LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 494

Annual Report 2014







Contents

Summary of the year

2014 GROUP OVERVIEW

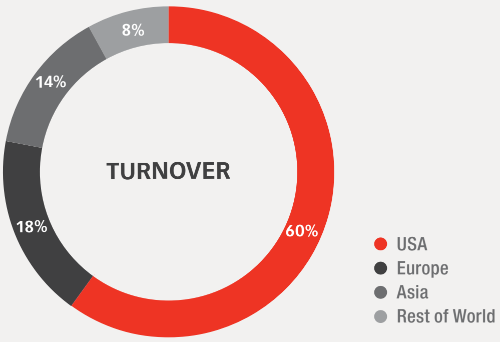
US$ 19,288M
TURNOVER

US$ 2,244M
TOTAL MARGIN

US$ 604M
CORE OPERATING PROFIT

GROUP GEOGRAPHICAL MARKET TURNOVER

US$ 19,288M



EARNINGS PER SHARE – BASIC (EXCLUDING LOSS FROM DISCONTINUED OPERATIONS)

50 HK cents | 6.46 US cents

DIVIDENDS PER SHARE (TOTAL)

41 HK cents | 5.26 US cents

OPERATING CASH FLOW

US$ 638M

CASH AND BANK BALANCES

US$ 539M

GEARING RATIO

22%

OUR SUPPLY CHAIN

15,000+
SUPPLIERS WORLDWIDE

634
ONSITE TRAINING SESSIONS

15,000+
OUR PEOPLE AND FACTORY REPRESENTATIVES
ATTENDED ONSITE TRAINING SESSIONS

OUR WORKFORCE

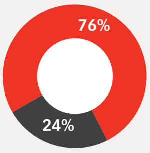
25,000 +
EMPLOYEES WORLDWIDE

53% FEMALE

47% MALE

44%
OF OUR MANAGEMENT WORLDWIDE IS FEMALE

OUR WORKFORCE



1,146
IN-HOUSE LEARNING PROGRAMS

OUR ENVIRONMENTAL & SOCIAL METRICS

10%
INTENSITY REDUCTION
TARGET FOR GREENHOUSE GAS EMISSIONS (SCOPE 1 & SCOPE 2)

RECOGNITION

FTSE4Good

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Hang Seng Corporate Sustainability Index Series Member 2014-2015

254
ACTIVITIES
150 HANDS-ON ACTIVITIES
57 CARING FOR YOUTH
31 ENVIRONMENTAL FOCUS
16 BASIC NEEDS

65 + LOCATIONS
PARTICIPATED IN COMMUNITY INITIATIVES

US$ 627,000 +
RAISED BY COLLEAGUES

COLLEAGUES VOLUNTEERED
13,000 + TIMES

37,000 +
VOLUNTEER HOURS

A letter from our Chairman

Year of Transition

2014 was a year of transition as we spun-off our brands and licensing business (Global Brands) to be a separately listed entity. The spin-off allows Li & Fung to simplify and focus on our core business as a pure play supply chain management company. As part of this transition, Spencer Fung, our COO, assumed the role of Group CEO of Li & Fung, effective July 2014.

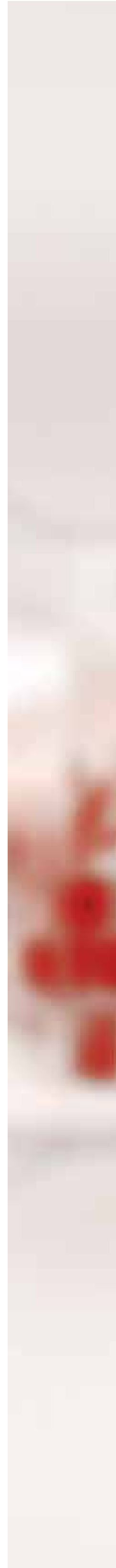
Given our scale and the breadth of the vendor network we have built over several decades, together with unparalleled local market knowledge and market analysis capabilities, Li & Fung continues to be the world's leading global supply chain manager. In addition, our Logistics business offers logistics solutions across Asia both within-country as well as global freight forwarding. With the acquisition of China Container Line (CCL) in March last year, we have strengthened our freight forwarding capabilities. CCL's container volume provides us with the leverage to negotiate competitive freight rates with all the major global shipping lines and allows us to cross-sell these services to Li & Fung customers in a more scalable and price-competitive manner.

> **"The spin-off of Global Brands allows us to focus on our core business as a pure play supply chain management company.**

Following the Global Brands spin-off, Li & Fung has returned to its earlier business model of strong cash flow generation, less volatility on earnings and a strong balance sheet. Going forward, we will continue to evaluate the changing dynamics of the consumer goods industry and allocate capital where necessary to invest in high growth and underserved areas.

Year of Investment

2014 was the first year of our current Three-Year Plan (2014-2016). As with previous three-year plans, the first year is always an investment year. To strengthen our platform to drive organic growth and build a sustainable enterprise, we increased our spending on several growth initiatives such as expanding our logistics platform, initiating Vendor Support Services to help our vendors, enhancing our existing people infrastructure to match our expanding business, as well as expanding our product categories, and entering new geographies to build new vendor bases and customer relationships.



William Fung
Group Chairman

> We are the leading supplier for brands and private labels online and offline.

Performance

In 2014, global retail sales were tepid and marked by a highly promotional environment. Retail sales in the United States fared better than other regions due to higher levels of discounts and promotions, but this put pressure on margins for our customers and correspondingly on our Principal Trading business. In the closing weeks of 2014, we saw some early signs of recovery as sales in the US, aided by the sudden decline in oil prices, picked up towards the end of the Christmas selling period. Europe remained challenging. Geopolitical turmoil and the drop in oil prices had a negative impact on Russian and Central European consumers. That in turn has affected our European customers who had previously relied on Russia as their fastest growing market. In addition, the advent of quantitative easing in Europe will lead to a drop in the Euro exchange rate which may further negatively impact European buyers. Asia was impacted by geopolitical events in Thailand, Vietnam, China and Hong Kong, which slowed consumer spending. Given the challenging environment, turnover increased by 1% while our total margin was down 2%. As with previous three-year plans, investments made in the first year resulted in an increase in operating costs and this held true for 2014 as we geared up to reach our Three-Year Plan targets. Core operating profit decreased 18% to US$604 million. Profit attributable to Shareholders (excluding the loss from Global Brands) decreased by 12% to US$539 million. The Board has resolved to declare a final dividend of 21 HK cents and a special dividend of 7 HK cents per share.

Key Challenges and Opportunities

Escalating minimum wages in China will continue to transition the production base to manufacturing higher-value products. While the recent drop in oil and commodity prices has slowed the expected production migration out of China, new frontier regions such as Myanmar and Africa have started to develop production bases and will be competitors for future orders. As pioneers in managing global supply chains, we will continue to expand our global production network to help customers diversify their production bases and, through the application of our standards and capacity-building initiatives, support the sustainable development of these supply chains.

Over the course of 2014, we have been building our Vendor Support Services team to offer a new array of services such as procurement support, compliance capabilities, product testing and trade credit services, to our base of over 15,000 vendors. This initiative is targeted to provide services to the vendor community, which has been an underserved market segment. These services are underpinned by our Vendor Portal, which is the data and information center for our vendors, and has and will continue to improve the efficiency of the whole supply chain in a data-driven manner.

The growth of e-commerce continues to accelerate and end consumers are demanding that their browsing, buying and merchandise-returning needs be met in both offline and online experiences. To tackle this challenge, both the e-commerce pure plays and brick-and-mortar retailers are merging to compete with an omni-channel strategy. We are a supply chain facilitator, regardless of our customer's selling channels. When we source products for our customers, these products are for both online and offline distribution. The distribution centers and stores have become the main stock room, where products are sorted for both store distribution and direct-to-consumer delivery. Over the past decade, we have anticipated this trend and designed better means of packaging our products before they leave the production regions and our e-logistics capabilities are amongst the best in the region. We also see that online retailers would increasingly want their own private labels to capture more value from the traffic their distribution platforms bring and to differentiate themselves from their competitors. In many respects, their buying requirements closely resemble those of our fast fashion customers. Both require supply chain providers to offer a wide variety of designs, in small order lots, with short delivery times. In this respect, we are the leading supplier for brands and private labels in the world for our product categories.

Prospects

Entering into 2015, we are seeing some early signs of recovery in consumer spending in the US due to improved consumer confidence and the fall in oil prices. However, the uncertainties in the Eurozone mentioned above still persist and Asia poses a macro concern and headwind for the other consumer markets. Overall, we are cautious about 2015. We will continue to focus on growing our trading business organically by increasing market share with existing customers and winning new customers. Our logistics services will continue to grow strongly on the back of winning new mandates from new customers and from cross-selling to Li & Fung's trading customers. We will continue to nurture our Vendor Support Services business to support our suppliers to enhance operational efficiencies, improve working conditions and innovate for systematic and sustainable change.

In closing, I would like to thank all my colleagues for their dedication and hard work over the past year.

William Fung Kwok Lun
Group Chairman

A letter from our CEO

2014 was a year of transition and investment. We simplified our organization to put focus back on our core business and strengthened our multi-channel sourcing platform. By creating value for our customers we remain the "go to" supply chain partner of choice.

Introduction

I am honored to serve as the new Group Chief Executive Officer of Li & Fung, and as the fourth generation of the Fung Family to lead our business since the Company's establishment in 1906.

For the 14 years since 2001, I have been involved in all aspects of our operations from liaising with factories around the world, overseeing quality control, serving customers across three continents, to managing acquisitions and integrations in over 20 countries. During my time as President of LF Europe, we built the business into one of the leading consumer product suppliers in Europe. Most recently, as Group Chief Operating Officer I spearheaded the build out of our global infrastructure. From my interaction with our customers and teams around the world, I have learned that creating value for our customers is at the heart of what we do.

I started my career as an accountant at PricewaterhouseCoopers, a multinational corporation (MNC), followed by a move to Silicon Valley where I co-founded a tech start-up that created one of the first pan-Asian online marketing platforms. These experiences have given me the tools to combine the global leverage of Li & Fung with the speed and innovative culture of a start up.

"I believe in combining the global leverage of Li & Fung with the speed and innovative culture of a start up.

2014 was an important year for Li & Fung and I would like to outline some of the key features of our business.

- **2014 as a year of transition and investment**
- **Simplified business model; refocused back to core business and organic growth**
- **Less volatility, asset light and strong cash flow generation**
- **Investing for the short, medium and long term to generate growth**
- **Trading core customers and logistics remain solid with strong pipeline**
- **Multi-channel sourcing platform offers flexible solutions to customers**

In the first half of 2014, we took a strategic decision to simplify our organization and put focus back on our core business and strengthen our multi-channel sourcing platform. The resultant spin-off of Global Brands by way of a distribution in specie was completed in July.

Today, Li & Fung's supply chain solutions business is reorganized into two Networks: Trading and Logistics. The Trading Network focuses on providing global and multi-channel sourcing solutions for customers' brands and private labels on either an agency or principal basis. The Logistics Network encompasses in-country logistics as well as global freight management capabilities. This simplified business model will remain asset light and aims to reduce earnings volatility over the long term and to continue to generate strong cash flow for our shareholders.

Our product range includes fashion apparel, children's wear, sportswear, outerwear, handbags and accessories, footwear, beauty, home furniture and decor, home textiles, seasonal products and gifts. Our customer base includes a diverse range of brands and retailers including national brands, specialty stores, department stores, e-commerce, clubs, hypermarkets and off-price retailers.

We continue to be the supply chain partner of choice by providing best-in-class sourcing and logistics solutions for brands and retailers worldwide.

2014 Performance

Results

	2014 US$m	2013 US$m	Change %
Turnover	**19,288**	19,026	+1.4%
Total margin	**2,244**	2,294	(2.2%)
As % of turnover	***11.6%***	*12.1%*	
Operating costs	**1,640**	1,557	+5.3%
As % of turnover	***8.5%***	*8.2%*	
Core Operating Profit	**604**	737	(18.0%)
As % of turnover	***3.1%***	*3.9%*	
Profit Attributable to Shareholders (1)	**539**	612	(11.8%)
EPS	**50 HK cents**	57 HK cents	(11.8%)

(1) Excluding results from Discontinued Operations

Following the spin-off of Global Brands in July 2014, we have restated our results and reclassified Global Brands as Discontinued Operations in this 2014 annual report. Our discussion of the results and financial positions, therefore, does not include contribution from Global Brands for the year ended both 31 December 2013 and 31 December 2014.

Overall, 2014 was a challenging year for our customers. Macroeconomic conditions were difficult for brands and retailers globally, set against a backdrop of continuing promotional discounting brought on by online competition and a slowing of consumer spending in our sector.

2014 was also a year of transition and investment for Li & Fung. As in previous three-year plans, our first year is always a period of investment for the Group. Over 2014, we invested across a number of initiatives to strengthen and improve our core business, simplifying the business and accelerating organic growth. Major new initiatives included setting up Vendor Support Services to tap into our base of over 15,000 suppliers as new customers and the acquisition of China Container Line (CCL) to enhance global freight management for our logistics business.

Our return to a simplified core business has allowed us to focus on ways to create value for our customers across both our trading and logistics businesses. We are committed to finding new ways to meet customers' changing needs in a retail environment increasingly impacted by e-commerce. In the global supply chain arena, we remain the "go to" partner of choice.

Turnover

Despite the challenging macro-economic environment, Group turnover increased by 1%. Turnover in the Trading Network was stable and the Logistics Network increased substantially by 66%. Turnover in our US business was stable for the year, while our European business declined by 1%, Asian business increased by 14% and the rest of world decreased by 3%.

The overall environment in the United States improved in 2014. Consumers, however, opted for bigger ticket items such as autos and electronics on the back of cheap financing and a rebound in the US real estate market. Apparel and accessories purchases lost their share of consumer spending to these bigger ticket items. As a result, our US business, which represented 60% of our total turnover, remained flat year-on-year.

Overall weakness in the European economies negatively impacted our European brand and retail customers, which in turn affected our business in Europe, representing 18% of our total turnover. In the UK, retail markets at the start of the year had better than expected consumer traffic, which tapered off in the second half. In other parts of the Eurozone, soft economies and the Russia/Ukraine situation negatively impacted tourism and retail sales.

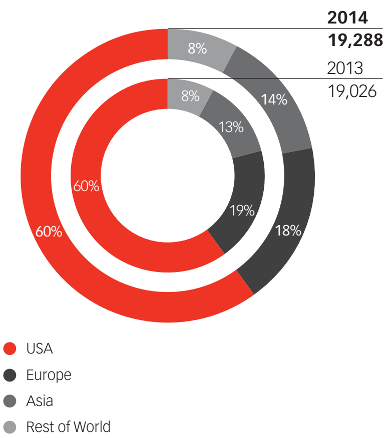
Our business in Asia, which represents 14% of our total turnover was strong despite political and other disruptions in markets, such as Thailand, Hong Kong and China. Our logistics businesses in particular recorded a very good year with many new customer wins in in-country logistics and enhanced capabilities in global freight management from the acquisition of CCL.

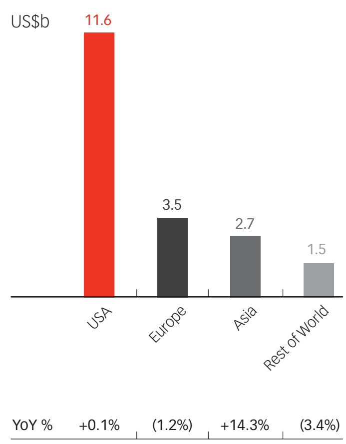
Total Margin

Total margin decreased by 2%. This was due to a reduction in business and margin associated with our trade with customers on a principal basis, which was offset by new customers and increased sales from our direct agency business side and Logistics Network.

Group Geographical Market Turnover

US$m





Operating Cost

Operating cost increased by 5%. This was primarily due to our investment in our logistics business, as well as strategic investments geared towards delivering the goals outlined in our Three-Year Plan.

In 2014, we invested in new expertise and presence in new markets and services, new product categories, as well as support infrastructure to drive organic growth in the business over the next three years. Furthermore, we have invested in the required infrastructure and resources for Vendor Support Services, which will begin to gain traction in the coming years.

Finally, we incurred one-time reorganization costs relating to redundancies and asset write-offs to facilitate the spin-off of Global Brands and to enhance our multi-channel sourcing platform.

Core Operating Profit

Core operating profit decreased by 18% due to a reduction in total margin as a percentage of turnover from 12.1% to 11.6%. Operating cost as a percentage of turnover increased from 8.2% to 8.5% as a result of investments made during the year.

Profit Attributable to Shareholders

Profit attributable to shareholders (excluding results from Discontinued Operations) decreased by 12%, which included a non-cash gain of US$176 million on the write-back of contingent considerations.

Strong Cash Position

Li & Fung has a strong and stable cash flow conversion business, which more than adequately funded its working capital, dividends, interest expenses and capital expenditure in 2014.

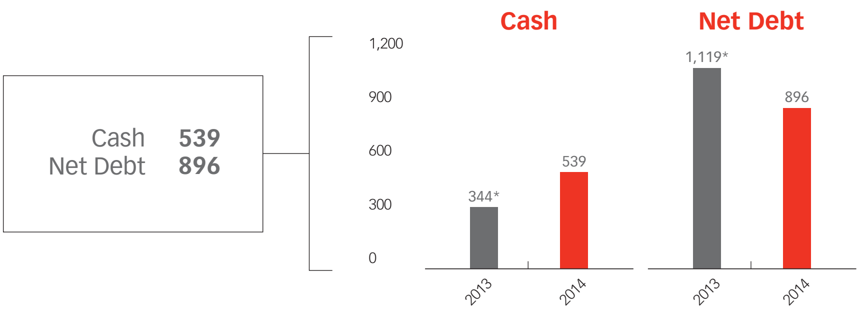
- Operating cashflow of US$638 million is in line with core operating profit after working capital and depreciation adjustments and tax payments.
- US$594 million shareholders' loans repayment from Global Brands, offset by capital injection of US$15 million to Global Brands.
- Capital expenditure of US$86 million and acquisition-related payments of US$224 million, including consideration payable for previous acquisitions and for new acquisitions such as China Container Line.
- Dividends paid for the 2014 financial year of US$507 million.
- Net interest expenses paid of US$88 million and distribution to perpetual capital securities holders of US$30 million.

Solid Balance Sheet

Our balance sheet remained strong with a cash position of US$539 million, and a decrease in the Group's net debt (total borrowings minus cash) from US$1,119 million as of 31 December 2013 to US$896 million as of 31 December 2014. The Group's gross debt was US$1,434 million as of 31 December 2014, with a weighted average tenor of over 3 years. The majority of the Group's debt is at a fixed rate and denominated in US dollars.

Cash and Net Debt

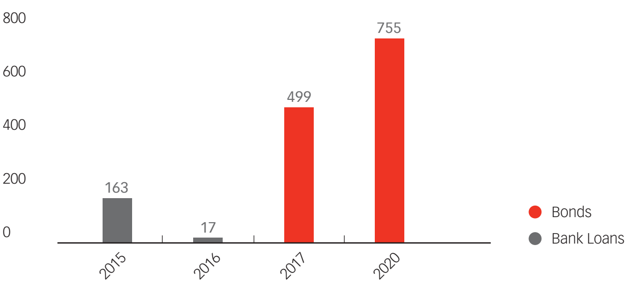
US$m



* *Excludes cash and debt from Discontinued Operations*

Debt Maturity Schedule

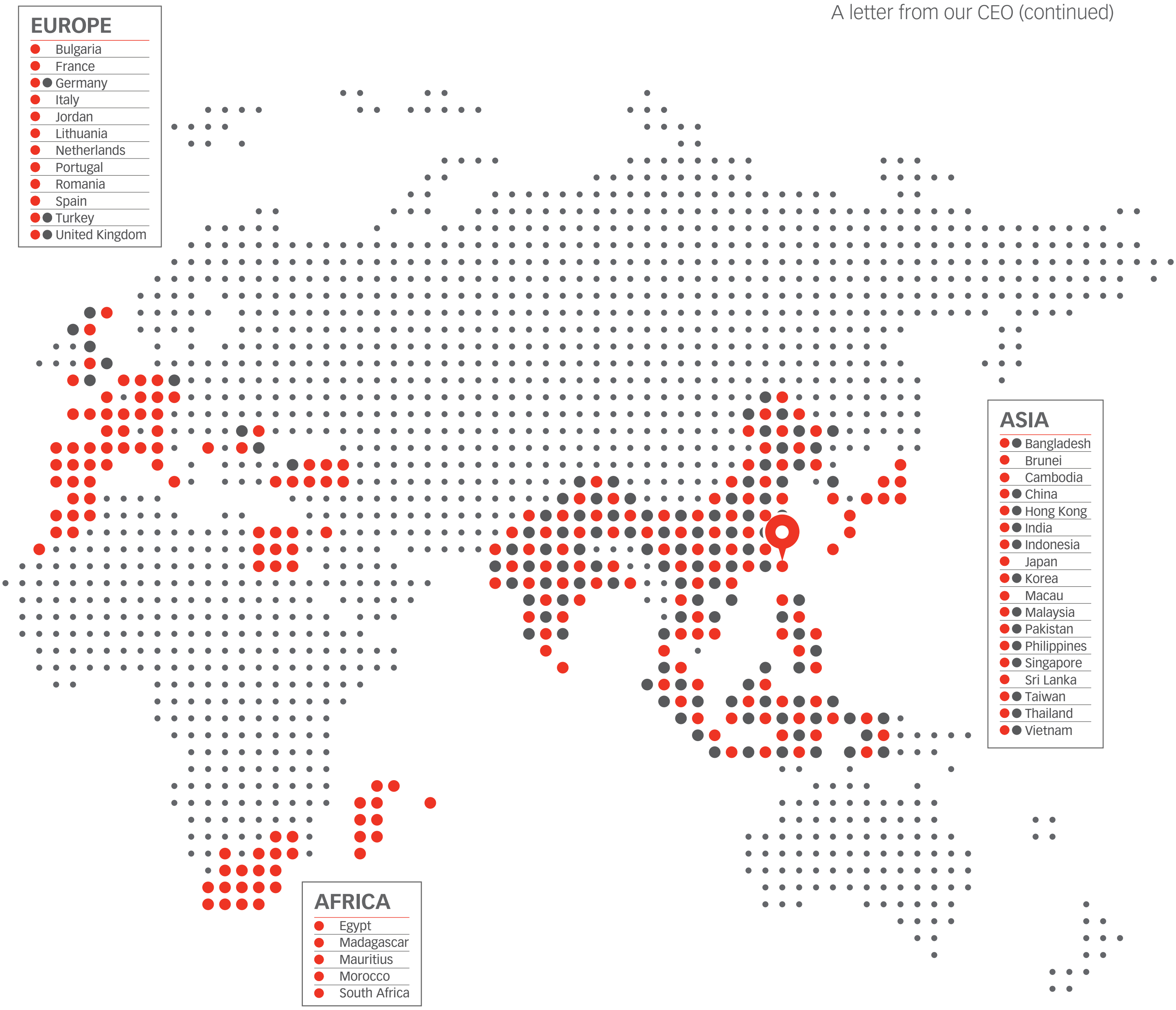
US$m



Our global presence

Li & Fung Limited is the leading consumer goods design, development, sourcing and logistics company for major retailers and brands around the world. We specialize in responsibly managing supply chains of high-volume, time-sensitive goods.

