LI & FUNG LIMITED

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

Annual Report 2015

We are Li & Fung


72





Contents

On our cover:

Meet some of our Management Associates from The Program for Management Development

Back row (from left to right):
Kiril Popov, Dorothy Pun, Wasif Munir, Sandeep Chinthireddy

Front row (from left to right):
Tanya Yeung, Rochelle Burton, Pamela Alimurung

Photo by Larry Yeung

About Li & Fung

WHO WE ARE

We are 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.

THREE-YEAR PLAN GOALS (2014–2016)

Building a sustainable enterprise | **Keeping things simple** | **Driving organic growth**

OUR BUSINESS

OUR GLOBAL PRESENCE

40+

ECONOMIES

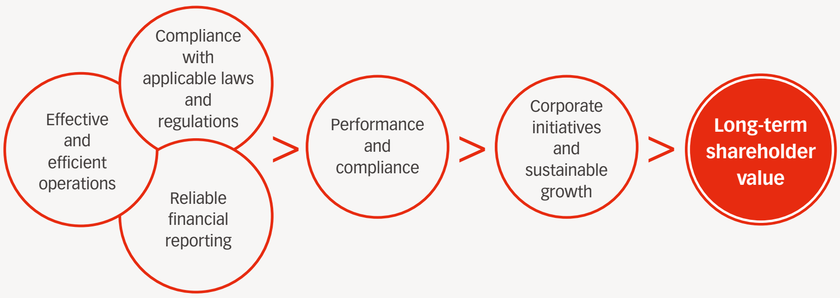
We operate an extensive global supply chain network with more than 25,000 people in over 300 offices and distribution centers around the world, working with our vendor base of 15,000 suppliers to add value to our global brand and retail customers.

OUR VALUES

We are entrepreneurs
We are humble
We are family

Across our business, three core values, which have not changed since 1906, bring us together and guide everything we do. Our values are more than just words. They are meaningful expressions of who we are.

GOOD GOVERNANCE



We are committed to the principles of transparency, accountability and independence and believe this enhances shareholder value.

BUILDING A SUSTAINABLE BUSINESS

Sustainability is integral to our business and 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.

RECOGNITION

FTSE4Good

THE GLOBAL COMPACT
WE SUPPORT

Hang Seng Corporate Sustainability Index Series Member 2014-2015

A letter from our Chairman

Dear Shareholders,

In 2015, the second year of our current Three-Year Plan (2014-2016), Li & Fung continued to strengthen its position as the world's leading global supply chain manager for consumer goods. A key theme of the current Three-Year Plan is organic growth, and our strategies and plans were formulated with this focus in mind. Despite strong macro headwinds and a challenging retail landscape, the Company delivered resilient results in 2015.

We are entering our 110th year of operation. From our humble beginnings in 1906, as a small family-owned trading company in Canton, to a Hong Kong-based multinational public corporation today, we have experienced good times and bad through numerous political and economic cycles. The cornerstone of our business continues to be our ability to change and adapt while retaining a culture of hard work and loyalty to a strong base of core customers, our dedicated management and colleagues, and our global network of vendors. With these strengths, I am confident that we are well-equipped to ride through the turbulent markets we are witnessing today and to continue to lead the industry.

“The cornerstone of our business continues to be our ability to change and adapt while retaining a culture of hard work and loyalty.

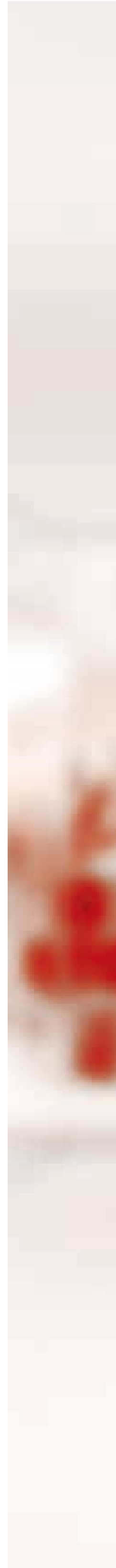
Our 2015 Performance

Performance in 2015 was muted with tough macro headwinds and the impact of e-commerce and margin pressure on the retail sector across our major markets. We maintained our top line while achieving volume growth for our trading business, but experienced some margin deterioration from the tough business environment. Nevertheless, the business remained highly cash generative. We ended 2015 with a solid cash balance, and the Board has resolved to declare a final dividend of 15 HK cents per share, after paying an interim dividend of 13 HK cents per share earlier in the year. I expect our strong cash position will be maintained, given our limited capital expenditure requirements and our organic growth strategy, for the remainder of the current Three-Year Plan.

