100	100	Marketing
	Uncle Sam Online Vertriebs-und Vermarktungsrechte GmbH	Germany	EUR26,000	100	Wholesaling
	Ventana Bekleidungsfabrikation GmbH	Germany	EUR26,000	100	Wholesaling
	Visage (Hong Kong) Limited	Hong Kong	Ordinary HK$100,000	100	Design and marketing
	Visage Group Limited	England	Ordinary GBP100,000	100	Investment holding
	Visage Holdings (2010) Limited	England	Ordinary GBP2	100	Investment holding
	Visage Holdings Limited	England	Ordinary GBP35,163	100	Investment holding
	Visage Limited	England	Ordinary GBP54,100	100	Design, marketing and sourcing
	W S Trading Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
(2)	Welmed (Macau) Company Limited	Macau	MOP$25,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Whalen Limited	Hong Kong	Ordinary HK$62,000,000	100	Design and marketing
	Whalen LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	Wilson Fabric Mart (China) Limited	Hong Kong	Ordinary HK$2,000,000	100	Export trading
	Wilson Textile Limited	Hong Kong	Ordinary HK$1	100	Export trading

NOTES:

(1) *Li & Fung (B.V.I.) Limited provides the subsidiaries with promotional and marketing services outside Hong Kong.*

(2) *Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited/reviewed by PricewaterhouseCoopers amounted to less than 5% of the Group's total net assets.*

43 Principal Subsidiaries and Associated Companies (continued)

The above table lists out the principal subsidiaries of the Company as at 31 December 2014 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Indirectly Held by the Company	Principal Activities
	Principal Associated Companies				
	Blue Work Trading Company Limited	Hong Kong	Ordinary HK$4,000,000	50	Export trading
#	Fireworks Management, Inc.	U.S.A.	Common stock US$60,000	25	Investment holding
#	Gulf Coast Fireworks Sales, LLC	U.S.A.	Capital contribution US$2,885,933	30	Fireworks distribution
#	Marshall Fireworks, Inc.	U.S.A.	Common stock US$10,000	30	Convenience and store
#	Ningbo Penavico-CCL International Freight Forwarding Co., Ltd.	The People's Republic of China	US$1,000,000	40	Provision of freight forwarding services
#	Upsolut Merchandising GmbH & Co. KG	Germany	EUR5,000	39	Distribution and wholesaling
#	Winco Fireworks International, LLC	U.S.A.	Capital contribution US$10,088,811	30	Wholesaling
#	Winco Fireworks Mississippi, LLC	U.S.A.	Capital contribution US$168,185	30	Wholesaling
#	Winco of Tennessee, LLC	U.S.A.	Capital contribution US$514,142	30	Fireworks wholesaling and retailing

The associated companies are not audited by PricewaterhouseCoopers.

The above table lists out the principal associated companies of the Company as at 31 December 2014 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.

ISSUER

Li & Fung Limited

Hong Kong Office
11th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon
Hong Kong

Registered Office
Canon's Court
22 Victoria Street
HM 12
Hamilton
Bermuda

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

TRUSTEE

Citicorp International Limited
39th Floor, Champion Tower
Three Garden Road
3 Garden Road, Central
Hong Kong

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Citibank N.A., London Branch
c/o Citibank N.A., Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

REGISTRAR

Citibank N.A., London Branch
c/o Citibank N.A., Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

LEGAL ADVISERS

To the Issuer as to English law

Freshfields Bruckhaus Deringer
11th Floor
Two Exchange Square
Hong Kong

To the Issuer as to Bermuda law

Appleby
2206-19 Jardine House
One Connaught Place
Central
Hong Kong

To the Arrangers, Dealers and Trustee as to English law

Clifford Chance
27th Floor Jardine House
One Connaught Place
Central
Hong Kong

Printed by MERRILL IFN
3603735-t01