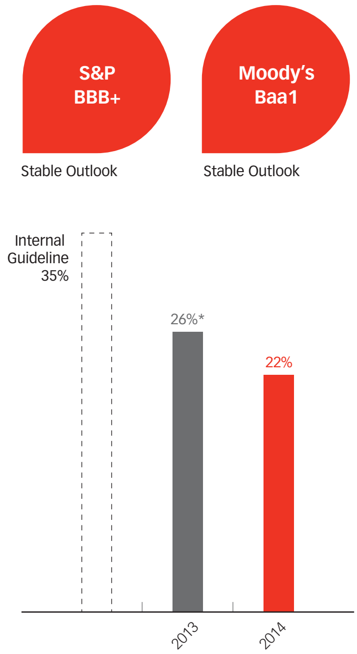
With over 300 offices and distribution centers in more than 40 economies spanning across the Americas, Europe, Africa and Asia, we provide sophisticated, end-to-end solutions to meet our customers' specific needs. Our customer relationships, vendor network and operations, which position us as one of the world's largest consumer product sourcing and distribution platforms, remain unrivaled.



We are committed to achieving the highest standards when meeting the needs of our customers through competitive pricing, quality and reliable delivery. By leveraging our global network, market knowledge and advanced technology, we have the capacity and flexibility to rapidly respond to evolving trends in consumer and production markets.

Our business is built upon our people, our time-honored values, our approach to sustainability through the entire supply chain, and our community engagement. Our global network, our financial strength, and our leadership in change are the platforms for our continued success and future growth.

Net Gearing Ratio



* *As if the spin-off and distribution of Global Brands had occurred on 31 December 2013*

Net Gearing Ratio and Net Current Assets

Our net gearing ratio as stated in the audited consolidated balance sheet was 22% as of 31 December 2014 (versus pro forma gearing ratio of 26% as of 31 December 2013 as if the spin-off and distribution of Global Brands had occurred on 31 December 2013).

The Group continued to adopt a conservative approach in managing its balance sheet and capital structure. As at 31 December 2014, the Group maintained credit ratings from Moody's of Baa1 (stable outlook) and Standard & Poor's of BBB+ (stable outlook). The Group is committed to maintaining a solid balance sheet, healthy cash flow and strong credit ratios, with the overall long-term target of retaining an investment grade rating to support our growth.

Our current ratio as stated in the audited consolidated balance sheet was 1.0 as of 31 December 2014.

Banking Facilities

Bank Loans and Overdrafts

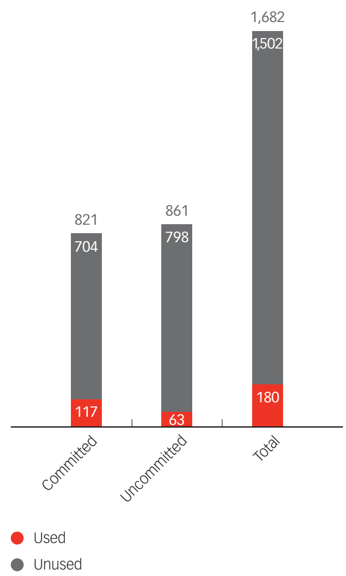
The Group (excluding Global Brands) had available bank loans and overdraft facilities of US$1,682 million, out of which US$821 million were committed facilities. As at 31 December 2014, US$180 million of the Group's bank loans and overdraft facilities were drawn down, with US$117 million being committed facilities. The unused limits on bank loans and overdraft facilities amounted to US$1,502 million, with US$704 million being unused committed facilities.

Trade Finance

The Group's normal trading operations are well supported by over US$2.5 billion in bank trading facilities including mainly letters of credit issued to suppliers and bills discounting. A letter of credit is a common means of payment to suppliers to support cross-border trades. The Group's payment obligations on letters of credit issued to suppliers is only crystallized when our suppliers have delivered the merchandise to our customers or to the Group in accordance with all of the terms and conditions specified in the related contractual documents. As at 31 December 2014, approximately 24% of the bank trade facilities were utilized.

Unused Bank Loans

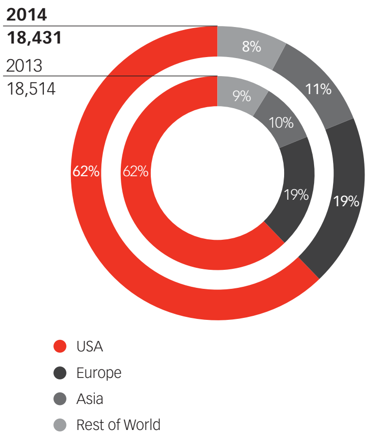
US$m



Excluding bank loans and overdraft from Discontinued Operation

Trading Network Geographical Market Turnover

US$m



Segment Analysis

Trading Network

Results

	2014 US$m	2013 US$m	Change %
Turnover	**18,431**	18,514	(0.5%)
Total margin	**2,004**	2,100	(4.6%)
As % of turnover	***10.9%***	*11.3%*	
Operating costs	**1,446**	1,398	+3.4%
As % of turnover	***7.8%***	*7.6%*	
Core Operating Profit	**558**	701	(20.4%)
As % of turnover	***3.0%***	*3.8%*	

Trading Network Business Model

Li & Fung aims to serve the business and product needs of our brands and retail customers no matter how they source. As a multi-channel sourcing supplier, our Trading Network offers customers with both agency-based sourcing services or product-focused principal solutions over a wide range of products. At Li & Fung, we pride ourselves as being the sourcing partner of choice in providing best-in-class sourcing solutions for a diverse mix of global brands and retailers.

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 buy 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 finalized, the Principal Trader would work with its vendor base to produce and deliver the products.

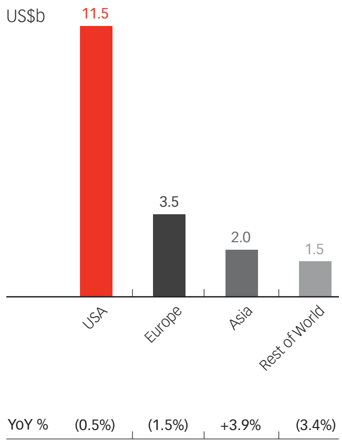
Over time, selected brands and retailers who wanted more control of the sourcing process have built their own in-house sourcing teams to work with overseas suppliers and factories, building up the standards of these factories, and managing the day-to-day order and production process. An outsourcing trend 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 our agency sourcing services, we have successfully captured this outsourcing trend and act as a strategic supply chain manager to handle the buying needs of brands and retail customers. As more brands have recently shifted from wholesale to retail by building up their own retail outlets, we are also gaining more brands and direct retailers as our customers. Given our scale and scope, we have also provided our customers with additional services such as trend forecasting, market intelligence, product development, raw

TURNOVER

Turnover in the Trading Network was flat in 2014 and comprised 63% softgoods and 37% hardgoods. In terms of regions, turnover in our US business was flat while turnover in our European business declined by 1% due to overall macroeconomic conditions. Turnover in our Asia business increased by 4% despite the slowdown in China and unexpected geopolitical events in other parts of Asia.

We signed a number of new sourcing deals with major customers in the US throughout 2014, and continued to increase turnover via cross-selling activities. In Asia in the beauty area, we secured the China distribution business for Coty.

On the e-commerce front, our customers' online sales have increased substantially leading to an increase in our Internet market share due to our role as a product supplier to these customers. In addition, we are making inroads into e-commerce pure play customers as their purchase volume reaches a level that would benefit from using our supply chain expertise.



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, such as Li & Fung.

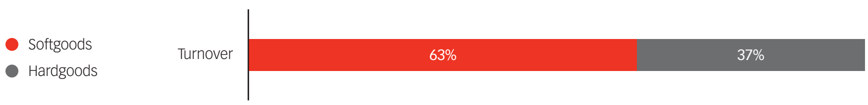
While the internet has provided a platform to make it easier for overseas buyers to locate factories, the work required in managing the day-to-day order and production process with factories, as well as maintaining the proper compliance and quality control standards, remain critical elements in sourcing. 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 frontier markets such as Vietnam, Bangladesh, Cambodia, Indonesia and India. This production migration is making the sourcing process increasingly more 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 someone, such as Li & Fung, with an extensive China network to assist our customers to navigate this process.

Today, buyers from brands and retailers source their products via all of these channels: in-house sourcing team, Agent, or Principal Traders being either on-shore domestic or off-shore overseas. In terms of channel size and buying pattern, sourcing through domestic or overseas Principal Traders constitutes the majority of the sourcing volume in the market today. To capture this principal trading channel, we have also built up our product-focused principal trading capabilities to act as a Principal Trader either as a domestic (on-shore) or overseas (off-shore) trading supplier to our customers. In our principal trading business, we trade with customers as a principal by providing fully developed market-ready products to our customers based on their needs and brand image. As a multi-channel sourcing supplier, we have full capabilities to fulfill our customers' sourcing needs via either agency-based sourcing services, or product-focused principal solutions.

TOTAL MARGIN

Total margin decreased by 5%. This was due to an overall reduction in business and margin in our trade with customers on a principal basis due to market conditions described above, which was somewhat offset by increased customers and business on our direct agency business side. Given that we serve customers on a multi-channel sourcing basis and that the margin differential between the two sourcing channels (long-term contracts with lower margin versus short-term principal trading with higher margin) differs, the shift in our turnover mix in 2014 impacted our overall total margin.

Product Mix



In addition, promotional activities were heavier in 2014 than previous years. For example, US stores began promotions before Black Friday, breaking from the norm, during the Holiday period. For the first time, retailers in Europe also offered similar promotions over the same period to counteract weak demand. Although promotions boosted sales, retailers' gross margins were impacted detrimentally. As a result, our product-led principal side faced pricing pressure during the year.

OPERATING COST

Operating cost increased by 3% in 2014, the first year of our Three-Year Plan when historically we invest in infrastructure, new product categories and new markets and services in preparation for a new plan.

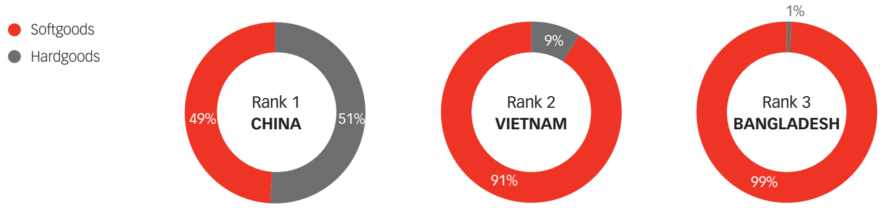
In addition, we have built up our Vendor Support Services team as a new initiative to improve supply chain sustainability and create the foundation for a whole new business whereby we provide services to our over 15,000 vendors. These services are organized into the three areas of Vendor Compliance & Sustainability Services, Trade Credit Services and Vendor Supply Chain Services, which includes digitization of our dealings with the vendor base via the Vendor Portal.

CORE OPERATING PROFIT

The 20% decline in core operating profit was mainly attributed to the reduction in total margin as a percentage of turnover from 11.3% to 10.9%. Operating cost as a percentage of turnover increased from 7.6% to 7.8% as a result of investments made during the year.

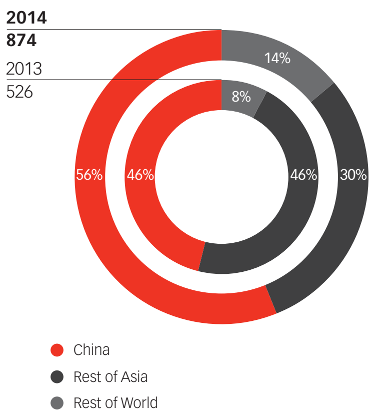
TOP SOURCING COUNTRIES

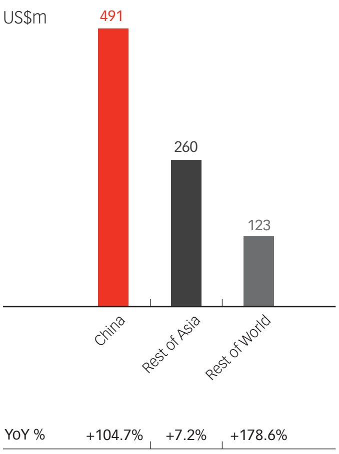
We have a global trading network covering more than 40 economies, which allows for flexibility when moving orders from one production country to another to handle capacity constraints and satisfy customers' needs. Within this global network, the Group's top three sourcing countries remained China, Vietnam and Bangladesh.



Logistics Network Geographical Market Turnover

US$m





Logistics Network

Results

	2014 US$m	2013 US$m	Change %
Turnover	**874**	526	+66.0%
Total margin	**240**	194	+23.6%
Operating costs	**194**	159	+22.5%
Core Operating Profit	**46**	36	+28.1%
As % of turnover	***5.2%***	*6.8%*	

The Logistics Network comprises our in-country logistics and global freight management businesses.

In-country logistics offers Asia-focused logistics and supply chain solutions, and specializes in the key verticals of footwear and apparel, fast-moving consumer goods, food and beverage, retail and electronics. Our Pan-Asian network and deep market knowledge allow us to customize hub-and-spoke logistics solutions for our customers. Riding on the rise of e-commerce and omni-channel retailing, we have deployed our best-in-class technology solutions to re-design our distribution center and operational flow. This has allowed us to optimize order fulfillment processes for both store distribution and direct-to-consumer delivery.

Global freight management offers cross-border logistics services at origin and destination to supplement our in-country logistics solutions and is particularly relevant for our sourcing customers. The scale of this business has increased significantly subsequent to the acquisition of CCL, a leading sea-freight forwarder in China, in the first half of 2014. This increased scale has given us the volume necessary to obtain highly favorable commercial arrangements with the global ocean carriers. As a result, we can offer our customers full container loads or consolidate less-than container load freight services in a cost effective and competitive manner.

Logistics Network Business Model

Our integrated logistics offering includes Asia-focused in-country logistics solutions and global freight management services. For in-country logistics, we help our customers set up and organize their hub and warehouse base, manage inventory, complete order fulfillment and perform last-mile delivery for both brick-and-mortar retail as well as e-commerce customers. Our unique e-logistics solution servicing the omni-channel space has helped our customers manage a seamless online and offline business. For global freight management, we aggregate the procurement of freight, plan and manage shipping routes, clear customs and handle all documentation requirements. We work closely with carriers to ensure our customers receive competitive shipping rates and quality of service for their freight forwarding needs. Over the years, we have built the Logistics Network to complement our global sourcing platform to help brand owners and retailers efficiently and effectively move products from the production source to the final consumer.

TURNOVER

Turnover increased by 66% due to across-the-board robust organic growth driven by new business wins, geographic expansion and increased market share. For in-country logistics, China (despite a general slowdown), Malaysia and the Philippines registered strong performance. For global freight management, the acquisition of CCL significantly added scale to our freight forwarding business.

CORE OPERATING PROFIT

Core operating profit increased by 28%. Core operating margin declined from 6.8% to 5.2% because of a change in business mix after the acquisition of CCL. Compared with our existing in-country logistics business, global freight management has a lower operating margin, in line with the industry standard.

People

As an asset-light business, our success is overwhelmingly dependent on our people. We are very grateful for their expertise, dedication and hard work. As at 31 December 2014, Li & Fung had a total workforce of 25,781, of which over 6,772 are warehouse-related workers for our logistics and distribution businesses. In terms of geography, 4,125 of our people were based in Hong Kong, 9,499 were based in Mainland China and 12,157 were based overseas.

Total manpower costs, excluding Global Brands, for 2014 were US$995 million, compared with US$951 million for 2013.

Outlook

For 2015, we believe the United States economy, which accounts for 60% of our business, should improve against the backdrop of an improving labor market, brighter consumer sentiment and increased consumer spending aided by falling oil prices. However, increasing online sales and the promotional environment in 2014 may become the new normal. Such a trend will continue to place pricing pressure on retailers and their supply chains, which may mitigate the anticipated improvement in the US market. We believe the Eurozone, on the other hand, will face ongoing challenges as both slowing economic growth and further devaluation of the Euro take their toll. We also expect China's economy to continue to slow.

Despite anticipated market conditions, we will continue to focus on winning new customers, especially in Asia. We aim to significantly strengthen our product dominance in key product categories while we continue to leverage our global production and sourcing base. Building on our success, we will accelerate the growth of our logistics business and fully roll out Vendor Support Services.

We expect our existing customers to continue to add an e-commerce dimension to their business as part of their overall omni-channel strategies. As a supplier to our customers, we expect the e-commerce related portion of our business to increase commensurately. In addition, we are pursuing opportunities to supply the appropriate pure play online retailers who have their own brands. As they mature and require supply chain management services, we anticipate further opportunities in this new channel of growth.

Our customers are challenged by the disruptions taking place at retail. Innovations in technology, evolving consumer expectations for seamless and exciting online to offline shopping experiences, coupled with significant changes in the industry, are challenging retailers globally. As the world's leading global supply chain manager, we are at the forefront of these changes. We are committed to creating value for our customers by sharing our thought leadership, experimenting with new technologies and ideas for products, and being the "go to" partner of choice for retailers and brands globally.

Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

Given the unique nature of the Group's acquired businesses, which are private enterprises relying on their respective entrepreneurs' commercial skills to drive their success, we generally structure our acquisitions with incentive schemes and contingent payments on purchase consideration payables linking to the future performance of the acquired businesses.

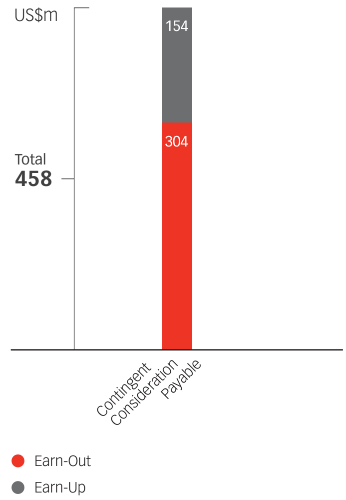
Li & Fung follows a stringent internal financial and accounting policy in evaluating potential adjustment to the estimated fair value of purchase consideration payable in accordance with the accounting standard HKFRS 3 (Revised) "Business Combination."

Our contingent consideration payables are performance-based payments in the form of "earn-out" and "earn-up" payments depending on a set of predetermined performance targets mutually agreed with the entrepreneurs in accordance with the sale & purchase agreement.

Earn-out payments are generally payable within three to four years upon completion of a transaction.

Earn-up payments have a higher performance target threshold and are typically payable over a period of up to five to six years upon completion of a transaction.

While many of our acquired businesses remain profitable and are growing, the Group may still be required to make a downward fair value adjustment to certain consideration payable should the acquired businesses be unable to achieve the predetermined performance threshold within the specific timeframe as stipulated in the sale & purchase agreement. Given that the contingent consideration entitlement is usually contractual in nature and is based on a specific formula linking to a particular threshold, the underlying business performance of the acquired businesses could continue to perform and grow, yet the Group may still be required to adjust the consideration payable, especially if the high performance thresholds of earn-ups are not reached. For the year ended 31 December 2014, there was approximately US$176 million of write-back of contingent considerations, the majority of which was earn-ups.