The retail landscape is undergoing substantial changes. As a dynamic industry, retailers are constantly evolving in terms of store formats, product categories, marketing trends and sales channels. One of the latest trends, e-commerce and omni-channel retailing, has intensified competition for retailers and brands globally, leading to the highly price promotional landscape we saw in 2015. Over the long run, however, this highly promotional environment is not sustainable. Unprofitable companies will exit and there is tremendous pressure for all retailers, including online pure-plays, to enhance margins through product differentiation.

As a strategic sourcing partner, we not only serve our traditional brand and retail customers as they grow their online channels, we also source products for online retailers, many of whom are only just beginning to develop their own private label collections.

I expect the highly promotional situation to normalize as global economies recover and companies work through sustainable online sales strategies. I am confident that Li & Fung is well-positioned to benefit from the tailwinds once the market settles.



William Fung
Group Chairman

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Our geographical diversification provides us with high flexibility.

New Frameworks Impacting Global Trade

Li & Fung has a broad vendor base spanning over 40 economies. This geographical diversification provides us with high flexibility, which is particularly important as the complexity of the sourcing world continues to intensify. New developments in the sourcing landscape, such as the shifting of production between countries, changes in international trade agreements, government policies and geopolitical tensions, add considerable uncertainty and complexity to global supply chains. Our long experience and established vendor networks in all major production economies provide the necessary diversification and flexibility that enable us to respond quickly and appropriately in times of change.

The Trans-Pacific Partnership (TPP) was widely discussed in 2015, and is expected to particularly benefit the textile and garment industry in Vietnam. Our long experience in shifting manufacturing bases across different countries will allow us to take full advantage of TPP and we are well entrenched in Vietnam, which is our second largest production country.

China’s Increasing Influence on Global Trade

2015 witnessed the formal introduction of China’s One-Belt-One-Road initiative (“Initiative”), with action plans designed to connect and further integrate the various economies along the “21st Century Silk Road”. Although not a formal trade treaty, this important Initiative is expected to bring tremendous trading opportunities to participating countries.

Although the Initiative is in its early stages, Li & Fung is well-positioned to benefit as the Initiative develops and matures. As we have already established relationships with vendors in most of the participating countries, little additional investment, of both time and money, will be required for us to capitalize on the Initiative. Our deep experience in managing global supply chains, coupled with new sourcing opportunities, will enable us to provide innovative value-added solutions to our customers in the years to come. The Initiative will also open up new customer markets for both our trading and logistics businesses.

Another development from the Chinese government during 2015 was its announcement of the 13th five-year plan. With GDP growth planned to be no less than 6.5% p.a. and an emphasis on “innovative development”, there is likely to be substantial changes in the Chinese sourcing landscape as production of certain product categories will decant from China, while others will move into China. To this end, Li & Fung is well prepared to respond to these potential changes given our large sourcing network spanning many alternative production countries. At the same time, as China continues its structural reform to move toward a more domestic consumption-driven growth model, there is huge potential for us to further convert Chinese retailers and brands as customers.

Logistics Network

Our in-country logistics business is primarily focused on Asia, especially China. During 2015, we experienced continued rapid growth especially in the e-logistics arena. We have become the strategic logistics partner of choice for many major global brands and have assisted many customers to complement online-to-offline (O2O) retail experiences for the Chinese consumers.

With the acquisition of China Container Line (CCL) in 2014, our global freight forwarding business is now entering an expansion phase and is becoming an integral part of our end-to-end supply chain solutions for our trading customers.

Vendor Support Services (VSS)

Leveraging our relationships with our vendors, we introduced the VSS program to offer a whole range of vendor-related services such as compliance training, industrial optimization, raw material procurement, risk management, product testing and trade credit services to vendors across the globe. 2015 was a year of trial and experimentation of our VSS program, and I am pleased to report success in this new business area. Our program has been progressing ahead of plan as we rolled out VSS to our existing vendor base. There will be a meaningful contribution from VSS to our core operating profit in 2016. Beyond 2016, we expect VSS to transform our vendors into a whole new customer group and for these services to develop into an exciting new business segment for the Company.