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Current Portion

Goodwill Impairment Tests

We performed goodwill impairment tests based on the cash generating units (CGU) which manage the acquired businesses in accordance with HKAS 36. Based on the Group's assessment of all of the CGUs under the current operating structure, the Group has determined that there is no goodwill impairment as of 31 December 2014, as the recoverable amount of each CGU was in excess of its respective carrying value of the goodwill. The Group will continue to perform goodwill impairment tests on an ongoing basis.

Risk Management

Li & Fung has strict policies governing accounting control, credit and foreign exchange risk and treasury management.

Credit Risk Management

Credit risk mainly arises from trade and other receivables. 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:

- The Group selects customers in a cautious manner. Its 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 the Group to require securities (such as standby or commercial letters of credit, or bank guarantees) from a small number of its customers who fall short of the required minimum score under its 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 system with a dedicated team and tightened policies has been established to ensure on-time recoveries from trade debtors; and
- 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 the Group's cash balances are deposits in HK$ and US$ with major global financial institutions, and most of the Group's borrowings are denominated in US$.

The Group's revenues and payments are transacted mainly in the same currency, and are predominantly in US$. Therefore, the Group does not believe there is significant risk exposure in relation to foreign exchange rate fluctuations. There are small portions of sales and purchases transacted in different currencies for which the Group arranges hedging by means of foreign exchange forward contracts.

The Group's net revenues are substantially in US$. A portion of our net revenues and operating costs in selected sourcing countries are exposed to changes in foreign exchange rates. In order to mitigate the impact from changes in foreign exchange rates, we regularly review our operations in these selected countries and make necessary hedging arrangements in certain currencies against the US$. From a medium to long-term perspective, we manage our operations in the most cost effective way possible within our global network.

The Group in general does not enter into foreign currency hedges with respect to its long-term equity investments. In particular, the Group's net equity investments in non-US$ denominated on-shore wholesale businesses are subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US$ will result in unrealized gain or loss from time to time, which is reflected as movement in exchange reserve in the consolidated statement of changes in equity.

The Group strictly prohibits any financial derivative arrangement merely for speculation.

Tax Dispute Update

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.

Conclusion

In conclusion, 2014 was a year of transition and investment for Li & Fung. We have simplified our business model and refocused back to our core business of sourcing and logistics which has the attributes of low volatility, asset light and strong cash flow generation. Our multi-channel sourcing platform offers flexible, value-creating solutions for customers. We continue to invest in the short, medium and long term to generate growth and to build a sustainable enterprise. Our Trading core customers and Logistics business remain solid with a strong pipeline. Our long-term goal is to establish thought leadership in global retail, supply chain and innovation.

I am confident that we have the right team and the right structure to continue to create value for our customers and to generate organic growth. I would like to thank all of our people for their effort and significant contributions over the past year.

Spencer Theodore Fung
Group Chief Executive Officer


LIFUNG TOW

Our commitment to good governance

We are committed to the principles of transparency, accountability and independence to enhance shareholder value.

Our commitment to good governance

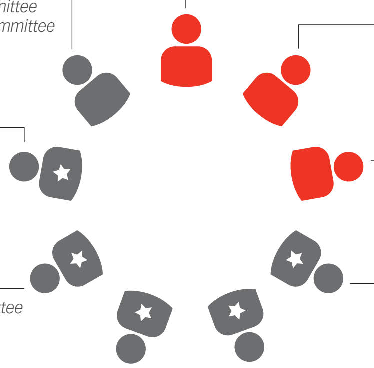
The Board and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasize transparency, accountability and independence. Set out below is how we uphold these principles of corporate governance.

The Board

Board Composition

The Board is currently composed of three Executive Directors, one Non-executive Director and five 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. Directors' biographical details and relevant relationships are set out in Our board and management team section on pages 54 to 63.

List of Directors and their Roles and Functions



William Fung Kwok Lun
Group Chairman
- Member of Nomination Committee
- Member of Risk Management and Sustainability Committee

Victor Fung Kwok King
Honorary Chairman
- Chairman of Risk Management and Sustainability Committee
- Member of Nomination Committee
- Member of Remuneration Committee

Spencer Theodore Fung
Group Chief Executive Officer
- Member of Risk Management and Sustainability Committee

Paul Edward Selway-Swift
- Chairman of Nomination Committee
- Member of Audit Committee

Marc Robert Compagnon
- Member of Risk Management and Sustainability Committee

Allan Wong Chi Yun
- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Risk Management and Sustainability Committee

Margaret Leung Ko May Yee
- Chairman of Audit Committee

Franklin Warren McFarlan
- Member of Nomination Committee
- Member of Audit Committee
- Member of Remuneration Committee

Martin Tang Yue Nien
- Member of Nomination Committee
- Member of Audit Committee
- Member of Remuneration Committee

Executive Directors

Non-executive Director

Independent Non-executive Directors

Board Diversity

The Company sees increasing diversity at the Board level as an essential element in supporting its strategic objectives and sustainable development and we adopted a Board Diversity Policy in 2013 which sets out the approach to diversify the Board.

Under the Board Diversity Policy, the Nomination Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of a new Director when necessary.

In designing the Board's composition, the Nomination Committee considers a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also consider factors based on the Company's business model and specific needs from time to time in determining the optimum composition of the Board.

Group Chairman and Group Chief Executive Officer

Spencer Theodore Fung assumed the role as the Group Chief Executive Officer of the Company on 7 July 2014, succeeding Bruce Philip Rockowitz who ceased to be the Group President and Chief Executive Office of the Company. The role of the Group Chairman remains separate from that of the Group Chief Executive Officer to enhance their respective independence, accountability and responsibility. Their respective responsibilities are clearly established and defined in writing by the Board.

Group Chairman	• Responsible for ensuring the Board is functioning properly, with good corporate governance practices and procedures.
Group Chief Executive Officer	• Responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board with the support from other Executive Directors and senior management, and within those authorities delegated by the Board.

Roles and Responsibilities of the Board

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserves for its decision or consideration matters covering overall strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or reappointment, approval of major capital transactions and commitments, and other significant operational and financial matters.

The Non-executive Directors (the majority of whom are independent) bring diverse industry expertise and serve the important function of advising the management on strategy, ensuring that the Board maintains high standards of financial and other mandatory reporting requirements, and providing adequate checks and balances to safeguard the interests of Shareholders and the Company as a whole.

Delegation to Management

Day-to-day operational responsibilities are specifically delegated by the Board to management, including:

- Preparation of the annual and interim accounts for Board approval before public reporting;
- Execution of business strategies and initiatives adopted by the Board;
- Monitoring of operating budgets adopted by the Board;
- Implementation of adequate systems of risk management and internal control; and
- Compliance with relevant statutory requirements, rules and regulations.

Board Evaluation

The Board recognizes the importance and benefits of conducting regular evaluations of its performance to ensure its effectiveness. Since 2013, an annual questionnaire is sent to each Director to seek their views on the overall performance of the Board, composition of the Board, conduct of Board meetings and provision of information to the Board. The responses are then analyzed and discussed at the Board meeting and suggestions have been incorporated as further improvements to the overall corporate governance regime.

Independence of Non-executive Directors

Each year the Board receives a written confirmation from each Independent Non-executive Director of their independence and is satisfied of their independence up to the approval date of this Report. The assessment of the independence of Independent Non-executive Directors follows the terms set out in Chapter 3 of the Listing Rules and is delegated by the Board to the Nomination Committee.

Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence.

Appointment and Re-election of the Directors

The appointment of a new Director must be approved by the Board. The Board has delegated to the Nomination Committee to select and recommend candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. The Nomination Committee has established certain guidelines to assess the candidates in line with the Board Diversity Policy. The guidelines emphasize appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and possible time commitments to the Board and the Company.

The Company may in general meeting by ordinary resolution of the Shareholders of the Company elect any person to be a Director either to fill a vacancy or to act as an additional Director up to the maximum number of Directors determined by the Shareholders at a general meeting. If a Shareholder wishes to propose a person for election as a Director at the general meeting convened to deal with appointment/election of Director(s), he/she must serve a written notice and follow the designated procedures which are subject to the Bye-laws of the Company, the relevant laws and the Listing Rules. Details of the procedures for nomination of Directors by Shareholders are available on our corporate website (www.lifung.com).

Except for Paul Edward Selway-Swift, an Independent Non-executive Director, who has stood for re-election for a term of around one year at each annual general meeting since 2013, all other Non-executive Directors were appointed for a term of three years and all Directors are subject to retirement by rotation and re-election at the annual general meeting. Under the Company's Bye-laws, one-third of the Directors, who have served longest on the Board, must retire and shall be eligible for re-election at each annual general meeting, provided that each Director is subject to retirement by rotation at least once every three years. In addition to the retirement by rotation, any Director appointed by the Board, either to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the following annual general meeting and shall then be eligible for re-election.

To further reinforce accountability, any further reappointment of an Independent Non-executive Director who has served the Board for more than nine years will be subject to separate resolution to be approved by Shareholders.

Induction and Ongoing Development

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills for discharging their duties and responsibilities as Directors.

All Directors were informed on a timely basis of major changes that may have affected the businesses, including relevant rules and regulations. In addition, we have implemented an annual Board training program since 2003 to update the Directors (in particular Independent Non-executive Directors) on the macro economics, business environment and regulatory requirements relevant to our operations. Board meetings outside of Hong Kong, coupled with briefings and office tours have been regularly conducted since 2004. In 2014, a Board meeting and business briefing was conducted in Vietnam with a visit to our sourcing office in Ho Chi Minh City.

In addition, each newly-appointed Director receives a tailored induction program, which includes an overview of the Company by the Group Chairman, and meetings with management and the Company's external legal adviser on Directors' legal role and responsibilities.

All Directors are required to provide their training records on an annual basis. For the year ended 31 December 2014, all Directors have attended the arranged training sessions and given, or attended, speeches at external seminars/training sessions.

Independent Reporting of Corporate Governance Matters

The Board recognizes the importance of independent reporting of corporate governance matters. The Group Chief Compliance Officer, as appointed by the Board, was invited to attend Board and committee meetings in 2014 to advise on corporate governance matters covering risk management and relevant compliance issues relating to business operations, mergers and acquisitions, accounting and financial reporting.

To further enhance communication between the Group Chairman and the Non-executive Directors, three separate meetings between the Group Chairman and Non-executive Directors were held in 2014 without other Executive Directors present. Written procedures are also in place for Directors to seek independent professional advice in performing their Directors' duties at the Company's expense. No request was made by any Director for such independent professional advice in 2014.

Liability Insurance for the Directors

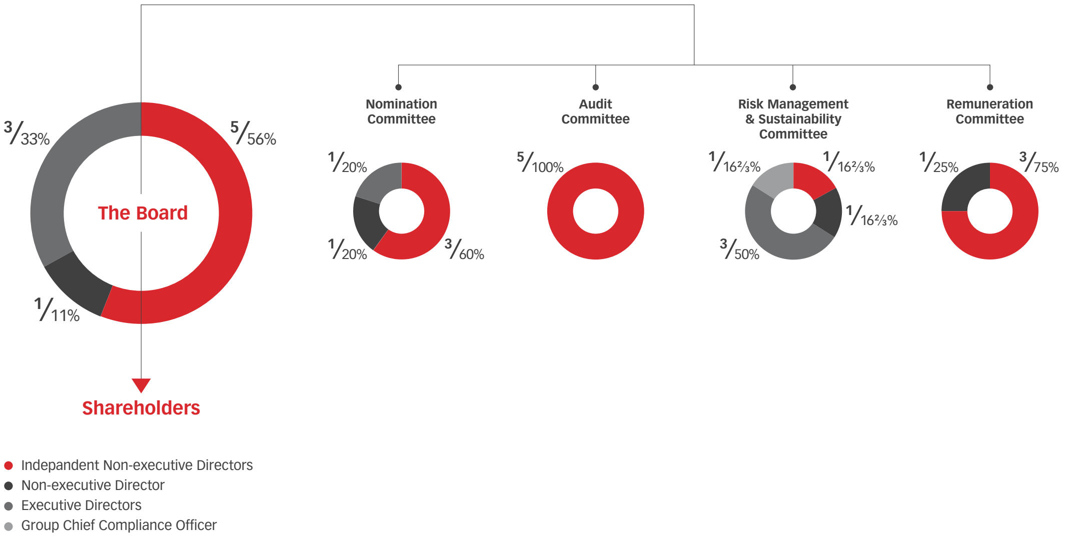
Since 2002 appropriate liability insurance has been in place to indemnify the Directors for their liabilities arising out of corporate management activities. The insurance coverage is reviewed with advice from an external consultant on an annual basis.

Board and Committee Meetings

Regular Board and Board Committee meetings are scheduled one year in advance to facilitate maximum attendance by Directors. The Board meeting agenda is set by the Group Chairman in consultation with members of the Board and the Board Committee meeting agenda is set by the respective Board Committee chairman. Senior management is typically invited to join Board meetings to enhance communication between the Board and management. The external auditor attended the 2014 annual general meeting to answer any questions from the Shareholders on the audit of the Company.

In 2014, the Board held five physical meetings and two phone conferences (with an average attendance rate of 88%). A summary of the Board and Board Committee composition, and meetings held in 2014, is set out below.

The Board and Shareholders



No. of members as at 31 December 2014 /Proportion

Board and Committee Meetings for Year 2014 – Number of Meetings Attended/Held

	Board	Nomination Committee	Audit Committee	Risk Management and Sustainability Committee	Remuneration Committee	Annual General Meeting
Victor Fung Kwok King [1]	7/7	4/4	N/A	4/4	3/3	1/1
Benedict Chang Yew Teck [2]	3/3	N/A	N/A	N/A	N/A	1/1
Paul Edward Selway-Swift [3]	7/7	4/4	4/4	N/A	N/A	0/1
Allan Wong Chi Yun [4]	7/7	N/A	4/4	2/2	3/3	1/1
Franklin Warren McFarlan	7/7	4/4	4/4	N/A	3/3	1/1
Martin Tang Yue Nien [5]	6/7	2/2	4/4	2/2	3/3	1/1
Fu Yuning [6]	1/7	2/4	2/4	N/A	N/A	0/1
Margaret Leung Ko May Yee [7]	7/7	N/A	4/4	N/A	N/A	1/1
William Fung Kwok Lun [8]	6/7	1/2	N/A	3/4	N/A	1/1
Bruce Philip Rockowitz [9]	4/4	N/A	N/A	1/2	N/A	1/1
Spencer Theodore Fung [10]	7/7	N/A	N/A	4/4	N/A	1/1
Marc Robert Compagnon [11]	2/3	N/A	N/A	2/2	N/A	N/A
Srinivasan Parthasarathy	7/7[12]	4/4[12]	4/4[12]	4/4	2/3[12]	1/1
Average Attendance Rate	**88%**	**88%**	**92%**	**92%**	**100%**	**82%**
Dates of Meetings	6/1/2014 [13] 20/3/2014 15/5/2014 1/7/2014 21/8/2014 23/11/2014 19/12/2014 [13]	19/3/2014 14/5/2014 1/7/2014 22/11/2014	19/3/2014 14/5/2014 20/8/2014 22/11/2014	23/1/2014 15/4/2014 28/7/2014 15/10/2014	19/3/2014 20/8/2014 22/11/2014	15/5/2014

1. Honorary Chairman, and Chairman of Risk Management and Sustainability Committee
2. Retired by rotation on 15 May 2014
3. Retired as Chairman of Audit Committee and remains as a member of Audit Committee with effect from 15 May 2014. Chairman of Nomination Committee
4. Chairman of Remuneration Committee. Appointed as a member of Risk Management and Sustainability Committee on 15 May 2014
5. Appointed as a member of Nomination Committee and resigned as a member of Risk Management and Sustainability Committee on 15 May 2014
6. Resigned as Independent Non-executive Director and a member of Audit Committee and Nomination Committee on 31 December 2014
7. Appointed as Chairman of Audit Committee on 15 May 2014
8. Chairman of the Board. Appointed as a member of Nomination Committee on 15 May 2014
9. Resigned as Executive Director, member of Risk Management and Sustainability Committee on 1 July 2014, and ceased to be Group President and Chief Executive Officer on 7 July 2014
10. Appointed as Group Chief Executive Officer on 7 July 2014
11. Appointed as an Executive Director and a member of Risk Management & Sustainability Committee on 1 July 2014; and attended annual general meeting and Board meetings in March, May and July by invitation before becoming a Director
12. Attended Board and Committee meetings as a non-member
13. Held by telephone conference

Board Committees

The Board has established the following committees (all chaired by an Independent Non-executive Director or a Non-executive Director) with defined terms of reference (available on our corporate website under the Corporate Governance section), which are in line with the Corporate Governance Code of the Listing Rules:

- Nomination committee
- Audit committee
- Risk management and sustainability committee
- Remuneration committee

Each Committee has authority to engage outside consultants or experts as it considers necessary to discharge its responsibilities. Minutes of all committee meetings are circulated to all Board members. To further reinforce independence and effectiveness, since 2003, all Audit Committee members are Independent Non-executive Directors, and the Nomination and Remuneration Committees have been structured with a majority of Independent Non-executive Directors as members. Details and reports of the Committees are below.

Nomination Committee

The Nomination Committee was established in 2001 and has been chaired by an Independent Non-executive Director since 2011. Its terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of Board composition, assessment of the independence of Independent Non-executive Directors, the management of Board succession and monitoring the training and continuous professional development of Directors and senior management.

The Committee met four times in 2014 (with an average attendance rate of 88%) to review the Board composition, including Board diversity, the retirement of Directors by rotation, the re-appointment of retiring Directors at the 2014 annual general meeting and the nomination of Directors to fill Board vacancies in 2014, the independence of Independent Non-executive Directors, and to monitor the training and continuous professional development of Directors and senior management.

Audit Committee

The Audit Committee was established in 1998 to review the Group's financial reporting, internal controls and corporate governance issues and make relevant recommendations to the Board. The Committee has been chaired by an Independent Non-executive Director since 2003 and all Committee members are Independent Non-executive Directors. The Committee includes members who possess appropriate accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met four times in 2014 (with an average attendance rate of 92%) to review, with management and the Company's internal and external auditors, the internal controls and financial matters as set out in the Committee's written terms of reference and make relevant recommendations to the Board.

In 2014, the Committee's review covered the audit plans and findings of internal and external auditors, the external auditor's independence and performance, provision of non-audit services by our external auditor, the Group's accounting principles and practices, goodwill assessment, Listing Rules and statutory compliance, connected transactions, risk management and internal controls, treasury, financial reporting matters (including the interim and annual financial reports for the Board's approval) and the adequacy of resources, qualifications and experience of employees of the Group's accounting and financial reporting team as well as its training programs and budget.

Following international best practices, the Committee conducted a regular review of its effectiveness by completing a detailed audit committee best practices checklist to review its current practices. Similar self-assessment exercises have been conducted every two years since 2005. Based on the latest results of these assessments, the Committee believes it is functioning effectively.

The Committee also ensures that proper whistle-blowing arrangements are in place by which employees can report any concerns, including misconduct, impropriety or fraud in financial reporting matters and accounting practices, in confidence and without fear of recrimination, for a fair and independent investigation of such matters and the appropriate follow-up action. Under the Guidelines on Whistle-blowing/Reporting of Concerns, employees can report these concerns to either senior management or the Group Chief Compliance Officer. Any Shareholders or stakeholders can also report similar concerns by writing in confidence to our Group Chief Compliance Officer. In 2014, no incident of fraud or misconduct was reported from employees, Shareholders or stakeholders that had a material effect on the Company's accounts or overall operations.

EXTERNAL AUDITOR’S INDEPENDENCE

To further enhance independent reporting by the external auditor, part of our Audit Committee meetings were attended only by the Committee and external auditor. The Committee also has unrestricted access to the external auditor as necessary.

A policy on the provision of non-audit services by the external auditor has been established since 2004. Under this policy, certain specified non-audit services are prohibited and other non-audit services require prior approval of the Audit Committee if the fee exceeds certain pre-set thresholds. These permitted non-audit services may be engaged only if they are more effective or economical than those available from other service providers and will not constitute adverse impact on the independence of the external auditor. In 2014, the external auditor provided permitted non-audit services mainly in due diligence reviews of acquisitions and tax compliance services. The nature and ratio of annual fees to the external auditor for non-audit services and for audit services in 2014 have been scrutinized by the Audit Committee (refer to details of fees to auditor in *Note 4* to the accounts on page 152).

The external audit engagement partner is also subject to periodical rotation of not more than seven years. In addition, we have adopted the policy that subject to prior approval by the Audit Committee, no employees or former employees of the external auditor can be appointed as a Director or senior executive of the internal audit or finance division of the Group, within 12 months of his/her employment by the external auditor.

Prior to the commencement of the audit of 2014 accounts, the Committee received written confirmation from the external auditor as to its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants.

Members of the Committee have been satisfied with the findings of their review of the audit fees, process and effectiveness, independence and objectivity of PricewaterhouseCoopers (PwC) as the Company’s external auditor and the Committee has recommended to the Board the reappointment of PwC in 2015 as the Company’s external auditor at the forthcoming annual general meeting.