Prospects

In view of the current macro conditions, 2016 is likely to be another challenging year for our customers. While there will be some growth in our biggest market, the US, that growth is unlikely to be robust. We expect Europe's consumer demand will continue to stagnate or decline and Asia to slow. For Li & Fung, this means ongoing volume and pricing pressures for our trading business, amidst continuing price deflation and negative translational impact from a weak Euro and Asian currencies. Nevertheless, new customer wins in 2014 and 2015 will begin to contribute more meaningfully in 2016 and 2017 and provide further opportunities for deeper account penetration, cross-selling and increased market share. Our VSS program will contribute to profitability, and our logistics business is expected to maintain robust growth through new business wins and geographical expansion, led by our excellence and expertise in in-country logistics, particularly e-logistics.

In 2016, the last year of our current Three-Year Plan, we will commence planning and preparation work for our next Three-Year Plan for the period 2017 to 2019.

In closing, I would like to extend my gratitude to our colleagues for their dedication and support to management and the Company over the year.

Yours sincerely,

William Fung Kwok Lun
Group Chairman

A letter from our CEO

Dear Shareholders,

Overall, 2015 was a challenging year for the Company. Demanding macroeconomic, geopolitical and industry conditions created an extremely tough environment for our business. Our major markets in US, Europe and Asia all experienced strong headwinds and globally our industry is going through an unprecedented structural change, led by the changing conditions at retail.

The structural changes at retail are impacting the way everyone works along the value chain. Retail is becoming more competitive as more e-commerce players enter the marketplace and global competition overall is being augmented by cloud computing, mobile connectivity and cross-border logistics. Consumer preferences and buying patterns are also changing led by Millennials and the newer Generation Z. The way these consumers discover, socialize and finally make a purchase decision has had immense consequences to brand loyalty, to sustainability, and to the sharing economy. All of these changes are transformative to the way we do business and the speed of change is only increasing as we look ahead.

As a result, we are reorganizing to focus even more on our core customers to offer even better solutions and to increase our overall market share of their business as we help them navigate these changes. We are building asset-light product verticals in sweaters, furniture and beauty to help our customers differentiate their product offerings and increase their margins. We are partnering with companies who offer technology and innovative solutions to create products with more excitement. Organizationally, we continue to simplify our structure and business to allow our teams to improve their speed and flexibility as they serve customers. Finally, we have introduced processes employed by startup companies – rapid prototyping and rapid experimentation – to move fast, act on new ideas and create a culture of innovation.

“We continue to simplify our structure and business to allow our teams to improve their speed and flexibility as they serve customers.

2015 was the second year of our Three-Year Plan and we are on track with our strategic goals of building a sustainable enterprise, keeping things simple and focusing on organic growth. All decisions we make as a team continue to be long-term focused to ensure that our company and business is sustainable into the future. Simplifying our organization and aligning our teams to our core customers and key product verticals ensures that we take complexity out of our business and move fast as an organization. With fewer acquisitions in 2015 compared to previous years, we have been very focused on growing organically and increasing our market share with our existing customer base and are keenly focused on improving operating efficiencies.

Our turnover in 2015 was resilient despite a deflationary environment and we grew our trading unit volumes along the way. We also grew with our core customers despite their challenging retail environments. In the second half of the year, we were able to keep operating costs flat despite ongoing investments in infrastructure, Logistics and Vendor Support Services (VSS). Our Logistics business in particular continued to deliver double-digit growth against the backdrop of a tough environment in Asia and the freight market, with e-commerce logistics an even brighter star within that growth.

Finally, our employees globally, who despite the headwinds we are seeing in the market, are highly engaged, highly connected and experienced professionals. We are all guided by our strong values of being family, being entrepreneurial, and staying humble, the same values that we started the Company with 110 years ago in 1906. Our strong values along with our long-term thinking and a relentless drive to stay at the forefront of innovation will see us through these tough times. All indications point towards a challenging 2016, but I am confident we will weather these changes as we build for the future.