Risk Management and Sustainability Committee

The Risk Management and Sustainability Committee was established in 2001 and is chaired by the Honorary Chairman. Its written terms of reference include offering recommendations to the Board on the Group's risk management and internal control systems, and review of its practices and strategies on corporate responsibility and sustainability. The Committee reports to the Board in conjunction with the Audit Committee.

The Risk Management and Sustainability Committee met four times in 2014 (with an average attendance rate of 92%) to review risk management procedures pertinent to the Group's significant investments and operations. The scope of review covers receivables management, credit risk management, inventory management, goodwill assessment, tax compliance issues, litigation exposures, post-acquisition integration, other operational and financial risk management, significant non-compliance with our policies and Code of Conduct as well as corporate responsibility and sustainability.

In addition to this review scope, over 2014, the Committee specifically discussed compliance with Li & Fung's Supplier Code of Conduct and health and safety requirements by suppliers in Bangladesh, information technology and data security.

Remuneration Committee

The Remuneration Committee was formed in 1993 and is chaired by an Independent Non-executive Director. The Committee's responsibilities as set out in its terms of reference include making recommendations to the Board on the remuneration policy for all Directors and senior management, including the granting of share options to employees under the Company's Option Scheme, determining the remuneration packages of individual Executive Directors and senior management. It also reviews the Group's remuneration policy on an annual basis.

The Committee met three times in 2014 (with a 100% attendance rate) to review and determine all Executive Directors' and senior management's remuneration packages and the grant of Share Options under the current Three-Year Plan 2014–2016.

Details of Directors' and senior management's emoluments of the Company are set out in *Note 11* to the accounts on pages 156 to 158.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

The primary goal of the remuneration policy on executive remuneration packages is to enable Li & Fung to motivate Executive Directors and senior management by linking their compensation to performance with reference to corporate and operating groups' objectives. Under the policy, a Director or a member of senior management is not allowed to approve his/her own remuneration.

The principal elements of Li & Fung's executive remuneration package include:

- Basic salary;
- Discretionary bonus without capping; and
- Share options granted under a shareholders' approved option scheme.

In determining guidelines for each compensation element, the Committee refers to remuneration surveys conducted by independent external consultants on companies of similar industry and scale.

Basic Salary

All Executive Directors' and senior management's remuneration packages including their basic salary were approved by the Remuneration Committee at the beginning of the current Three-Year Plan 2014–2016. Under the service contract between Li & Fung and the Group Chairman as disclosed under Directors' Service Contracts section on page 111, the Group Chairman is entitled to a fixed basic salary which is subject to review by the Committee.

Discretionary Bonus

Li & Fung implements a performance-based discretionary bonus scheme for each Executive Director (excluding the Group Chairman) and senior management. Under this scheme, the computation of discretionary bonus (without capping) is based on measurable performance contributions of operating groups headed by the respective Executive Directors and senior management. The Group Chairman is entitled to a profit share of the Company's consolidated results after adjustment of interest, tax and non-controlling interests under the service contracts between Li & Fung and the Group Chairman.

Share Options

The Remuneration Committee approves all grants of Share Options under the Shareholders' approved Option Scheme to Executive Directors and senior management, based on the Company's performance and achievement of business targets in accordance with the Company's objectives of maximizing long-term shareholder value.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The remuneration, comprising Directors' fees, of Non-executive Directors is subject to regular assessment with reference to such fees paid by Hang Seng Index constituent stocks and a recommendation by the Remuneration Committee for Shareholders' approval at the annual general meeting.

Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company meetings.

Company Secretary

The Company Secretary reports to the Group Chairman on Board governance matters and is responsible for ensuring that Board policies and procedures are followed. All Board members have access to her advice and services. She arranges the comprehensive and tailored induction program for new Directors prior to their appointment and provides timely updates to the Directors on relevant new legislation or regulatory requirements. Director training has been organized on a regular basis by the Company Secretary to assist Directors' continuous professional development. In 2014, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge. Biographical details of the Company Secretary are in Our board and management team section on pages 54 to 63.

Market Recognition

The Group's continuous commitment to excellence and high standards in corporate governance practices continued to earn market recognition from stakeholders including bankers, analysts and institutional investors. Details of our awards are set out on pages 100 to 101.

Directors' and Relevant Employees' Securities Transactions

The Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code. Relevant employees who are likely to be in possession of unpublished price-sensitive information ("Inside Information") of the Group are also subject to compliance with written guidelines in line with the Model Code. For 2014, specific confirmation of compliance has been obtained from each Director and relevant employee. No incident of non-compliance by Directors and relevant employees was noted in 2014.

We have also established a Policy on Inside Information to comply with our obligations under the SFO and the Listing Rules.

Directors' and Senior Management's Interests and Financial Relationship Between Directors

Details of Directors' interests in the Shares of the Company are set out in the Report of the Directors section on pages 111 to 113. The Shares held by each member of senior management are less than 2% of the issued share capital for the year ended 31 December 2014.

On 11 April 2014, King Lun through an indirect, wholly-owned subsidiary acquired an additional 5,000 shares which together with its existing 16,667 shares represents a total of 10% of the issued capital of Pure International Holdings (BVI) Limited ("Pure"). Hurricane (Venezuela) Limited ("HVL") also holds 156,875 shares representing 72.40% of the issued share capital of Pure. The ownership of King Lun is defined in the Glossary on page 218. HVL is a company beneficially owned by a trust which has been set up for the benefit of the family members of Bruce Philip Rockowitz who resigned as a director of the Company with effect from 1 July 2014.

Directors' Responsibility for Accounts and Auditor's Responsibility

The Directors' responsibility for preparing the accounts is set out on page 114, and the auditor's reporting responsibility is on page 115.

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that it has been in full compliance with all of the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014.

Shareholders' Rights

Under the Company's Bye-laws, in addition to regular Board meetings, the Board, on the requisition of Shareholders holding not less than 10% of the paid-up capital of the Company, can convene a special general meeting to address specific issues within 21 days from the date of deposit of written notice to the registered office of the Company. The same procedure also applies to any proposal to be tabled at Shareholders' meetings for adoption. To further enhance minority Shareholders' rights, since 2003, we have adopted the policy of voting by poll for all resolutions put forward at the annual general meeting and special general meeting.

Specific enquiries by Shareholders requiring the Board's attention can be sent in writing to our Company Secretary. Other general enquiries can be directed through the Investor Relations team. Their contacts are in the Information for investors section on page 102.

Changes in Constitutional Documents

There is no significant change in the Company's constitutional documents during the year ended 31 December 2014.

Investor Relations and Communications

As part of Li & Fung's efforts in upholding a high standard of corporate governance, we strive to maintain effective communications with the investment community by disseminating information in a timely and accurate manner. Our Investor Relations (IR) team seeks to maintain regular dialogue with institutional investors and research analysts through one-on-one meetings and conference calls, participating in investment conferences and attending non-deal road shows both in Hong Kong and overseas. To address the wider investment community, our corporate website (which was fully refreshed in 2014) contains comprehensive information about the Company. Under the Investors page, viewers can find our financial reports and presentation materials, recent announcements and circulars, as well as IR's contact details. In addition, the annual general meeting is another platform that allows effective communication between senior management, Board members and shareholders.

We are committed to complying with disclosure rules and regulations stipulated by the relevant regulatory bodies, and to communicating the Group's business strategies, development and goals to investors and analysts. Being a market leader, we constantly share our market insights and industry developments with the investment community. From time to time, we also invite our senior management to meet with investors and analysts to share their latest views on the business and further explain our business model.

A new Director of Investor Relations was hired in late 2014. Together with her team, we endeavor to increase the level of interaction with the investment public. The team strives to better collect and reflect feedback to facilitate greater understanding between senior management and the investment community.

Our approach to risk management

We maintain a sound and effective system of risk management and internal controls to support us in achieving high standards of corporate governance.

Our approach to risk management

We identify and manage both risks and opportunities, and our internal controls review the effectiveness and efficiency of our operations, the reliability of financial reporting, and compliance with applicable laws and regulations – all aimed at building a sustainable business.

Risk Management and Internal Control

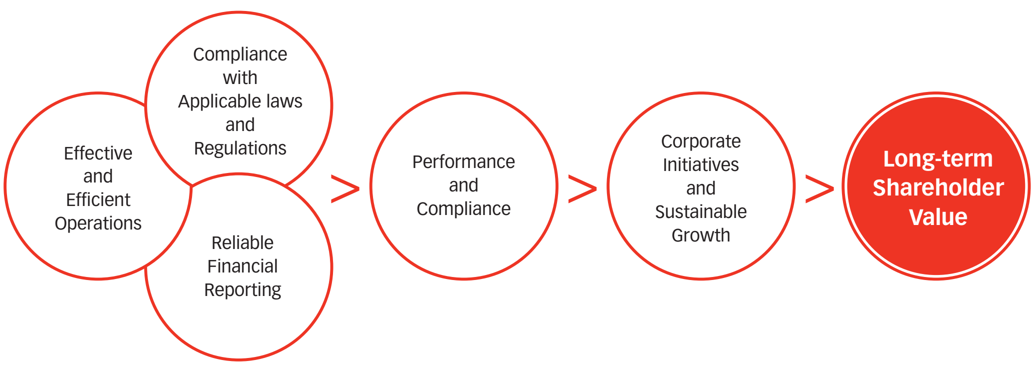
The Board is responsible for maintaining a sound and effective system of risk management and internal controls at Li & Fung and for reviewing its effectiveness. Such a system is designed to manage the risk of failure to achieve corporate objectives and aims to provide reasonable, but not absolute, assurance against material misstatement, loss or fraud.

The Board has delegated to management the design, implementation and ongoing assessment of our system of internal controls, while the Board through its Audit Committee oversees and reviews the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place. The Audit Committee annually reviews the emerging risks of the Group, and the risk management and internal controls in place to address those risks. Qualified personnel within the business maintain and monitor these systems of controls on an ongoing basis. Described below are the main characteristics of our risk management and internal control framework:

Control Environment

The Group operates within an established control environment, which is consistent with the principles outlined in *Internal Control and Risk Management – A Basic Framework* issued by the Hong Kong Institute of Certified Public Accountants. The scope of internal control relates to three major areas: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

Our Internal Control Framework is Designed to Achieve:



Management of Key Risks

1. OPERATIONS RISK MANAGEMENT

We have adopted a tailored governance structure with defined lines of responsibility and appropriate delegation of authority. This is characterized by the establishment of an Operation Support Group to centralize 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, authorizations 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.

Contingency and business continuity plans including fire drills, preparedness for pandemics and failover tests of key operating systems are also examined periodically to evaluate effectiveness. Corrective actions are taken whenever necessary.

2. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Board approves the Company's 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 minimizing financial and capital risks. Details of our financial and capital risk management covering market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk are set out in *Notes 39* and *40* to the accounts on pages 196 to 200.

3. 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 program 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.

4. REPUTATION RISK MANAGEMENT

The reputation capital of Li & Fung is built on its long-established standards of ethics in conducting business. Our core ethical practices as endorsed by the Board are set out in our Code of Conduct and Business Ethics (available at our corporate website under the Sustainability section) 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 Li & Fung. For ease of reference and as a constant reminder, the Code and the accompanying policies and guidelines are available on One Family, our internal communications platform.

All colleagues are required to abide by the Code of Conduct and training sessions are regularly held to reiterate the Company's zero-tolerance approach to bribery and the importance of proper business ethics. Any ethical cases or concerns raised through our guidelines on whistle-blowing and reporting of concerns are investigated independently.

Li & Fung is committed to upholding the 10 principles of the United Nations' Global Compact regarding human rights, labor, environment and anti-corruption. As included in our Code of Conduct, we uphold 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. We also acknowledge our responsibility to maintain a respectful workplace that is free of all forms of discrimination or harassment.

In 2014, no incident of non-compliance with the Company's Code of Conduct that has significant impact to our operations was reported.

5. 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, Listing Rules compliance, public disclosure requirements and our standards of compliance practices.

6. INFORMATION TECHNOLOGY RISK MANAGEMENT

We continued to invest in information technology systems to support transactional volume growth with improved information availability and controls, and to enhance the security of our systems to manage cyber security risks.

Our Total Sourcing system, which is a controlled platform for engaging with our vendor community, continued 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, now provides dashboard alternatives to traditional reports in a secured environment.

Enhancement of the company'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 trainings, as well as separating the governance and reporting structures of the IT security team from the Company's infrastructure group. Moreover, the Network Operation Centre (NOC) was newly set up to closely monitor network devices and servers on a 7x24 basis. The NOC also improves visibility and responsiveness in case of any system failure.

In 2014, disaster recovery for all critical systems and applications were tested successfully.

Risk Management Monitoring

In conjunction with the Audit Committee, the Risk Management and Sustainability Committee regularly monitors and updates the Group's risk profile and exposure and reviews the effectiveness of the system of internal control in mitigating risks. Key risk areas covered by the Committees include reputation, business credit, financial and operational risks of our supply chain operations, investment and acquisitions, taxation, inventory and receivable management, group-wide insurance, human resources, contingency and disaster recovery, IT governance, corporate responsibility and sustainability.

Internal and External Audit

Internal Audit

The Internal Audit team sits within the Corporate Governance team. Under the supervision of the Group Chief Compliance Officer, it independently reviews compliance with Group policies and guidelines as well as legal and regulatory requirements, risk management and internal controls and evaluates their adequacy and effectiveness. The Group Chief Compliance Officer reports all major findings and recommendations to the Audit Committee on a regular basis.

The Corporate Governance team's Internal Audit Plan is linked to the current Three-Year Plan and was reviewed and endorsed by the Audit Committee.

The principal features of the tasks of the Corporate Governance team include:

- Internal Audit plan as prepared under a risk-based assessment methodology that covers the Group's significant operations over a three-year cycle period;
- An audit scope which covers significant controls including financial, operational and compliance controls, and risk management policies and procedures;
- Unrestricted access to all the information needed for review of all operations, controls and compliance with KOG and corporate policies, rules and regulations; and
- Review of special areas of concerns or risks as raised by the Audit Committee, the Risk Management and Sustainability Committee or senior management.

Major audit findings and recommendations from the Corporate Governance team, and management's response to these findings and recommendations, are presented at Audit Committee meetings. The implementation of all recommendations is followed up on a three-month basis and the status is reported to the Audit Committee at each of its meetings.

As part of the annual review of the effectiveness of the Group's risk management and internal control systems for 2014, management conducted an Internal Control Self-Assessment of business operations and relevant accounting functions. The Corporate Governance team has independently performed a post-assessment review on the findings noted in the self-assessment programs and considered that sound internal control practices were in place for 2014.

External Audit

Our external auditor, PricewaterhouseCoopers (PwC), performs independent statutory audits of the Group's accounts. To facilitate the audit, the external auditor attended all meetings of both the Audit Committee and the Risk Management and Sustainability Committee. The external auditor also reports to the Audit Committee any significant weaknesses in our internal control procedures which might come to its notice during the course of audit. PwC noted no significant internal control weaknesses in its audit for 2014.

Overall Assessment

Based on the respective assessments made by management and the Corporate Governance team and also taking into account the results of the work conducted by the external auditor for the purpose of its audit, the Audit Committee considered that for 2014:

- The risk management and internal controls and accounting systems of the Group were in place and functioning effectively, and were designed to provide reasonable but not absolute assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the accounts were reliable for publication.
- There was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.
- The resources, qualifications, experience, training programs and budget of the employees of the Group's accounting and financial reporting teams were adequate.

Our board and management team

Board Member Biographies

Victor Fung Kwok King

Honorary Chairman
Chairman of Risk Management and Sustainability Committee

Aged 69. 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

Group Chairman

Aged 66. 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

Group Chief Executive Officer

Aged 41. 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.

Board Member Biographies (continued)

Marc Robert Compagnon
Executive Director and President of LF Sourcing

Aged 56. 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
Independent Non-executive Director
Chairman of Nomination Committee

Aged 70. 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
Independent Non-executive Director
Chairman of Remuneration Committee

Aged 64. 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

Independent Non-executive Director
Chairman of Audit Committee

Aged 62. 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.

Franklin Warren McFarlan

Independent Non-executive Director

Aged 77. An Independent Non-executive Director since 1999. Baker Foundation Professor and Professor Emeritus of Business Administration at Harvard University. Guest Professor and Co-Director of the China Business Case Center at Tsinghua University-SEM. A Professor at the Harvard Graduate School of Business Administration since 1973. Formerly, Faculty Chairman of Advanced Management Program (1975–1978) and Chairman of Executive Education Programs (1977–1980). Senior Associate Dean (1990–2004). An independent non-executive director of Computer Sciences Corporation (1989–2012). Graduated from the Harvard Business School with a doctorate.

Martin Tang Yue Nien

Independent Non-executive Director

Aged 65. 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.

Supporting the Board

Edward Lam Sung Lai
Chief Financial Officer

Aged 48. 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 Li & Fung, 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.

Srinivasan Parthasarathy
Group Chief Compliance Officer

Aged 57. Group Chief Compliance Officer of the Company since 2011. Also, the Group Chief Compliance Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company and of the Fung Group of companies including Convenience Retail Asia Limited, Trinity Limited and Global Brands Group Holding Limited of which he is also their respective Group Chief Compliance Officer. With over 30 years of experience and held various financial and commercial positions within the Fung Group since 1999, and the Inchcape Group before that, in Hong Kong, Singapore, the UK and the Middle East. A Commerce Graduate of Bombay University and qualified as a Chartered Accountant in India, securing fourth position in the All India Merit Rankings. A Fellow Member of the Chartered Institute of Management Accountants, UK.

Terry Wan Mei Chow
Company Secretary

Aged 51. 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 Company Secretaries Panel and Membership Committee of HKICS since 2013. Recipient of the 1st Asian Company Secretary Recognition Award by Corporate Governance Asia in 2013.

Senior Management Biographies

Annabella Leung Wai Ping
President of LF Fashion

Aged 62. President of LF Fashion managing the Group's apparel and fashion accessories 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. Chairman of the Vetting Committee for the Professional Services Development Assistance Scheme of Commerce and Economic Development Bureau and a member of the Personalized Vehicle Registration Marks Vetting Committee. 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.

Emily Mak Mok Oi Wai
Chief Administrative Officer

Aged 53. Chief Administrative Officer since 2014 and responsible for global hub operations, human resources, corporate services and various strategic projects of the Group. 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. Prior to her current role, President of LF USA Sourcing, managing all Asia operations of LF USA. Graduated from The University of Hong Kong with a Bachelor of Social Sciences degree.

Gerard Jan Raymond
President of LF Asia and LF Beauty

Aged 58. President of LF Asia managing the Group's food, health, beauty and cosmetics wholesale and distribution business in Asia. Also, President of LF Beauty overseeing the Asia-based operations of the Group's beauty and cosmetic business. Previously, 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.

Our Senior Management Team
Back row (from left to right): Richard Darling, Leung Wai Ping, Edward Lam, Marc Compagnon, Emily Mak, Gerard Raymond, Stephen Lister and Manuel Fernandez
Front row (from left and right): Henry Chan, Spencer Fung, William Fung, Victor Fung, Lale Kesebi and Joseph Phi


'no' to 1,000 things." Steve Jobs
"Imagination
CHANEL
LIVING BEAUTY

Senior Management Biographies (continued)

Henry Chan
President of LF Products

Aged 64. 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.

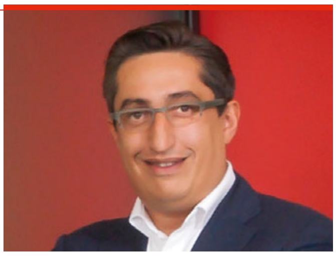
Joseph Chua Phi
President of LF Logistics

Aged 52. President of LF Logistics managing the Group's logistics, freight, and supply chain management businesses. An 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. Co-convener of the Li & Fung China Advisory Council. Chairman of GS1 Hong Kong. Director of GS1 Management Board. Member of the Advisory Committee, Centre for Marketing and Supply Chain Management at 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.

Lale Kesebi
Chief Communications Officer & Head of Strategic Engagement

Aged 46. 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 organization 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, Co-chair of the Alumni Network Steering Committee of the Mentoring Programme for Women Leaders of The Women's Foundation in Hong Kong. Chair of the Corporate Sustainability Committee of the Company. 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 44. 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 61. 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. Assumed additional role to oversee the Group's Vendor Compliance & Sustainability in 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 Li & Fung that became a wholly-owned subsidiary in 1999. Board member of the American Apparel and Footwear Association, K.I.D.S./Fashion Delivers (formerly known as "Fashion Delivers") and the University of Arkansas and a member of the Board of Governors of Parsons The New School for Design (formerly known as "Parsons School of Design"). Representative of the Group on the Board of Advisors of 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 58. 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 privatized 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.

Our people

Our people power our business and we are committed to their wellbeing and development.

Our people

Our people power our business and we are committed to their wellbeing and development. Our people strategy is an important part of our long-term success. We focus on fostering diversity, living our values, caring for and engaging our people, developing talent, and providing respectful, safe and healthy working environments.

Our people power our business.

We strive to attract, retain and develop a blend of entrepreneurial talent, supply chain and logistics expertise, business acumen, and a diversity of views to support the needs of our customers and suppliers. Our business is based on long-term relationships within our teams and with our customers, suppliers and communities. Together, we strive to build sustainable businesses and supply chains.