Yours sincerely,

Spencer Fung
Group CEO

Summary of the year

2015 GROUP OVERVIEW

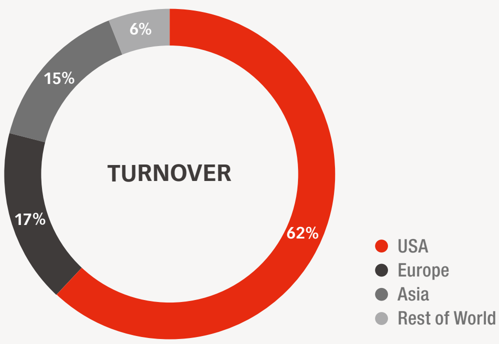
US$ 18,831M
TURNOVER

US$ 2,189M
TOTAL MARGIN

US$ 512M
CORE OPERATING PROFIT

GROUP GEOGRAPHICAL MARKET TURNOVER

US$ 18,831M



EARNINGS PER SHARE (BASIC)

39.1 HK cents

5.04 US cents

DIVIDENDS PER SHARE (TOTAL)

28.0 HK cents

3.61 US cents

OPERATING CASH FLOW

US$ 544M

CASH AND BANK BALANCES

US$ 342M

GEARING RATIO

27%

OUR SUPPLY CHAIN

15,000+
SUPPLIERS WORLDWIDE

THREE LARGEST SOURCING MARKETS

1. China
2. Vietnam
3. Bangladesh

10,601
WEBSITE VISITS
Sustainability Resource Center website

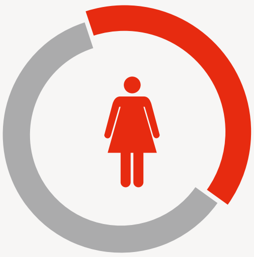
591
TRAINING SESSIONS
6,965 factory representatives and 5,044 employees attended

OUR PEOPLE

25,320
EMPLOYEES WORLDWIDE

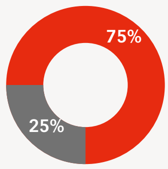
54% FEMALE

46% MALE



45%
OF OUR MANAGEMENT WORLDWIDE IS FEMALE

OUR WORKFORCE



10% increase over 2014
IN-HOUSE LEARNING PROGRAMS IN 2015

OUR COMMUNITIES

OUR PEOPLE VOLUNTEERED
14,000+ times

30,000+
VOLUNTEER HOURS

US$ **368,000+**
DONATED BY OUR PEOPLE

374
ACTIVITIES

84 LOCATIONS in **22** COUNTRIES
participated in community initiatives

OUR FOOTPRINT

-15%
INTENSITY REDUCTION
in greenhouse gas emissions (scope 1 and 2)

-12%
INTENSITY REDUCTION
in water consumption

13
LEED/BREEAM
sustainable building certifications

ELECTRIC VEHICLE
joins Hong Kong's vehicle fleet

Our performance

Results Overview

2015 Performance

Results

	2015 US$m	2014 US$m	Change %
Turnover	**18,831**	19,288	(2.4%)
Total Margin	**2,189**	2,244	(2.5%)
% of Turnover	***11.6%***	*11.6%*	
Operating Costs	**1,676**	1,640	+2.2%
% of Turnover	***8.9%***	*8.5%*	
Core Operating Profit	**512**	604	(15.2%)
% of Turnover	***2.7%***	*3.1%*	
Loss from Discontinued Operations	**–**	(98)	
Profit Attributable to Shareholders	**421**	441	(4.6%)
Profit Attributable to Shareholders (ex-Loss from Discontinued Operations)	**421**	539	
% of Turnover	***2.2%***	*2.8%*	

Against a backdrop of one of the most challenging retail environments seen for many years, Li & Fung delivered a resilient performance in 2015. Our Trading Network held up well while our Logistics Network continued to grow. Despite headwinds from currency depreciation and a deflationary environment, our turnover with core trading customers and unit volume grew. Our logistics business maintained its strong profitable growth momentum across its in-country logistics and global freight management services. The growth was even stronger in the e-logistics operations which took advantage of the e-commerce boom. Accordingly, in spite of the economic slowdown in many parts of Asia and the unprecedented drop in ocean freight rates, our Logistics Network finished the year showing both turnover and unit volume growth.

Our business continued to be highly cash generative, allowing us to end the year in a solid financial position. We continue to maintain a high dividend payout ratio. Over the past three years, we have returned over US$1.2 billion in cash dividends to our Shareholders.

2015 was a difficult year due to economic slowdown and political uncertainties in Europe and Asia. While the US is slowly recovering, retailers were adversely affected by the soft retail environment, unseasonably warm weather, and global geopolitical disturbances. In the meantime, increased competition from fast fashion, off-price and e-commerce players continue to challenge our retail customers in a highly promotional retail environment. This resulted in margin pressure for all brands and retailers and impacted the entire supply chain.