Our Trading and Logistics businesses are led by industry experts. From our designers, merchandisers, quality assurance and control (QA/QC) experts to our warehouse delivery and logistics professionals, our people are skilled professionals and drive our growth and success. Our people come from diverse educational and cultural backgrounds. They have deep product category and channel expertise across sourcing and logistics.

Living Diversity

Our people are inherently diverse. Our senior management and teams around the world bring a vibrant mix of nationality, ethnicity, culture, and professional and life experience to enrich our company. This diversity is a source of strength and pride that truly enables us to work across borders and collaborate, share and innovate to provide best-practice solutions for our customers and suppliers in our evolving and fast-paced industry.

We see our global network as key to our success and fundamentally believe it inspires innovation and enriches every aspect of our business. It helps us understand and connect the needs of our people and those of our globally-focused customers and broad vendor base.

Our senior management team at Li & Fung comprises a group of leaders with a breadth of professional and cross-cultural experience from markets around the world as well as skill sets and core competencies to grow our global Trading and Logistics businesses.

Our 25,781 people are geographically located across 40 countries. 53% of our people are female and 47% are male, and for our management team, 44% is female and 56% is male. Gender diversity is also reflected throughout our Trading and Logistics businesses. 98% of our female employees work in full-time positions with 76% on permanent contracts and 24% on other contracts. 97% of our male employees work full time with 79% on permanent contracts and 21% on other contracts. Total manpower costs, excluding Global Brands, for 2014 were US$995 million, compared with US$951 million in 2013.

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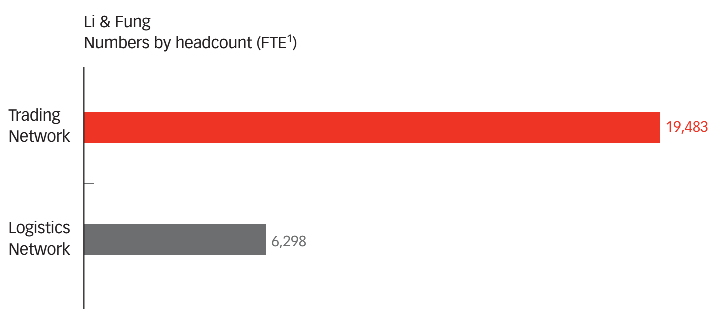
Our people are our greatest asset.

William Fung

Our People by Business Network



1 Headcount provided as full-time equivalents (FTE).

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Our company culture is driven by our core values.

Spencer Fung

Our Values

Our values form the basis for our culture, business strategies and brand. Across our business, three core values bring us together and guide what we do.

We are entrepreneurs: Our company was started by two entrepreneurs in Guangzhou in 1906. Fung Pak-liu and Li To-ming joined forces to create and develop a successful business by identifying where the opportunity for sourcing products met customer needs in faraway markets. That same entrepreneurial spirit of agility and simplicity is very much alive today and continues to drive the way we support our customers, suppliers, the industry and communities to grow.

We are humble: Having evolved from a ‘start-up’ to a global supply chain orchestrator, creating value for our customers has been driving our success. Our mission is to provide innovative supply chain and logistics solutions that meet the needs of our customers and add long-term value to their businesses.

We are family: Trust and integrity are the cornerstones of our long-lasting relationships and essential to foster loyalty and teamwork. We care about our people, our customers, vendors and communities and about creating a sustainable future together.

To mark the 108th anniversary of Li & Fung, in 2014 we launched a global drive to celebrate our history, our experiences and our values. A special team was created to visit each of our markets to promote our values globally. At each location, the team hosted discussion forums and events to learn about what is important to our colleagues and share their stories globally.

Caring for and Engaging Our People

Connecting, appreciating, responding to and encouraging our people – what we know as ‘C.A.R.E’ – is a core engagement initiative at Li & Fung. From Guatemala and Amsterdam to India and Korea, C.A.R.E drives our efforts to provide a working environment that is entrepreneurial, engages employees and fosters a long-term commitment to the company.

Each year we hold multiple events globally to share our goals and encourage dialogue and innovative thinking across geographies. Through CEO luncheons, town halls, annual conferences, and management and team meetings, our people connect to learn from seasoned professionals and collaborate with peers to incubate business ideas. In 2014, we launched ‘Leader Conversations’, which adopt an informal ‘talk show’ format to enable our business leaders to share their vast experience and engage with our people across our business.

Of particular note, a core channel for connecting our people globally is our One Family internal communications platform. In 2014, it was significantly revamped to become not only a source for sharing information on corporate strategy and activities, events and achievements, but also a fully interactive channel for our people to share their own information, ideas and videos, and to comment and interact with their colleagues around the world. In 2014, we had 19,477 unique users interact with One Family and an average of 13,000 page views per week over the year.

We also arrange appreciation events that include happy hour get-togethers, interdepartmental competitions, special days for families and presentations and awards that recognize the achievements and long service of our people.

"I am passionate about reaching out and engaging with my colleagues.

**Zaid Hossain,
Head of HR – Bangladesh**

Human and Labor Rights

We are committed to maintaining a respectful workplace free from discrimination and harassment of any form and to provide equal opportunities for all our people in support of international declarations on human and labor rights[2]. We affirm these commitments in our Code of Conduct and Business Ethics. All new employees are made aware of the requirements of the Code during their orientation and provided with a copy. Implementation is supported by policies and guidelines for addressing the Code elements in the acquisition of new businesses and in our ongoing recruitment, training, performance assessment, disciplinary and grievance processes. We continue to raise awareness of the Code and its importance in our markets through training sessions and a series of storyboards, known as 'The Ethical Zone'. Shared on One Family, the stories illustrate the different elements of the Code and its related policies and guidelines with practical examples and solutions on how to respond to potential ethical dilemmas.

Compliance with our Code is reviewed quarterly by the Risk Management and Sustainability Committee of the Board and audited by our Corporate Compliance division, which reports any material non-compliance directly to the Board. In 2014, no instances of non-compliance were reported.

Health, Safety and Wellbeing

The wellbeing of our people globally is important to us, and we tailor our approach to meet the specific occupational health and safety (OHS) requirements of the different working environments within our offices, manufacturing facilities, warehouses and distribution centers. To support the local needs of our people, we ensure that our working hours and benefits are tailored to each locality in our global network.

2 *International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the UN Global Compact's 10 Principles and the UN Declaration of Human Rights.*

Throughout our operations we host 'lunch and learn' sessions and share information daily on issues relevant to OHS and wellbeing through Useful Tips – an email alert that covers topics from stress management and healthy eating to stretching and ergonomics. This is supported by fitness centers in each of our major offices as well as a variety of exercise and wellness activities globally, ranging from health checks, yoga and dancing sessions to marathon training.

Our manufacturing and logistics facilities have all implemented formalized OHS management systems and our manufacturing facilities in Indonesia, Malaysia and Thailand, and our logistics facility in Singapore are certified to the OHSAS 18001 Occupational Health and Safety Management System standard. To improve working conditions, all facilities hold regular safety talks and provide training on topics such as workplace hazards, safe working practices, first aid, forklift operation, defensive driving, incident investigation and chemical management. They also conduct regular emergency preparedness training and drills. Examples of other initiatives implemented at our logistics facilities include the installation of large and energy-efficient ceiling fans to enhance air ventilation in non-air-conditioned areas, and anti-fatigue mats to reduce strain from standing at packing stations.

For the seventh consecutive year our manufacturing facility in Thailand was awarded the *Outstanding Establishment on Labor Relations and Welfare Award* from the Thai Labor Protection and Welfare Department. In 2014 our manufacturing facility in Indonesia received the *Zero Accident Award* from the Indonesian Government's Ministry of Manpower and Transmigration.

Developing Talent

At Li & Fung we provide opportunities for our people to connect, share innovative thinking and resources, and to learn and develop through a variety of programs. Talent development focuses on broadening knowledge, skills and organizational capabilities, as well as enhancing productivity and leadership potential. We provide flexible learning channels including digital and classroom courses, on-the-job experience, networking, coaching and mentoring, and cross-border opportunities. In 2014, over 18,985 employees in 40 locations participated in 1,146 in-house learning programs.

Developing Li & Fung's future leaders remains a key priority and we foster leadership at all levels. In developing our leaders, we believe in networking, experiential learning and creating on-the-job learning opportunities. We have developed a tailored leadership roadmap for different leadership levels.

Through the Fung Group, we continue to partner with the MIT Sloan School of Management and the University of Hong Kong for our Executive Leadership Program as well as with Stanford University for our Advanced Leadership Program. Started in 2010, the goal of both courses is to expose our next generation of business leaders to the latest business thinking and to foster collaboration across teams. Each year, attendees carry out research on relevant, topical matters related to supply chains, retailing and macro-economic and market trends. Projects can last from three days to six months with outcomes that can be applied to our business. In 2014, 31 unique intakes were organized for 184 of our top business leaders from across the globe to come together to learn and share, furthering our collaborative culture that is conducive to business growth.

Each year we attract exceptional talent globally to join the Program for Management Development (PMD), now in its fourth successive year. This one-year, intensive program includes corporate orientation and training, rotational assignments in the Fung Group's core businesses and business education programs in Shanghai and New York. The idea of PMD is to cultivate entrepreneurialism and develop our future business leaders.

In 2014, a series of new development programs were introduced, including a structured 'Business Intelligence seminar series' where internal and external experts presented and led discussions on omni-channel and other topics related to retailing and sourcing as well as a tailored New Manager's Program to support our middle-level managers transition into new leadership roles. We continued to develop and nurture our 212 'Learning Champions' to be 'teachers', transferring their knowledge in different work contexts around the world.

In addition to our structured and formalized learning and development activities, our people have access to a robust learning platform of performance support resources, which includes job-aids, checklists, and access to subject matter experts, peer collaboration and an information search engine. This platform provides a global connection and our people benefit from real-time, self-paced learning. These online learning platforms cover career development, skills training and expertise sharing and personal and management development. This year, we also designed and delivered our first-ever board game, called 'Pick Pack Go', which provides a fun and practical learning experience through gamification that not only helps our people learn about our logistics business, but also creates a unique bonding and engagement experience.

"We support our people's learning and development throughout their careers.

Mamie Mak,
Head of Learning & Organizational Development

Our supply chain

We partner with our customers and suppliers to create value through the supply chain.

Our supply chain

We believe in building sustainable supply chains that create value for workers, factories, communities and our customers. We partner with customers and suppliers who share this commitment and collaborate with industry stakeholders to further positive change.

At Li & Fung we connect suppliers in over 40 markets around the world to manage our customers' unique supply chains. The scale of our global supplier network involves over 15,000 suppliers globally allowing us the flexibility to move production across markets, balance capacity constraints, respond to production and distribution trends and meet specific customer needs, such as proximity to the end-consumer or technical expertise. Within this global network, our three largest sourcing markets in 2014 were China, Vietnam and Bangladesh. China continued to be the largest. Softgoods accounted for 49% and hardgoods 51% of total production in China, whereas production in Vietnam and Bangladesh was largely apparel.

In 2014, we announced the creation of a new business unit, Vendor Support Services (VSS), to focus more intensely on the needs of our global supplier base as it addresses the challenges facing the industry. As part of our service offering we aim to help our suppliers better manage production shifts, innovate for systematic and sustainable change, improve operational efficiencies, enhance factory and worker safety and raise compliance standards in the global supply chain.

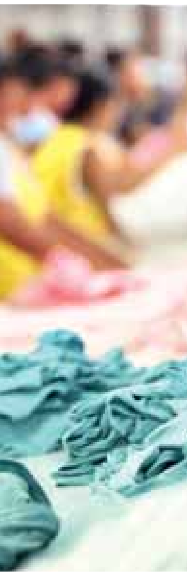
Addressing challenges and opportunities in our supply chain is integral to our Sustainability Strategy. Our initiatives focus on three areas: (1) managing risk and furthering compliance in our supply chains, (2) collaborating with customers and partners to build sustainable supply chains and (3) sourcing responsibly.

Supply Chain Compliance

Accountability is integral to meeting our commitment to manage a sustainable global supply chain and to enhance transparency in both the monitoring and reporting of supply chain compliance and performance.

Our suppliers are expected to comply with relevant local laws and regulations and meet the obligations outlined in our Supplier Code of Conduct, which is based on the International Labour Organization's core conventions, and the California Transparency in Supply Chains Act. The Supplier Code of Conduct elements include requirements regarding human and labor rights, health and safety, environmental protection, ethical conduct and transparency. Each of the diverse locations in our supply chain has a unique set of challenges that we manage through our network of internal teams in key markets and also in collaboration with industry and non-profit organizations and local authorities.

Supplier compliance is assessed against the Supplier Code of Conduct and relevant standards to determine whether a supplier is approved to conduct business with Li & Fung. Where improvement by a supplier is required, a corrective action plan is implemented with timeframes for completion to meet compliance standards.



Supplier Capacity Building

We are committed to working with our suppliers to move them up the value chain. We focus our assessment, technical support and capacity-building efforts on establishing better-managed factories and better working conditions.

Our Sustainability Resource Center website provides our suppliers access to compliance resources and tools, updated industry information, training schedules and a suite of other resources to assist them to improve their performance. Information is regularly updated and materials are available in multiple languages.

Compliance toolkits on how to improve business operations and health and safety are available for the key areas of Occupational Health & Safety, Building Safety Management, Fire Safety Management, Hazard Identification & Risk Assessment, Employee Relations and Workforce Planning. These are designed to help suppliers better understand key compliance and operational issues, challenges and implications, and identify areas where their factories can improve and develop action plans to enhance performance.

In 2014, we held 634 training sessions for over 12,000 factory representatives as well as more than 3,000 of our own people. Training is related to a number of topics ranging from customer-specific standards and compliance requirements to health and safety and environmental and social compliance, among others.

In partnership with Business for Social Responsibility (BSR) and the Fung Academy, we launched *Water Management Guidelines for Suppliers*, which provide practical guidance on effective water and wastewater management to both mitigate risk and to identify opportunities for improvements in factories. Also in collaboration with the Fung Academy and several customers, we piloted programs on wastewater management and energy efficiency. Using lessons learned from such programs, we developed educational materials and made them available for download from our supplier portal.

Sustainable Sourcing

Our approach to sustainable sourcing is to work with our customers, suppliers and industry partners to further the adoption of standards and best practices, and to provide options in sustainable design and manufacturing, products and packaging. We do this to meet customer requests for sustainably-sourced materials and products with reduced environmental impact from well-managed factories. We also conduct material risk and traceability assessments for customers by raw material categories to meet customer requirements.

Some of the ways that we have helped customers implement more sustainable sourcing options are:

- Supporting customers to source environmentally-responsible products and use packaging made from sustainable materials. This includes: garments made of cotton from certified organic sources or cotton that meets the Better Cotton Initiative (BCI) standard; garments comprising recycled yarn, polymers, leather and shearling; household items, furniture and packaging made from materials that are Forest Stewardship Council ™ (FSC™)[1] or Programme for the Endorsement of Forest Certification (PEFC)-certified; and beauty products that are biodegradable, not tested on animals and free of silicones, sulphates, parabens and colorants.
- Manufacturing beauty products that meet industry standards and incorporate ingredients such as community trade organic olive oil, community trade shea butter and organic fine sugar, soya bean oil and rosehip oil in formulation design.
- Meeting the compliance requirements of various industry standards as part of our effort to improve working conditions and protect workers' rights according to international conventions.
- Developing Sustainable Suggestions for our Partners which provide 'how to get started' modules on energy and water efficiency, greenhouse gas reduction, sustainable buildings, waste management, lean manufacturing and human resources.

1 *FSC license numbers FSC-C110207, FSC-C113132, FSC-C114681 and FSC-C116575.*

Industry Collaboration

We understand that meaningful change in our industry cannot happen overnight and we believe we have a key role in bringing about and speeding up systematic, positive change in the industry.

We are actively engaged in Bangladesh, where we work with governmental and non-governmental organizations, industry partners and suppliers to improve safety in factories. Li & Fung is a member of the Board of Advisors for both the North American-based *Alliance for Bangladesh Worker Safety* and the European-based *Bangladesh Accord on Fire and Building Safety*. Following the tragic loss of life from the Tazreen fire in November 2012 and the collapse of the Rana Plaza building in April 2013, the industry came together to implement a coordinated response to improve safety conditions in Bangladesh and build a more sustainable industry for the long term. In addition to our initiatives to support this response and over the past 18 months, Li & Fung conducted training sessions on fire, structural and electrical safety for factory management and workers. We have also enhanced the awareness of our own quality assurance and merchandising team members in Bangladesh on social, fire, electrical and structural safety compliance issues.

Partnerships and Initiatives

We are involved in key industry initiatives that bring our customers and industry partners together to set standards and effect change. We also collaborate with our customers and NGOs to implement focused programs that address the particular challenges of our industry and the specific production markets we operate in. Some examples include the following:

BETTER WORK

Li & Fung is a Buyer Partner of Better Work (http://www.betterwork.org), a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC) that brings together governments, employers, workers and international buyers to improve compliance with labor standards and promote competitiveness in the global supply chain. Throughout 2014, we continued to support factories in Cambodia, Haiti, Indonesia, Jordan and Vietnam as part of this initiative.

As a founding member of the Sustainable Apparel Coalition (SAC) we have been actively involved in the development of the Higg Index, a suite of sustainability tools designed to help organizations standardize how they measure and evaluate environmental performance of apparel products across the supply chain at the brand, product and facility levels. In addition to participating in various module working groups, Li & Fung assisted in the pilot testing of the footwear and the social and labor modules and collaborated with key customers to develop related training materials. The Higg Index is being used by hundreds of organizations, both SAC members and others.

With the support of the Fung Foundation and the Fung Academy, we are undertaking a major initiative to train and empower female workers in approximately 100 of our third-party suppliers in Bangladesh, Cambodia, India, and Vietnam, through the HERProject. Created by the Business for Social Responsibility (BSR), the HERProject trains female factory workers on health, personal hygiene and wellbeing, using an impactful peer educator methodology that improves in-factory communication and collaboration. In Cambodia, additional focus is placed on nutrition and diet to address local needs, and the program will also engage food vendors at each factory site to support better choices, nutrition and improved food hygiene. The HERHealth trainings are then followed by additional modules focusing on personal finance and access to financial services for all factory workers, for a total engagement of three years at each factory.

We have begun implementing the HERProject at 35 factories in Bangladesh, 15 factories in Cambodia, and 10 factories in Vietnam and India respectively, reaching over 50,000 workers. We will continue to roll out the program in remaining factories in 2015.

Over the past three years, we have supported the implementation of CARE International's Hemaya Project, which is focused on empowering women in select factories in the Jordanian garment sector. The project aims to improve workplace relations and improve livelihood options for local women.

We participate in the Global Social Compliance Programme™ (GSCP™), supporting its efforts to improve working and environmental conditions in the global supply chain through our participation on working committees and input to the development of GSCP's resource materials.

Our communities

We engage our people to meaningfully contribute to our communities.

Our communities

At Li & Fung we are committed to creating positive impact where we live and work and aligning our community initiatives with our supply chain activities. We focus on investing in the potential of people, helping communities in need and mobilizing for change.

We engage our people to meaningfully contribute to our communities.

We believe that our communities and our people grow, develop and transform through community engagement activities. We provide resources and support for volunteering, we share our knowledge and skills, and we raise funds to support important initiatives, campaigns and disaster relief.

Community engagement is a key part of Li & Fung's Sustainability Strategy and is integral to building sustainable communities and economies that will thrive for generations to come. We believe that creating positive change goes hand-in-hand with having a successful business. It helps us attract and retain employees and transforms our people by helping them better understand our local communities and their needs. Our 'In It Together' campaign slogan signifies how, together, we can create sustainable, long-term change in the world.

Our local actions and global campaigns align our core business strengths to support the development of our people, communities and local economies, engage the time and talent of our people and establish networks of community partners.

In 2014, our employees from over 20 countries and 65 offices volunteered over 13,000 times, giving over 37,000 hours to support 254 environmental and social initiatives around the world. Corporate donations from Li & Fung to support charitable organizations and activities around the world totaled US$1.84 million. Our employees also raised over US$627,000 to support communities and the Fung Foundation provided over US$361,000 to further support some of these projects. Of the 254 initiatives spearheaded in the markets where we live and work, 150 involved hands-on community activities, 57 involved working with or caring for youth, 31 had an environmental focus and 16 provided basic needs or disaster relief.

254
activities

150 HANDS-ON ACTIVITIES
57 CARING FOR YOUTH
31 ENVIRONMENTAL FOCUS
16 BASIC NEEDS

65+ locations
participated in community initiatives

Colleagues volunteered
13,000+ times

USD 627,000+
Raised by colleagues

37,000+
volunteer hours

Facilitating Community Engagement and Investment

At Li & Fung we support our people to volunteer and support causes and organizations they feel passionately about. Globally, our community engagement ambassadors inspire our people, share information, connect with community partners, organize activities, and track outcomes and results. In 2014 we published nine editions of our community engagement newsletter with each edition highlighting all of our activities and upcoming events globally.

We work closely with community partners worldwide around a strategic focus for impact, led by our community engagement team in Hong Kong. Key global partners include the Asian University for Women, Business for Social Responsibility (BSR), Captivating International, CARE International, Habitat for Humanity, Red Cross/Red Crescent, Room to Read and World Wide Fund for Nature (WWF). We also work with a large variety of partners in each of our local markets.

Our activities are sponsored by our corporate offices and/or the Fung Foundation, which provides funding for hands-on community service and matches funds for fundraising activities and disaster relief, which helps spur on our colleagues' volunteerism and generous donations. In 2014, the Fung Foundation's support totaled US$361,000.

Our colleagues generously donated over US$627,000 to support community initiatives in 2014, including major campaigns for girls' scholarships in Asia, building a school in Bangladesh with Room to Read, child sponsorships in China with Captivating International and global campaigns for Breast Cancer and Movember (men's health awareness).

In It Together

We support our people to make a difference.

The effectiveness of our community engagement activities has increased year-on-year since we began reporting more systematically in 2011. Each community engagement activity is tracked to measure, wherever possible, the inputs, outputs, outcomes and impacts. Results are collected locally and aggregated globally. In addition to reporting our activity and impact in our annual report, measuring impact allows us to share metrics with our people and community partners and to review the focus and effectiveness of the programs each year. Inputs measured include details of the activity, the partner organization, the type and classification of the activity, the number of colleagues involved, the number of people involved from our networks (for example, customers, suppliers, family and friends), funds spent on the activity, funds raised and in-kind donations. Outputs we measure include environmental improvement, social benefits and awareness raising, the beneficiaries and how they benefited and what organizations were supported. We also use qualitative surveys and measures to help track our longer-term outcomes. Our community partners have a close connection with the beneficiaries of our activities and also help to report and share stories and statistics on how we are impacting communities.

Community Engagement and Investment in Action

Positively impacting communities involves engaging and supporting our people and leveraging our resources and networks to meaningfully contribute to our communities. To focus our efforts we invest in human potential, help communities in need and mobilize for change along the supply chain.

We support communities where we live and work.

1.Investing in the Potential of People

We believe that giving people the opportunity to learn and grow can help transform lives and contribute to the wellbeing of our communities. Throughout our global network, we partner with local organizations to support children, youth and adults who may be disadvantaged or disenfranchised to access education, learn new skills, and grow personally and professionally through mentoring and life-skills coaching. Through generous donations, we provide

sponsorships for children and youth to access education and funding to build schools in remote areas. Our people volunteer their time to coach youth and young adults through job shadowing, career workshops, speaking engagements, mentorships, work placements and internships.

KEY INITIATIVES

We believe that education can change the world and that all children deserve a quality education. In 2014, we continued to partner with Room to Read to help create literate communities and to support gender equality in education in many of the countries where we work. Our colleagues generously donated over US$150,000 and raised many more thousands of dollars to help build libraries and schools, support girls' education and help transform communities through the power of education.

We also sponsored education, job training and mentoring across several initiatives, as highlighted below.

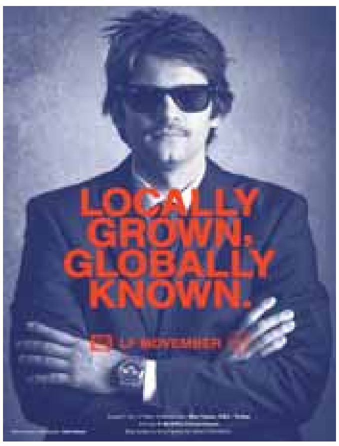
We launched a sponsorship campaign for the Seng Girls Vocational Training School in the Qinghai-Tibetan plateau. The campaign raised funds for 75 disadvantaged girls in one of China's poorest provinces to go to school. Over US$57,000 was raised by 314 colleagues, with all donations matched by the Fung Foundation.

We also supported the Asian University for Women (AUW), Asia's premier liberal arts university dedicated to female empowerment through education, by mentoring students, providing internships, and sharing our expertise in Hong Kong, India and Bangladesh. The Fung Foundation has extended our partnership by supporting 15 Fung Scholars per year from AUW over the next five years.

We implemented a program in the United Kingdom to employ 13 long-term unemployed 18 to 24-year-olds across core business functions. Feedback received indicates that the program has been meaningful for both the participants and our people who engaged with and/or mentored the recruits.

2. Helping Communities in Need

The communities around the world where we live, work and do business are as unique geographically as are their specific needs. To make a meaningful difference in these communities, we seek to raise awareness of social and environmental needs and maximize the impact we can make by mobilizing our people for action through both global campaigns supporting universal issues and locally-organized activities that target specific needs. For our global campaigns we engage all of our offices to share information and take action around common themes such as men's and women's health, donating blood and caring for the environment. We engage in a number of local activities that are specific to social needs and range from taking care of the elderly and children, to providing medical and food supplies, computers, clothing and other items to meet basic needs and enhance livelihoods.



KEY INITIATIVES

During 2014 we supported a number of initiatives to help communities in need. As part of our global 'Clean Up Our World' campaign with over 30 environmentally-focused activities, we cleaned coastlines, reinforced dams and planted flowers and trees. We also increased awareness about our environment through expert talks and information sharing.

We worked to improve awareness of men's health issues through our global "Movember" campaign; materials were translated into nine different languages to help share the message globally. We had the top fundraising team in Hong Kong and our people shared feedback that they had improved their lifestyle and went for health screenings as a result of the campaign.

As part of our initiatives to support basic needs across our communities, we supported orphans and homeless children in Thailand by teaching them how to plant and grow rice, and returned months later to help the children harvest the rice, thereby sharing knowledge and skills that they can use to help support themselves.

3. Mobilizing for Change

Li & Fung's supply chain is the foundation of our business and a connector of communities around the world. Working with our customers, suppliers and community partners we share our skills and expertise, leverage our networks and people for action and impact and create new business opportunities to effect change. We focus on raising awareness and building capacity for both workers and communities. We seek to improve their livelihoods, support people who were previously excluded from employment to find meaningful work and develop new business opportunities that support sustainable local economic development.

KEY INITIATIVE

In Jordan where women are largely excluded from the workforce, we are working with CARE International on the three-year Hemaya Project to empower women who work in select factories in the Jordanian garment sector. The project aims to improve workplace relations and improve livelihood options for local women. Feedback from the factories has indicated that by building up the skill sets of women and working with management on their interactions with female employees, more women are joining the workforce and there is a greater awareness of the benefits of women earning an income.

Photo credit: CARE Jordan

Our footprint

We responsibly manage our operations to reduce our impact and raise awareness to champion change.

Our footprint

Taking action to reduce the environmental impact of our operations is a priority. 2014 marks the fifth year of implementing our holistic Sustainability Strategy, which was first formalized in 2009. Over the years, the strategy has raised our colleagues' sustainability awareness and enabled the company to make significant progress.

We believe in our people and support them to champion change.

Environmental Awareness

At Li & Fung we appreciate the importance of not only raising the awareness of our people to understand our environmental impact, but also to inspire and support them to take action to reduce our footprint.

We have been sharing and implementing energy, water, paper and other resource-saving opportunities across our businesses, implementing our *Green Meeting Guidelines* to reduce energy use, consumption and wastage during internal and external meetings, and increasing our use of video conferencing to reduce overall travel. In 2014, we revamped our internal communications channel, known as One Family, with new interactive features to enable our 26,000 employees around the world to stay connected with one another and share their best practices on environmental protection.

Our commitment is exemplified by our manufacturing facility in Thailand where a comprehensive program has been implemented to raise employee awareness and engagement on sustainability since 2011. As a result, the facility has been awarded a number of awards and certificates from the Thai government in recognition of its achievements, including the Good Environmental Governance Award and the Green Industry Certificate by the Ministry of Industry (Thailand) for the third consecutive year. In 2014 the facility was awarded Level 4 out of 5. No company has achieved Level 5 out of 5.

Going forward we will continue to support our people to make a difference by reducing environmental impact in their personal and professional lives, as well as in our communities around the world.

Sustainable Design

Integrating sustainability features into how we design, build and renovate our spaces – our offices, warehouses, distribution centers and manufacturing facilities – is an integral part of our effort to reduce our footprint and maintain a healthy, safe and aesthetically-pleasing working environment for our people. Throughout our workplaces we maintain ergonomically-sound work areas and resource-efficient equipment and fixtures, and select building and interior fit-out materials, furniture and other items, as directed by our *Sustainable Design, Construction and Renovation Guidelines for New Construction, Major Renovation and Commercial Interiors* and to meet third-party certification requirements.

As of 2014, we have a total of 12 LEED[1]/BREEAM[2] certifications[3], including one platinum, five gold and five silver LEED certifications, and in addition, a Silver Class Green Building certification for our Rui Fang distribution center in Taiwan. Examples of what we have implemented in our workplaces are provided in the tables on pages 96 and 97.

We design and build sustainable workplaces.

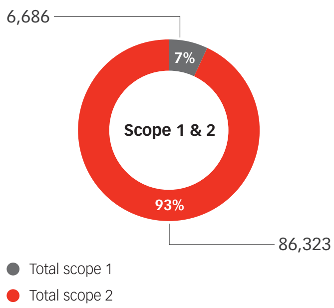
Resource Management

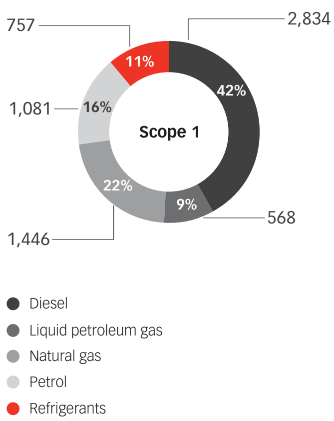
Our Reporting Scope

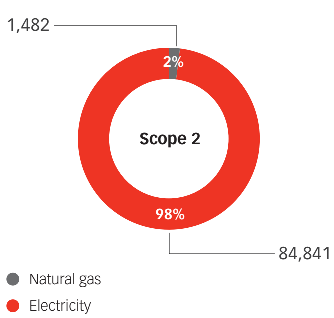
Over the years, we have reported on our sustainability performance including year-on-year comparisons of environmental metrics for our Trading Network against our initial 2010 baseline. In 2013 we also disclosed environmental metrics for our Distribution and Logistics Networks. 2014 marks the first year of our new Three-Year Plan and the integration of some of the

1 Leadership in Energy and Environmental Design (LEED).
2 Building Research Establishment Environmental Assessment Method (BREEAM).
3 With the spinoff of Global Brands, 2 LEED certifications that were previously reported are no longer part of Li & Fung's operations.

Li & Fung's 2014 Greenhouse Gas Emissions by Scope and Source in tCO2e[8]







Distribution[4] Network into our Trading business, which along with our Logistics business, now comprise Li & Fung's business following the spin-off of the Global Brands Group Holding Limited (Global Brands)[5] in July 2014.

For 2014, we disclose the environmental performance of Li & Fung, with and without Global Brands[6] in the graphs on page 95 under 'Our environmental performance at-a-glance'. Results for Li & Fung as a whole, and for the Trading and Logistics businesses, as presented in the table on the same page, comprise our new baseline for measuring environmental performance across the current Three-Year Plan.

Improving Energy Efficiency and Reducing Emissions

At Li & Fung we understand the physical and financial challenges associated with climate change and its resulting effects on our business and communities around the world. Resource availability and changes in weather are already impacting the sourcing and delivery of goods and services in our industry. We consider these risks in the procurement and consumption of resources, in material sourcing and product manufacturing, and in the transportation of products to our customers.

Within our operations we are committed to responsibly managing our footprint. Our consumption of energy and the nature of our air and greenhouse gas (GHG) emissions globally are characterized by our Trading business having over 150 offices and six manufacturing facilities, and our Logistics business with over 150 distribution centers and warehouses (DCs). For all of our facilities, systems are in place to monitor consumption and emissions. All facilities operated in compliance with relevant regulatory requirements in 2014.

Our electricity consumption metrics and our Scope 1 and 2 GHG emissions are presented on page 95. Data is provided for 2014 on a separate basis for both Trading and Logistics and on a consolidated basis for Li & Fung as a whole. We calculate our GHG emissions according to international standards as well as the appropriate national and local guidelines[7] and emission factors. Scope 1 comprises emissions from the consumption of fuel by company-owned vehicles and boilers and of refrigerants by chillers. Scope 2 emissions arise from purchased electricity and natural gas for heating and cooling.

4 *Li & Fung's Distribution Network included the manufacturing facilities operated by Li & Fung in Bangkok, Kuala Lumpur, Jakarta and Dongguan, as well as business entities that became part of Global Brands.*
5 *Global Brands comprises business entities that had previously been part of the Li & Fung Trading and Distribution Networks.*
6 *Li & Fung's results for the third and fourth quarters of 2014 account for the spinoff of Global Brands as of July 2014. Li & Fung's new baseline going forward for the year 2014 is therefore not directly comparable to the company's 2013 performance results.*
7 *Standards and guidelines adopted include the International Energy Agency's CO_2 Emissions from Fuel Combustion, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, the Defra Voluntary Reporting Guidelines and the Hong Kong Government's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings.*
8 *Tons CO_2 equivalent (tCO2e).*

We manage our resources responsibly.

We continue to implement best practices, as outlined in the tables on pages 96 and 97, to reduce the overall energy and GHG intensity of our operations and to improve the fuel efficiency of our vehicles. As a result of capital investments and behavioral change, our efficiency measures have enabled our Trading business to achieve year-on-year reductions in the intensity of our electricity consumption and GHG emissions from 2011 to 2013. With our new baseline in 2014, we attribute reductions in absolute electricity consumption and GHG emissions within our Trading business to the conversion of six factories in Shanghai and Shenzhen to offices or sample rooms, and the spin-off of 24 offices that consumed natural gas for heating to Global Brands. Absolute electricity consumption and GHG emissions increased slightly for the Logistics business, reflecting the addition of new distribution centers and/or warehouses in Hong Kong, Korea, Malaysia and Taiwan, and increased consumption of petrol and diesel by an expanded vehicle fleet.

Building on the significant progress previously achieved, our new targets are to reduce the intensity of both our GHG emissions and electricity usage by 10% by 2016, against our baseline of 2014. To achieve our targets, we will continue to evaluate and implement energy-saving measures to reduce our contribution to global climate change.

Efficiently Using Resources and Reducing Waste

Resources such as energy, water and raw materials are essential inputs to our business. Li & Fung is committed to using resources wisely and efficiently and reducing waste generation within our own operations.

Throughout all of our operations, we have been progressively implementing water-efficiency measures, ranging from the installation of water-efficient faucets, fixtures and fittings in our offices and equipment in our facilities, to the behavioral change of our people. This has enabled us to achieve year-on-year intensity reductions in water usage within our Trading business from 2011 to 2013, despite water consumption increasing in absolute terms as our operations expanded. In 2013 and against our baseline of 2010, consumption intensity reduced by 5% per person within Trading. With our new baseline of 2014, absolute water consumption reduced within Logistics. An increase within our Trading business is attributed to an expansion of business volume within our manufacturing facilities in Malaysia and Indonesia. Within our manufacturing facilities, systems are in place to reduce water consumption and waste generation in the production process, to treat and monitor wastewater discharges, and to handle, store and dispose of chemical and solid materials and waste. In 2014, all facilities operated in compliance with regulatory requirements.

Our offices use paper that is certified by a Forest Stewardship Council™ (FSC™) accredited certification body as being from mixed, responsible sources. In addition, we provide products that comprise materials, including wood, paper, cardboard and/or packaging that are verified to be from FSC[9] or PEFC[10] certified sources. The ongoing efforts of our people to reduce paper usage contributed to both an overall absolute reduction and year-on-year intensity reductions within Trading from 2011 to 2013, against our 2010 baseline. In 2013 paper consumption intensity had reduced by 28% per person over this baseline. The absolute reduction achieved in 2014 is primarily due to reductions in paper consumption, but also attributed to the spin-off of Global Brands.

All of our offices and facilities seek to minimize waste generation and maximize reuse and recycling. In Hong Kong, we reviewed our recycling program and enhanced the capture of our recyclables, including used paper, printer/copier toners, packaging, aluminum cans and plastic bottles for recycling by both a local company and social enterprises. For seven of our Hong Kong offices, we continue to maintain our 'Class of Excellence' recognition under the Hong Kong government's Wastewi$e scheme. At our manufacturing facilities, various measures have been implemented to better manage materials and minimize waste generation, ranging from flexible processing lines that adapt for multiple product runs to lean manufacturing projects to reduce consumption and waste, to the proper handling, storage and disposal of materials and chemicals to meet legal and REACH[11] requirements. Furthermore, our manufacturing and logistics facilities reuse and recycle pallets made from plastic and wood-based materials, recycle waste materials and minimize packaging for the internal storage and delivery of finished goods.

Metrics for our water and paper consumption are presented on page 95.

We will continue to review our performance, implement measures and support our people to use resources efficiently and responsibly and to reduce waste generation. Our targets are to reduce water intensity by 5% and paper and waste intensity by 10% by 2016 over our 2014 baseline.

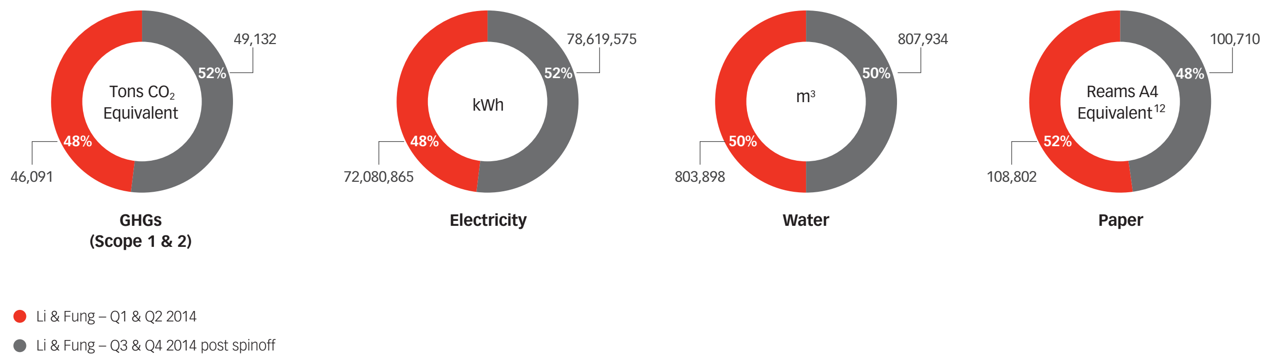
9 FSC license numbers FSC-C11027, FSC-C113132, FSC-C114681 and FSC-C116575.

10 Programme for the Endorsement of Forest Certification (PEFC).

11 European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.

Our Environmental Performance At-a-Glance

2014 Consumption Attributable to Li & Fung



Li & Fung's 2014 Consumption and Baseline, and 2016 Intensity Reduction Targets

	Li & Fung			
	Trading	Logistics	2014 Totals	Intensity Reduction Targets for 2016
GHGs	Tons Co_2 Equivalent			
Scope 1	*5,615*	*1,071*	*6,686*	
Scope 2	*61,458*	*24,865*	*86,323*	-10%
Total GHGs	67,073	25,936	93,009	
	kWh			
Electricity	105,218,953	42,826,155	148,045,108	-10%
	m³			
Water	1,302,998	303,835	1,606,833	-5%
	Reams A4 Equivalent[12]			
Paper	111,930	93,835	205,765	-10%

12 *Includes consumption of A4-sized paper and estimations for letter and A3 equivalents.*

Examples of Footprint Reduction Initiatives Adopted by Li & Fung

	Footprint Reduction Initiatives
Trading – Offices	• Retrofitting T-8 and halogen lighting with energy-efficient LED, T-5 and CFL alternatives and maintaining appropriate lux levels
	• Refurbishing modular working areas to create aesthetically-pleasing, open-plan office spaces that maximize natural lighting and feature ergonomically-sound stand-up work desks, spaces for collaboration and accessible meeting areas
	• Optimizing performance and energy-efficient retrofits of chillers and ventilation systems
	• Turning off lights, computers, monitors and printers when not in use
	• Implementing an automatic computer and lighting shutdown policy outside of working hours
	• Consolidating and installing energy-efficient servers, photocopiers, printers, LED monitors and other equipment
	• Maintaining office and server room temperatures at levels that minimize energy use
	• Using renewable energy where feasible; photovoltaic panels generate a portion of our Istanbul office's electricity demand

For the recent fit-out of six new office floors in Shanghai, a number of environmentally-responsible elements were adopted. These include: LED lighting and individual task lights with separate switches for workbenches, energy-efficient variable refrigerant volume (VRV) air conditioning systems, carpet floor tiles that are third-party certified as carbon neutral and emitting very low levels of volatile organic compound (VOC) emissions, and workbench and cabinet particleboard furniture that is both produced by manufacturers and comprises materials from sources that are third-party certified[13].

	Footprint Reduction Initiatives
Logistics – Offices & DCs	• Continuing to implement Logistics' Lean Transport initiative that includes: > Improving route planning to reduce fuel consumption and GHG emissions > Maximizing vehicle loads, minimizing truck mileage, reducing empty vehicle returns and consolidating customer deliveries > Optimizing the proximity of DC facilities to supplier and customer locations > Phasing out pre-Euro IV diesel commercial vehicles
	• Installing LED lighting in newly-built warehouses and replacing existing halogen lighting with LED in restructured warehouses

13 The manufacturer has Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody Certification and the particleboard comprises rubber wood certified to the European SUPER E0, E1 class environmental standard.