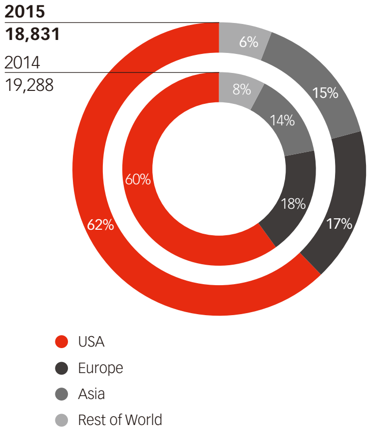
We have been executing strategies to help our customers navigate an increasingly competitive market. Differentiated and innovative products help our customers improve their competitiveness and gain market share without the need to lower prices to attract sales. As their strategic sourcing partner, we are deepening our focus on product expertise, to help our customers counter margin pressures. Leveraging our scale and scope across a wide range of product categories, we created product verticals in areas we consider to have high growth potential. In 2015, we reorganized our internal teams and resources to focus on developing certain product verticals, initially with furniture, beauty and sweaters, with other verticals to be established. Our strengthened product expertise enables us to provide our customers with meaningfully differentiated products, to help them remain competitive in a difficult retail landscape.

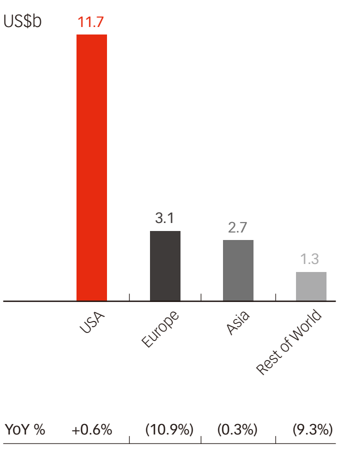
Our multi-channel sourcing platform gives us the flexibility to serve our customers regardless of their sourcing strategies, enabling us to grow unit volume and gain wallet share in these tough times. Our extensive global network, strong customer relationships and deep product expertise across a wide range of categories enable us to provide customers with better and value-added solutions. Our Vendor Support Services (VSS) further strengthened our relationships with our suppliers, turning our factories into a new customer base for the Group.

Operating in one of the most demanding business environments in recent history, we are confident we will continue to help our customers ride through challenging times. Our speed to market, global connectivity and deep product and industry expertise help us win new accounts and cement us as the partner of choice in the global consumer goods supply chain.

Group Geographical Market Turnover

US$m





TURNOVER

Our turnover decreased by 2% year-on-year to US$18.8 billion, largely due to the soft macroeconomic conditions and challenging retail environment adversely impacting our trading customers. Our Trading Network was negatively impacted by the continued deflationary environment caused by price declines in raw materials and commodities. The weakness of European and Asian currencies has resulted in an unfavorable foreign exchange translation impact, as 38% of our business operates in non-US markets. This foreign exchange translation impact alone accounted for approximately two-thirds of the 2% year-on-year decline in our total turnover. Nevertheless, 2015 saw solid unit volume growth, especially with our core customers. Our businesses in the e-commerce segment has also increased significantly as our customers gain market share in e-commerce orders and pure play e-tailers started developing private label collections.

The US and Europe remained the largest contributors to our turnover, contributing 62% and 17%, respectively. Our Trading Network contributed 95% of total turnover and our Logistics Network contributed 5%.

Turnover from the US remained flat at US$11.7 billion as consumer spending on general apparel, footwear and accessories did not show meaningful improvement despite the significant drop in oil prices. Our US business was supported by the increase in trading with our core customers, as well as the gradual ramp up of our business with new customers. Despite the slow recovery in US retail, our ability to offer customers the flexibility to procure products via our multi-channel sourcing platform has proven to be the key driver of our unit volume growth, allowing us to weather the downturn and support our total turnover.

Turnover from Europe decreased by 11% to US$3.1 billion. The environment in Europe continued to be weak; recovery in the European economies was slow and shadowed by growing concerns over threats of geopolitical instability as well as social and economic repercussions from Europe's migrant crisis. The pressure on Eurozone currencies has in turn impacted our European business from a currency translation perspective.