Examples of Footprint Reduction Initiatives Adopted by Li & Fung (continued)

	Footprint Reduction Initiatives
Trading – Manufacturing Facilities	• Adopting environmentally-responsible and efficient technologies and systems to reduce energy consumption and GHG emissions, which include: > Retrofitting T-8 lighting with more energy-efficient T-5 lighting and installing motion and daylight sensors > New purpose-built hot rooms with more efficient air circulation and thermostatic control > Cooling product formulations below 35°C and automating the cooling schedule to reduce energy consumption > Upgrading heating and cooling systems in the component warehouse to improve efficiency > Installing inverters to control the speed of the air handling unit (AHU) fans and variable frequency drives (VFD) for air conditioning units > Installing more efficient air compressors with software control
	• Conducting energy assessments as part of all capital expenditure upgrades to ensure energy-efficient equipment, fixtures and features are adopted
	• Reducing the consumption of water, oil and chemicals, by optimizing and upgrading production and wastewater treatment processes and adopting oil-free compressors, which also require less maintenance
	• Implementing environmental management systems (EMS) that are certified to the ISO 14001 EMS standard at our manufacturing facilities in Bangkok, Dongguan, Jakarta and Kuala Lumpur
	• Our manufacturing facility in Trowbridge in the United Kingdom, which is audited to both Soil Association and Ecocert organic standards, has been recognized as a Marks & Spencer ECO Factory since 2011 and as a Sedex[14] member since 2004. The facility is also annually audited to meet the requirements of the Sedex Members Ethical Trade Audit (SMETA)
	With support from the Department of Alternative Energy Development and Efficiency of the Thai Ministry of Energy, our manufacturing facility in Thailand has implemented a solar thermal project that uses a hybrid system to combine energy from solar thermal collectors with waste heat from an economizer unit to generate hot water for the boiler to produce steam for use in the production process. The benefits of adopting this efficient technology include reduced consumption of energy and water and the elimination of the need to consume liquid petroleum gas (LPG) for the boiler, resulting in savings of over US$16,000 per year in fuel cost and reduced air and GHG emissions.

14 *www.sedexglobal.com*

Sustainability @ LF

Sustainability is integral to Li & Fung's business and our planning process. When developing our three-year plans, we assess our progress against our sustainability goals, set aspirational targets against best practice benchmarks and take action to meet those benchmarks.

Our Journey

With operations spanning more than 300 locations in over 40 markets, addressing sustainability requires us to responsibly manage our environmental, social and governance performance, as well as work with our customers, suppliers and industry partners to further the sustainability of supply chains and communities across our network. Health, safety and wellbeing, climate change, resource scarcity and increasing demands for transparency and accountability are all important issues driving change in how we do business and engage with our stakeholders. These issues pose risks and challenges that we address through our Sustainability Strategy and day-to-day activities. They also bring opportunities for providing sustainable sourcing options, furthering improvements in working and environmental conditions and building sustainable communities.

Our Strategy

2014 marks the fifth year of implementing our holistic Sustainability Strategy, which was first formalized in 2009 within our Trading business. The initial strategy raised our people's awareness of sustainability issues and enabled the company to make significant progress against qualitative and quantitative targets for each of the strategy's 10 Commitments.

For the current Three-Year Plan, we have updated our Sustainability Strategy under the following four pillars:

- **Supply Chain Sustainability**
  Managing risk and compliance, collaborating with our industry partners to build sustainable supply chains and sourcing responsibly brings benefits to workers and communities along our supply chain and to our business.

- **Engaging Our People**
  Our people are front and center of all that we do and are critical to our success. We engage and support them and are committed to their wellbeing and career development.

- **Engaging Our Communities**
  Supporting our people to meaningfully contribute to our communities is a core value. We invest in the potential of our people by building human capital in our communities. We take action to help meet community needs and we mobilize our resources to effect change in all of our markets around the world.

- **Managing Our Footprint**
  We responsibly manage our resources and environmental footprint to reduce impact by taking action within our operations to build sustainable workplaces and raising the awareness of our people to effect change.

Our Commitment to Disclosure

Expectations for increased disclosure and transparency continue to evolve and we are committed to improving our sustainability performance and enhancing our overall disclosure of information. In support of the Fung Group being a signatory to the United Nations' Global Compact (UNGC) since 2002, we have been publicly disclosing our continual progress in implementing actions to support the UNGC's 10 Principles on human and labor rights, the environment and anti-corruption.

We continue to be a constituent of two leading global sustainability indices, the FTSE4Good Index Series and the Dow Jones Sustainability Asia Pacific Index in the Textiles, Clothing, Accessories and Footwear sector and, in Hong Kong, we are a constituent member of the Hang Seng Corporate Sustainability Index Series.

THE GLOBAL COMPACT WE SUPPORT

FTSE4Good

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Hang Seng Corporate Sustainability Index Series Member 2014-2015

Awards and recognition

It is always rewarding when our efforts are recognized by others. Over the years, we have won numerous industry accolades for our performance, governance and the sustainability of our operations.

At Li & Fung we conduct business with integrity, transparency and accountability.

Our continuous commitment to excellence and high standards in corporate governance, stakeholder relations and disclosure, social responsibility and business innovation continued to earn market recognition from industry and governmental stakeholders. A selection of our awards for 2014 is shown here.

We have also been recognized for our sustainability performance and disclosure. We continue to be a constituent member of two leading global sustainability indices, the FTSE4Good Index Series and the Dow Jones Sustainability Asia Pacific Index in the Textiles, Clothing, Accessories and Footwear sector and, in Hong Kong, we are a constituent member of the Hang Seng Corporate Sustainability Index Series.

Awards and Recognition

"The World's Most Innovative Companies" – Ranked No. 41
by Forbes, 2014

"Top 100 Most Influential Asian Companies" – Ranked No. 72
by Boao Review, Roland Berger Strategy Consultants, and FTChinese.com, 2014

"Platinum Award in Financial Performance, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations"
by The Asset Magazine, 2009 – 2014

Asian Excellence Recognition Awards
"Best Investor Relations by a Hong Kong Company"
by Corporate Governance Asia, 2011 - 2014

Asian Excellence Recognition Awards
"Best CSR"
by Corporate Governance Asia, 2012 - 2014

"Asia's Best Companies – Best Corporate Social Responsibility" – Ranked No. 8 in Hong Kong
by FinanceAsia, 2014

"Best Rebrand of a Digital Property" – Gold
by Transform Awards Asia Pacific, 2014

"Caring Company"
by The Hong Kong Council of Social Service, 2002 - 2014

Information for investors

Listing Information

Listing: Hong Kong Exchange

Stock code: 494

Ticker Symbol
Reuters: 0494.HK
Bloomberg: 494 HK Equity

Index Constituent

Hang Seng Index
MSCI Index Series
FTSE4Good Index Series
Dow Jones Sustainability Asia Pacific Index
Hang Seng Corporate Sustainability Index Series

Key Dates

21 Aug 2014, Announcement of 2014 Interim Results

19 Sep 2014, Payment of 2014 Interim Dividend

19 Mar 2015, Announcement of 2014 Final Results

20 May 2015, Record Date for 2015 Annual General Meeting

21 May 2015, Annual General Meeting

26 May 2015, Dividend Ex-entitlement for Shares

28 May 2015 to **29 May 2015** (both days inclusive), Closure of Register of Shareholders

5 Jun 2015, Proposed Payment of 2014 Final Dividend and Special Dividend

Registrar & Transfer Offices

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Appleby Management (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

Hong Kong Branch
Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone: (852) 2980 1333
Email: lifung-ecom@hk.tricorglobal.com

Share Information

Board lot size: 2,000 Shares

Shares outstanding as at 31 December 2014
8,360,398,306 Shares

Market Capitalization as at 31 December 2014
HK$60,696,491,701

Basic earnings/(losses) per Share for 2014
Interim
– Continuing Operations 2.51 US cents
– Discontinued Operations (1.17) US cents
Full Year
– Continuing Operations 6.46 US cents
– Discontinued Operations (1.17) US cents

Dividend per Share for 2014
Interim 13 HK cents | Final 21 HK cents | Special 7 HK cents
Total 41 HK cents

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Corporate Communications | media@lifung.com

Company Secretarial | cosec@lifung.com

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Websites

www.lifung.com | www.irasia.com/listco/hk/lifung

A Chinese version of this Report can be downloaded from the Company's website and can be obtained from the Company's Hong Kong branch share registrar, Tricor Abacus Limited. In the event of any difference, the English version prevails.
本報告中文版可從本公司網站下載，及向本公司於香港之股份過戶登記處卓佳雅柏勤有限公司索取。如中英版本有任何差異，請以英文版本為準。

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 December 2014.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in *Note 43* to the accounts.

Details of the Continuing Operations' turnover and contribution to operating profit of the Group for the year by segments are set out in *Note 3* to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in *Note 26* to the accounts.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on pages 118 to 119.

The Directors declared an interim dividend of HK$0.13 (equivalent to US$0.017) per ordinary share, totalling US$140,158,000 which was paid on 19 September 2014.

The Directors recommend the payment of 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 totalling US$300,117,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity and *Note 27* to the accounts.

Distributable Reserves

At 31 December 2014, the reserves of the Company available for distribution as dividends amounted to US$3,158,841,000, comprising retained earnings of US$2,184,652,000 and the contribution surplus of US$974,189,000 arising from: (i) the exchange of shares for the acquisition of Li & Fung (B.V.I.) Limited; (ii) the issuance of shares for the acquisition of Colby Group Holdings Limited; (iii) transfer from share premium of US$3,000,000,000 *(Note 27(b))*; and (iv) the distribution in specie of US$2,290,000,000 *(Note 27(b))*.

Under the Companies Act 1981 of Bermuda (as amended), the contribution surplus shall not be distributed to the Shareholders if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Donations

Charitable and other donations made by the Group during the year amounted to US$1,840,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in *Note 13* to the accounts.

Ten-year Financial Summary

A summary of the results for the year ended and of the assets and liabilities of the Group as at 31 December 2014 and for the previous nine financial years are set out in the Ten-Year Financial Summary section on pages 216 to 217.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws though there are no restrictions against such rights under the laws of Bermuda.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

Share Options

Pursuant to the terms of the Option Scheme, the Option Scheme is valid and effective for a period of 10 years commencing on the adoption date and expiring on the tenth anniversary of the adoption date. Accordingly, the Option Scheme had been expired on 11 May 2013 and no further options could thereafter be granted under the Option Scheme. However, all remaining provisions will remain in full force and effect to govern the exercise of all the options granted under the Option Scheme prior its expiration.

As at 31 December 2014, there were Share Options relating to 41,698,000 Shares granted by the Company representing 0.5% of the issued Shares of the Company as at the date of this Report pursuant to the Option Scheme which were valid and outstanding.

At the 2014 annual general meeting of the Company held on 15 May 2014, the New Option Scheme was adopted by the Shareholders. No option has been granted by the Company pursuant to the New Option Scheme for the year ended 31 December 2014.

Details of the Share Options granted under the Option Scheme that remain outstanding as at 31 December 2014 are as follows:

	Number of Share Options						
	As at 1/1/2014	Cancelled	Lapsed	As at 31/12/2014	Exercise Price (HK$)	Grant Date	Exercisable Period
William Fung Kwok Lun	540,000	(128,000)	–	412,000	16.90[1]	11/4/2011	01/5/2012 – 30/4/2015
	540,000	(540,000)	–	–	20.21	11/4/2011	01/5/2013 – 30/4/2015
	1,350,000	(1,350,000)	–	–	20.21	11/4/2011	01/5/2014 – 30/4/2016
Spencer Theodore Fung	360,000	(86,000)	–	274,000	16.90[1]	11/4/2011	01/5/2012 – 30/4/2015
	360,000	(360,000)	–	–	20.21	11/4/2011	01/5/2013 – 30/4/2015
	900,000	(900,000)	–	–	20.21	11/4/2011	01/5/2014 – 30/4/2016
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2013 – 30/4/2015
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2014 – 30/4/2016
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2015 – 30/4/2017
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2016 – 30/4/2018
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2017 – 30/4/2019
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2018 – 30/4/2020
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2019 – 30/4/2021
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2020 – 30/4/2022
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2021 – 30/4/2023

	Number of Share Options						
	As at 1/1/2014	Cancelled	Lapsed	As at 31/12/2014	Exercise Price (HK$)	Grant Date	Exercisable Period
Marc Robert Compagnon	360,000	(86,000)	–	274,000	16.90[1]	11/4/2011	01/5/2012 – 30/4/2015
	360,000	(360,000)	–	–	20.21	11/4/2011	01/5/2013 – 30/4/2015
	900,000	(900,000)	–	–	20.21	11/4/2011	01/5/2014 – 30/4/2016
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2013 – 30/4/2015
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2014 – 30/4/2016
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2015 – 30/4/2017
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2016 – 30/4/2018
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2017 – 30/4/2019
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2018 – 30/4/2020
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2019 – 30/4/2021
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2020 – 30/4/2022
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	01/5/2021 – 30/4/2023
Continuous contract employee	31,600,000	(9,968,000)	(274,000)	21,358,000	16.90[1]	11/4/2011	01/5/2012 – 30/4/2015
	32,144,000	(32,144,000)	–	–	20.21	11/4/2011	01/5/2013 – 30/4/2015
	80,076,000	(80,076,000)	–	–	20.21	11/4/2011	01/5/2014 – 30/4/2016
	2,033,000	(653,000)	–	1,380,000	12.71[1]	21/11/2011	01/5/2012 – 30/4/2015
	4,228,000	(4,228,000)	–	–	15.20	21/11/2011	01/5/2013 – 30/4/2015
	9,457,000	(9,457,000)	–	–	15.20	21/11/2011	01/5/2014 – 30/4/2016
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	01/5/2013 – 30/4/2015
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	01/5/2014 – 30/4/2016
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	01/5/2015 – 30/4/2017
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	01/5/2016 – 30/4/2018
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	01/5/2017 – 30/4/2019
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	01/5/2018 – 30/4/2020
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	01/5/2019 – 30/4/2021
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	01/5/2020 – 30/4/2022
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	01/5/2021 – 30/4/2023
	3,742,000	(3,742,000)	–	–	15.09	26/6/2012	01/5/2013 – 30/4/2015
	8,357,000	(8,357,000)	–	–	15.09	26/6/2012	01/5/2014 – 30/4/2016
	813,000	(813,000)	–	–	13.04	12/11/2012	01/5/2013 – 30/4/2015
	3,014,000	(3,014,000)	–	–	13.04	12/11/2012	01/5/2014 – 30/4/2016
Total	208,134,000	(157,162,000)	(9,274,000)	41,698,000			

NOTES:

(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.*

(2) *The above options granted are recognized as expenses in the accounts in accordance with the Company's accounting policy as set out in Note 1 to the accounts. Other details of Share Options granted by the Company are set out in Note 26 to the accounts.*

The major terms of the Option Scheme and the New Option Scheme (collectively, the "Schemes") are summarized as follows:

(i) Purpose
The purpose of the Schemes is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to the selected qualifying participants; and to promote the long-term financial success of the Group by aligning the interests of the option holders to the Shareholders.

(ii) Qualifying Participants
Any employee including any Executive or Non-executive Director of the Company or any affiliate, any consultant, agent, representative, adviser, customer, contractor, business ally or joint venture partner of the Group or any affiliate under the Schemes.

(iii) Maximum Number of Shares
The total number of Shares which may be issued upon exercise of all options to be granted under the Option Scheme and New Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the respective date of approval of each of the Schemes. Following the expiration of the Option Scheme, no further share options can be granted under the Option Scheme.

The New Option Scheme was adopted by an ordinary resolution passed at the 2014 annual general meeting of the Company held on 15 May 2014. The number of Shares available for issue under the New Option Scheme is 836,039,830 Shares representing 10% of the issued Shares of the Company as at the date of this Report.

Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Schemes and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued Shares of the Company from time to time.

(iv) Limit for Each Participant
The total number of Shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the Shares of the Company in issue.

(v) Option Period
The period within which the Shares must be taken up an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

The Board has the authority to determine the minimum period for which an option must be held before it can vest. The Schemes do not specify any minimum holding period.

(vi) Acceptance and Payment on Acceptance
An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the date of offer (or such longer period as the Board may specify in writing).

HK$1.00 is payable by the grantee to the Company on acceptance of the offer.

(vii) Subscription Price

The exercise price must be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

(viii) Remaining Life of the Schemes

The Option Scheme had been expired on 11 May 2013 and all outstanding Share Options granted under the Option Scheme and yet to be exercised shall remain valid.

Under the New Option Scheme, the Board is entitled at any time within 10 years between 15 May 2014 and 14 May 2024 to offer the grant of an option to any qualifying participants.

Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2014 are set out in *Note 43* to the accounts.

Associated Companies

Details of the Company's principal associated companies at 31 December 2014 are set out in *Note 43* to the accounts.

Major Customers and Suppliers

During 2014, the Continuing Operations of the Group purchased less than 30% of its goods and services from its five largest suppliers. The percentage of sales attributable to the largest customer and the five largest customers combined for the Continuing Operations of the Group were 14% and 35% respectively.

Each of Dr Victor Fung Kwok King, Dr William Fung Kwok Lun and Mr Spencer Theodore Fung was deemed to have more than 5% interests in Global Brands Group, which is one of the Group's five largest customers.

Save as disclosed above, during 2014, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had a material interest in the Group's five largest customers.

During 2013, the Continuing Operations of the Group purchased less than 30% of its goods and services from its five largest suppliers. The percentage of sales attributable to the largest customers and the five largest customers combined for the Continuing Operations of the Group were 14% and 35% respectively.

Connected Transactions and Continuing Connected Transactions

During the year, the Group had the following connected transactions and continuing connected transactions which were subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirement.

(i) The Group entered into a distribution and sale of goods agreement (the "Existing Distribution and Sale of Goods Agreement") with FH (1937) and its associates on 19 January 2012 for a term of three years from 1 January 2012 to 31 December 2014. In view of the expiry of the Existing Distribution and Sale of Goods Agreement, the Company has renewed the distribution and sale of goods agreement (the "Renewal Distribution and Sale of Goods Agreement") on 5 December 2014 for a term of three years commencing on 1 January 2015 and ending on 31 December 2017. FH (1937) and its associates are connected persons of the Company and the transactions contemplated under the Existing Distribution and Sale of Goods Agreement and the Renewal Distribution and Sale of Goods Agreement constituted continuing connected transactions of the Company under the Main Board Listing Rules. In such respect, the Group recorded sales of US$24,092,000 for the year ended 31 December 2014. On 24 June 2014, the Discontinued Operations entered into another new master distribution agreement with FH (1937) and its associates for the period from 9 July 2014 to 31 December 2016. Distribution and sale of goods from this new master distribution agreement do not constitute to continuing connected transactions of the Group.

(ii) On 13 August 2013, the Group entered into a management agreement with Perfect Investments B.V. ("Perfect Investments"), an associate of FH (1937), to provide management services to Perfect Investments and its subsidiaries, including Suhyang Networks Co., Ltd. and Suhyang International Co. Ltd. (collectively referred to as "Suhyang Group"). No management services fee was recognized by the Group in 2014 as the management agreement had been terminated based on mutual agreement.

(iii) On 21 August 2013, a subsidiary of the Group's Discontinued Operations formed a business co-operation arrangement 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 British Heritage Brands, Inc. ("BHB"), a wholly-owned subsidiary of Heritage. Pursuant to the arrangement, the subsidiary entered into a convertible promissory note purchase agreement (the "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 of US$315,000 for the period from 1 January 2014 to 8 July 2014, the date upon which the spin-off of the Group's Discontinued Operations became effective, constituted connected transactions of the Company under the Main Board Listing Rules.

(iv) Pursuant to the master agreement for leasing of properties (the "Master Lease Agreement") that the Company entered into with FH (1937) on 6 December 2013, the Group leased certain properties from FH (1937) and its associates for a term of three years from 1 January 2014 to 31 December 2016. The transactions contemplated under the Master Lease Agreement constituted continuing connected transactions of the Company under the Main Board Listing Rules. In such respect, the Group paid rental expenses of US$24,549,000 for the year ended 31 December 2014.

(v) On 26 December 2013, a subsidiary of the Company entered into a sales and purchase agreement with Fung Retailing Limited, an associate of FH (1937) for the sale of the Roots License Rights at the consideration of US$18 million. The Group's Discontinued Operations may entitle to contingent receivables 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. This transaction is no longer regarded as connected transaction of the Company after the spin-off of the Group's Discontinued Operations on 8 July 2014.

(vi) On 24 June 2014, a subsidiary of the Company entered into the buying agency agreement with a subsidiary of Global Brands, an associate of FH (1937), for the sourcing and supply chain management services for a term of three years from the listing date of Global Brands. Global Brands Group is a connected person of the Company after its spin-off from the Group on 8 July 2014 and the transactions contemplated under the buying agency agreement thereafter constituted continuing connected transactions of the Company under the Main Board Listing Rules. For the period from 9 July 2014 to 31 December 2014, the Group provided buying agency services to Global Brands Group with an aggregate turnover of approximately US$891,587,000 at a commission not exceeding 7% of the FOB price on all products and components sourced through the Group. The aggregate commission payable to the Group under the buying agency agreement did not exceed the 2014 annual cap of US$125 million.

(vii) On 24 June 2014, the Company entered into the master property agreement with Global Brands, an associate of FH (1937), for the sub-lease and license offices to and from Global Brands Group from the listing date of Global Brands to 31 December 2016. Global Brands is a connected person of the Company after its spin-off from the Group on 8 July 2014 and the transactions contemplated under the master property agreement thereafter constituted continuing connected transactions of the Company under the Main Board Listing Rules. 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 which did not exceed the 2014 annual cap of US$12 million.

Non-exempt continuing connected transactions of the Company have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors confirmed that the aforesaid non-exempt continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with the Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Pension Scheme Arrangements

With effect from 1 December 2000, the mandatory provident fund (the "MPF Scheme") was set up by the Mandatory Provident Fund Authority of Hong Kong. The MPF Scheme is a defined contribution retirement benefit scheme and administered by independent trustees. Both the employer and the employees have to contribute an amount equal to 5% of the relevant income of such employee to the MPF Scheme. Contributions from the employer are 100% vested in the employees as soon as they are paid to the MPF Scheme and subject to certain conditions being met, all benefits derived from the mandatory contributions must be preserved until the employee either reaches the normal retirement age of 65 or meets certain specified conditions whichever is earlier.

In Taiwan, the Group operates a defined contribution provident scheme for its employees with the contributions set at 6% of the employees' basic salaries. In addition, the Group also participates in a retirement benefit plan in accordance with local statutory requirements. Under this plan, the Group recognized pension cost monthly at 3% of the employees' salaries, which is contributed monthly to an independent fund.

In Korea, the Group and each of its employees are required to contribute 4.5% of the employee's monthly salary to a government established pension corporation pursuant to the statutory requirement. Upon retirement, an employee is entitled to receive a lump sum payment.

In Indonesia and Thailand, the Group participates in a defined contribution provident scheme for its employees with the contribution set at 3.7% and 7% of the employees' basic salaries respectively. In addition, the Group also participates in a defined benefit retirement scheme in accordance with local statutory requirements.

In China, the Group participates in defined contribution retirement schemes operated by the local authorities for employees. Contributions to these schemes are pursuant to the statutory requirements.

The provident fund schemes for staff of the Group in other regions follow local requirements.

Contributions to the various arrangements of 2014 were:

	US$'000
Contributions to the MPF Scheme	5,868
Contributions forfeited by employees	(2,033)
Contributions to the defined contribution provident scheme and defined benefits plan in Taiwan	554
Contributions pursuant to the statutory requirements in Korea	1,440
Contributions to the defined contribution provident scheme and defined benefits plan in Indonesia and Thailand	2,415
Contributions pursuant to the statutory requirements in China	32,992
Contributions pursuant to local requirements in other overseas regions	19,034
	60,270

Directors

The Directors during the year and up to the date of this Report were:

Non-executive Directors:

Victor Fung Kwok King *(Honorary Chairman)*
Paul Edward Selway-Swift*
Allan Wong Chi Yun*
Franklin Warren McFarlan*
Martin Tang Yue Nien*
Benedict Chang Yew Teck *(retired on 15 May 2014)*
Fu Yuning* *(resigned on 31 December 2014)*
Margaret Leung Ko May Yee*

Executive Directors:

William Fung Kwok Lun *(Group Chairman)*
Bruce Philip Rockowitz *(Group President & Chief Executive Officer) (resigned on 1 July 2014)*
Spencer Theodore Fung *(Group Chief Executive Officer)*
Marc Robert Compagnon *(appointed on 1 July 2014)*

* *Independent Non-executive Directors*

All Directors of the Company, including Independent Non-executive Directors, are subject to retirement by rotation at annual general meetings in accordance with bye-law 110(A) of the Company's bye-laws.

Mr Spencer Theodore Fung, Professor Franklin Warren McFarlan and Mr Martin Tang Yue Nien will retire by rotation at the forthcoming annual general meeting. Mr Spencer Theodore Fung and Mr Martin Tang Yue Nien, being eligible, will offer themselves for re-election while Professor Franklin Warren McFarlan will retire from the Board with effect from the conclusion of the forthcoming annual general meeting.

In accordance with bye-law 101 of the Company's bye-laws, Mr Marc Robert Compagnon who was appointed by the Directors during the year, will retire and, being eligible, offer himself for re-election.

As stated in the 2012 annual report of the Company, Mr Paul Edward Selway-Swift will stand for re-election for a term of around one year at each annual general meeting. Accordingly, Mr Paul Edward Selway-Swift will also retire at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

The Board has received from each Independent Non-executive Director a written annual confirmation of their independence. The Nomination Committee considers that each Independent Non-executive Director is independent to the Company.

The biographical details of the Directors as at the date of this Report are set out in Our board and management team section on pages 54 to 63.

Directors' Service Contracts

Under a service contract dated 2 June 1992 between the Company and Dr William Fung Kwok Lun and a service contract dated 2 June 1992 between Li & Fung (B.V.I.) Limited and Dr William Fung Kwok Lun, Dr William Fung Kwok Lun has been appointed to act as Managing Director of the Company, Li & Fung (Trading) Limited, LF Properties Limited and Li & Fung (B.V.I.) Limited, in each case for an initial period of five years from 1 April 1992 and thereafter unless terminated by not less than 12 calendar months' notice in writing expiring at the end of such initial period or any subsequent month.

Apart from the above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation other than statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries 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 save as disclosed under the Connected Transactions and Continuing Connected Transactions section stated above and *Note 38* "Related Party Transactions" to the accounts.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

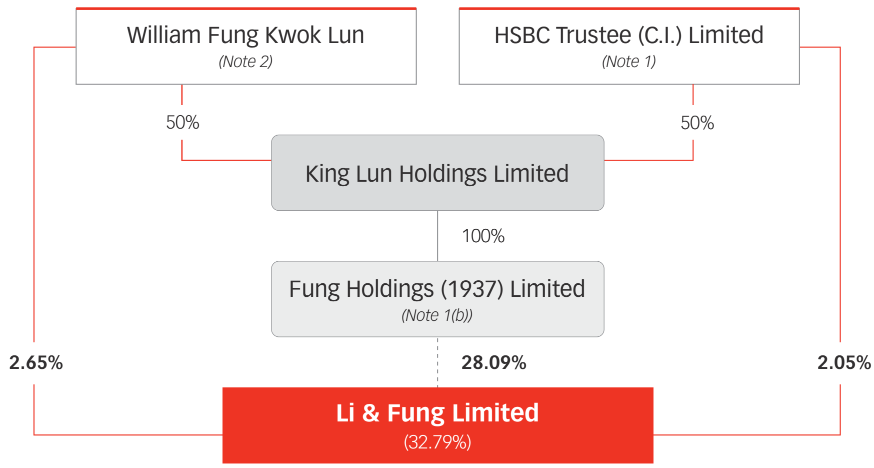
As at 31 December 2014, the Directors and chief executives of the Company and their associates had the following interests in the Shares and underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

(A) Long Position in Shares and Underlying Shares of the Company

	Number of Shares					
Name of Directors	Personal Interest	Family Interest	Trust/ Corporate Interest	Equity Derivatives (Share Options)	Total	Percentage of Issued Share Capital
Victor Fung Kwok King	2,814,444	–	2,520,188,580[1]	–	2,523,003,024	30.17%
William Fung Kwok Lun	144,342,660	108,800	2,425,362,472[2]	412,000[3]	2,570,225,932	30.74%
Spencer Theodore Fung#	1,408,000	–	2,520,188,580[1]	9,274,000[3]	2,530,870,580	30.27%
Marc Robert Compagnon	900,000	–	12,289,780[4]	9,274,000[3]	22,463,780	0.26%
Paul Edward Selway-Swift	36,000	60,000	16,000[5]	–	112,000	0.00%
Franklin Warren McFarlan	–	–	114,400[6]	–	114,400	0.00%
Martin Tang Yue Nien	–	–	60,000[7]	–	60,000	0.00%

 # Son of Dr Victor Fung Kwok King

The following simplified chart illustrates the deemed interests of Dr Victor Fung Kwok King and Mr Spencer Theodore Fung under *Note (1)* below and the interest of Dr William Fung Kwok Lun under *Note (2)* below:



NOTES:
As at 31 December 2014,

(1) Each of Dr Victor Fung Kwok King and Mr Spencer Theodore Fung was deemed to have interests in 2,520,188,580 Shares held in the following manner:

(a) 171,234,708 Shares were indirectly held by HSBC Trustee (C.I.) Limited ("HSBC Trustee") through its wholly-owned subsidiary, First Island Developments Limited. HSBC Trustee is the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King (the "Trust"); and

(b) 2,195,727,908 Shares were directly held by Fung Holdings (1937) Limited ("FH (1937)"), a wholly-owned subsidiary of King Lun Holdings Limited ("King Lun"), and 153,225,964 Shares were indirectly held by FH (1937) through its wholly-owned subsidiary, Fung Distribution International Limited ("Fung Distribution"). King Lun is a company owned as to 50% by HSBC Trustee as trustee of the Trust and 50% by Dr William Fung Kwok Lun.

(2) Out of 2,425,362,472 Shares, 26,114,400 Shares and 50,294,200 Shares were held by Golden Step Limited and Step Dragon Enterprise Limited respectively, both companies were beneficially owned by Dr William Fung Kwok Lun. The balance of 2,348,953,872 Shares were indirectly held by King Lun as mentioned in Note (1)(b) above.

(3) These interests represented the interests in underlying shares in respect of Share Options granted by the Company to these Directors as beneficial owners, the details of which are set out in the Share Options section stated above.

(4) 12,289,780 Shares were held by Profit Snow Holdings Limited, a company beneficially owned by Mr Marc Robert Compagnon.

(5) 16,000 Shares were held by a trust of which Mr Paul Edward Selway-Swift is a beneficiary.

(6) 114,400 Shares were held by a trust established for the benefit of Professor Franklin Warren McFarlan.

(7) 60,000 Shares were held by a trust of which Mr Martin Tang Yue Nien is a beneficiary.

(B) Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2014, none of the Directors and chief executives of the Company or their associates had any short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(C) Share Options

The interests of the Directors and chief executives in the Share Options (being regarded as unlisted physically settled equity derivatives) of the Company are detailed in the Share Options section stated above.

Save as disclosed above, at no time during the year, the Directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2014, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had interests in the Shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Percentage of Issued Share Capital
Long Positions			
King Lun Holdings Limited	Interest of controlled corporation	2,348,953,872[1]	28.09%
HSBC Trustee (C.I.) Limited	Trustee	2,520,188,580[2]	30.14%
The Capital Group Companies, Inc.	Interest of controlled corporation	833,229,518	9.97%
Sun Life Financial, Inc.	Investment manager	501,101,712[3]	5.99%
Massachusetts Financial Services Company	Investment manager	501,101,712[3]	5.99%
Veritas Asset Management LLP	Investment manager	423,309,009	5.06%
Aberdeen Asset Management Plc and its associates (together "the Aberdeen Group")	Investment manager	418,666,345[4]	5.00%

NOTES:

As at 31 December 2014,

(1) 2,195,727,908 Shares were directly held by FH (1937) which also through its wholly-owned subsidiary, Fung Distribution, indirectly held 153,225,964 Shares. FH (1937) is a wholly-owned subsidiary of King Lun. Both of Dr Victor Fung Kwok King and Dr William Fung Kwok Lun are directors of King Lun, FH (1937) and Fung Distribution.

(2) Please refer to Note (1) under the Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures section stated above.

(3) Massachusetts Financial Services Company ("MFS") is a subsidiary of Sun Life Financial, Inc. ("SLF") and accordingly, MFS's interest in 501,101,712 Shares are duplicated in the interest of SLF.

(4) The Aberdeen Group held the shares on behalf of accounts managed by the Aberdeen Group.

Save as disclosed above, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying shares of the Company as at 31 December 2014.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this Report, there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

Senior Management

The biographical details of the senior management as at the date of this Report are set out in the Our board and management team section on pages 54 to 63.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Our commitment to good governance section on pages 29 to 45.

Directors' Responsibilities for the Accounts

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Auditor

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
William Fung Kwok Lun
Group Chairman

Hong Kong, 19 March 2015

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.

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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

As at 31 December 2014

	Note	As at 31 December 2014 US$'000	2013 US$'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							
	Share Capital US$'000 *(Note 26)*	**Share Premium US$'000**	**Other Reserves US$'000 *(Note 27(a))***	**Retained Earnings US$'000**	**Total US$'000**	**Holders of Perpetual Capital Securities US$'000 *(Note 28)***	**Non-Controlling Interests US$'000**	**Total Equity US$'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	2013	**2014**	2013
	US$'000	US$'000 (Restated)	**US$'000**	US$'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	2013
	US$'000	US$'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

Emolument Bands	**Number of Individuals** **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:

Emolument Bands	**Number of Individuals** **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 US$'000	2013 US$'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 US$'000	2013 US$'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 US$'000	2013 US$'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:

Grant Date	Exercise Price HK$	Exercisable period	Number of Share Options 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)

	The Group							
	Accelerated Tax Depreciation Allowances		Intangible Assets Arising from Business Combinations		Others		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Deferred Tax Liabilities	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'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	2013
	US$'000	US$'000
Deferred tax assets	**32,493**	75,364
Deferred tax liabilities	**(39,771)**	(94,133)
	(7,278)	(18,769)

	The Group	
	2014	2013
	US$'000	US$'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
	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	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(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
	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
Note	**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)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	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
Note	**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
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$2,885,933	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.

Ten-Year Financial Summary

Consolidated Profit and Loss Account

	2014 US$'000	2013 US$'000 (Restated)	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000
Turnover	**19,288,499**	19,025,512	20,221,806	20,030,271	15,912,201	13,394,741	14,195,143	11,853,840	8,719,264	7,130,433
Operating Profit	**723,625**	811,726	790,703	879,937	679,318	497,373	390,310	461,545	309,272	241,615
Interest income	**6,984**	9,177	20,385	19,490	13,567	11,636	14,455	26,691	12,627	8,915
Interest expenses	**(105,179)**	(107,575)	(135,109)	(128,594)	(98,443)	(47,706)	(61,561)	(64,059)	(18,983)	(2,741)
Share of profit less losses of associated companies	**1,373**	442	638	1,231	1,850	998	794	634	1,359	1,162
Profit before taxation	**626,803**	713,770	676,617	772,064	596,292	462,301	343,998	424,811	304,275	248,951
Taxation	**(59,035)**	(72,011)	(54,053)	(90,660)	(47,525)	(30,798)	(33,269)	(32,379)	(22,011)	(19,391)
Profit for the year from Continuing Operations (Note 4)	**567,768**	641,759								
(Loss for the period)/profit for the year from the Discontinued Operations (Note 4)	**(98,122)**	113,528								
Net profit for the year	**469,646**	755,287	622,564	681,404	548,767	431,503	310,729	392,432	282,264	229,560
Attributable to:										
Shareholders of the Company	**441,276**	725,337	617,416	681,229	548,491	431,937	310,505	392,312	282,284	229,523
Holders of perpetual capital securities	**30,000**	30,000	4,415	–	–	–	–	–	–	–
Non-controlling interests	**(1,630)**	(50)	733	175	276	(434)	224	120	(20)	37
	469,646	755,287	622,564	681,404	548,767	431,503	310,729	392,432	282,264	229,560
Earnings per Share (HK cents) *(Note 1)*										
Basic	**50.3(2)**	57.1(2)	58.1	65.8	55.9	45.5	34.6	44.8	33.5	27.8
equivalent to (US cents)	**6.46(2)**	7.32(2)	7.45	8.43	7.17	5.83	4.44	5.74	4.30	3.56
Dividend per Share (HK cents) *(Note 1)*	**34.0**	41.5(3)	31.0	53.0	45.0	37.5	28.5	35.5	27.5	22.7
equivalent to (US cents)	**4.36**	5.32(3)	3.97	6.79	5.77	4.81	3.65	4.55	3.53	2.91
Special dividend per share (HK cents)	**7.0**	–	–	–	–	–	–	–	–	–
equivalent to (US cents)	**0.90**	–	–	–	–	–	–	–	–	–

NOTES:

(1) Adjusted for the effect of 1-for-10 Bonus Issue in May 2006 and Share Subdivision in May 2011.

(2) Based on earnings of Continuing Operations of the Group.

(3) Restated 2013 dividend per share based on pro rata share of core operating profit for Li & Fung excluding Global Brands Group. Actual 2013 interim and final year dividend per share with Global Brands Group on a consolidated basis were 15 HK cents and 34 HK cents, respectively.

(4) The financial results for 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. The financial results prior to 2013 have not been restated.

Consolidated Balance Sheet

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Intangible assets	**4,349,083**	7,608,556	7,058,406	6,525,999	4,882,166	2,333,657	1,872,068	1,458,287	604,252	360,177
Property, plant and equipment	**244,907**	439,599	418,624	325,432	309,186	160,988	164,495	144,872	142,868	121,488
Other non-current assets	**58,160**	119,558	160,930	120,195	127,456	115,133	23,023	30,751	115,943	128,805
Current assets	**3,824,872**	4,297,740	4,379,969	3,951,571	4,177,788	2,757,963	2,752,051	2,444,428	1,966,007	1,349,745
Current liabilities	**3,701,518**	4,082,124	3,873,938	3,664,820	3,317,362	2,227,923	2,288,234	2,095,649	1,658,606	1,264,395
Net current assets	**123,354**	215,616	506,031	286,751	860,426	530,040	463,817	348,779	307,401	85,350
	4,775,504	8,383,329	8,143,991	7,258,377	6,179,234	3,139,818	2,523,403	1,982,689	1,170,464	695,820
Financed by:										
Share capital	**13,398**	13,398	13,396	12,987	12,899	12,103	11,648	11,060	10,928	9,412
Holders of perpetual capital securities	**503,000**	503,000	504,415	–	–	–	–	–	–	–
Reserves	**2,593,680**	5,033,287	4,619,509	3,918,012	3,611,572	2,252,878	1,696,432	1,245,982	1,041,317	575,904
Shareholders' funds	**3,110,078**	5,549,685	5,137,320	3,930,999	3,624,471	2,264,981	1,708,080	1,257,042	1,052,245	585,316
Other non-current liabilities	**1,665,426**	2,833,644	3,006,671	3,327,378	2,554,763	874,837	815,323	725,647	118,219	110,504
	4,775,504	8,383,329	8,143,991	7,258,377	6,179,234	3,139,818	2,523,403	1,982,689	1,170,464	695,820

Glossary

In this Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"associate(s)", "chief executive(s)", "connected person(s)", "substantial shareholder(s)"	each has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors of the Company
"Company", "Li & Fung"	Li & Fung Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Continuing Operations"	Trading Network and Logistics Network
"Director(s)"	the director(s) of the Company
"Discontinued Operations"	Global Brands Group, the spin-off of its licensed brands and controlled brands business
"FH (1937)"	Fung Holdings (1937) Limited, a company incorporated in Hong Kong, which is a substantial shareholder of the Company
"Fung Academy"	Fung Academy Limited, part of the Fung Group, cultivates talent, accelerates learning and develops future capabilities in companies across the Fung Group
"Fung Distribution"	Fung Distribution International Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of FH (1937)
"Fung Foundation"	Fung (1906) Foundation Limited is a Hong Kong-registered charity focused on supporting colleagues within the Fung Group around the world to engage in and contribute to the communities in which they live and work
"Global Brands"	Global Brands Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Global Brands Group"	Global Brands and its subsidiaries
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"HSBC Trustee"	HSBC Trustee (C.I.) Limited, acting in its capacity of the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King
"King Lun"	King Lun Holdings Limited, a company incorporated in the British Virgin Islands owned as to 50% by HSBC Trustee and 50% by Dr William Fung Kwok Lun
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Model Code"	Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 of the Listing Rules
"New Option Scheme"	the share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 15 May 2014
"Option Scheme"	the share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 12 May 2003 which had expired on 11 May 2013
"PRC"	the People's Republic of China
"Report"	the annual report of the Company for the year ended 31 December 2014
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.0125 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option(s)"	the outstanding option(s) granted under the Option Scheme
"Spin-off"	the spin-off of Global Brands by way of distribution in specie by the Company of 100% of the shares of Global Brands and separate listing of the shares of Global Brands on the Main Board of the Stock Exchange on 9 July 2014
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollar(s), the lawful currency of the United States of America

Corporate information

Executive Directors

William Fung Kwok Lun
Spencer Theodore Fung
Marc Robert Compagnon

Non-executive Directors

Victor Fung Kwok King
Paul Edward Selway-Swift*
Allan Wong Chi Yun*
Margaret Leung Ko May Yee*
Franklin Warren McFarlan*
Martin Tang Yue Nien*

** Independent Non-executive Directors*

Chief Financial Officer

Edward Lam Sung Lai

Group Chief Compliance Officer

Srinivasan Parthasarathy

Company Secretary

Terry Wan Mei Chow

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

Principal Bankers

The Hongkong and Shanghai
Banking Corporation Limited
Citibank, N.A.
JPMorgan Chase Bank, N.A.
Standard Chartered Bank
(Hong Kong) Limited

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