Asia contributed 15% of our turnover and remained flat at US$2.7 billion due to the slowdown in China and other Asian economies, as well as a negative foreign exchange translation impact. Approximately 72% of our turnover from Asia was from our Trading Network and the remainder from our Logistics Network. The continued growth of our Logistics Network in the region, which was largely supported by new contracts and geographical expansion within Asia, particularly into Southeast Asian countries, has provided strong support to our overall Asia business despite a reduction in turnover in Asia within the Trading Network.

The Rest of World represents approximately 6% of the total turnover, and is mainly comprised of Canada, Australia, Middle East and Latin America. The reduction of 9% to US$1.3 billion was largely due to a reduction in orders by our customers in those regions, as well as the depreciation of local currencies against the US$.

TOTAL MARGIN

Total margin of US$2.2 billion decreased by 2% over 2014 due to reduction in turnover, while the overall total margin percentage was stable at 11.6%. The lower reported turnover, partly affected by the negative foreign exchange impact, had a direct impact on our total margin. While our agency margins remained stable, our principal margins were affected by the highly promotional retail landscape and downward pressure on retailer's margins. Our Logistics Network continued its strong performance, which supported our overall total margin.

OPERATING COSTS

Operating costs increased by 2% year-on-year to US$1.7 billion and operating costs as a percentage of turnover increased from 8.5% to 8.9%, primarily due to the growth of our logistics business and annualization of strategic investments made in 2014. These investments included the expansion of our logistics business, build out of our VSS team, upgrade of group-wide infrastructure, as well as development of new product categories, markets and services. The majority of these investments are related to people and rental costs and therefore recurring in nature. The increase in operating costs from our strategic investments was offset by cost efficiencies extracted from our existing operations. While the total operating costs increased by 2% for the year, operating costs in the Trading Network remained flat for the entire year. In addition, year-on-year total operating costs for the Group was flat in the second half of 2015, despite the investments made in 2014 and the difficult operating environment during this period.

CORE OPERATING PROFIT

Core operating profit decreased by 15% year-on-year to US$512 million due mainly to the 2% reduction in total margin, as well as the 2% increase in operating costs to support our logistics business expansion. With the continued growth across the Logistics Network, its core operating profit increased to 10% of the Group's core operating profit in 2015.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to Shareholders decreased by 5% year-on-year to US$421 million, which included a non-cash gain of US$117 million on the write-back of contingent considerations (2014: US$176 million). In 2014, our profit attributable to Shareholders included a non-recurring loss from Discontinued Operations of US$98 million for Global Brands Group operations during the first half of 2014 prior to the spin-off.

Segment Analysis

Trading Network

In our Trading Network, we provide end-to-end sourcing solutions through our global network for a diverse mix of global brands and retail customers. As a multi-channel sourcing supplier, we have the unique capability to serve our customers' business and product needs regardless of how they source their products; either through our agency-based sourcing services or our product-focused principal trading solutions over a wide range of consumer products and categories.

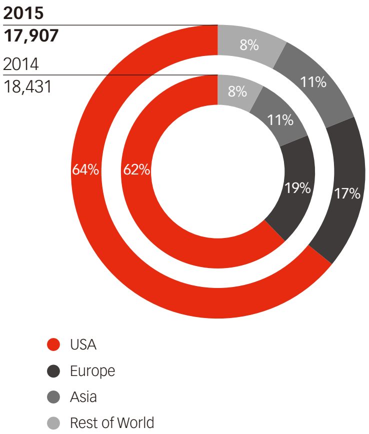
Our agency-based sourcing services, in which we act as a strategic sourcing partner to our customers under long-term contracts, provide a steady base and represent a significant part of our Trading Network business. Under our agency sourcing arrangements, we provide strategic sourcing services to our customers, such as product development and costing, factory compliance, order processing, manufacturing control and logistics. To enhance our customers' competitiveness, we also provide trend forecasting, market analysis, industry intelligence, raw material procurement and strategic insights on the global supply chain to help our customers procure high quality products with short lead time and speed to market.

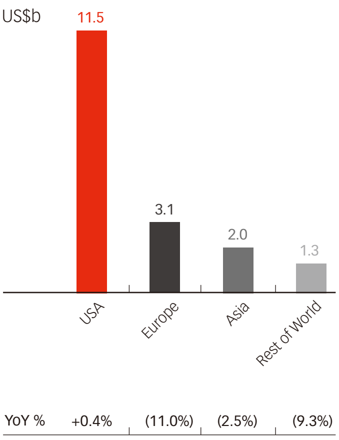
In our product-focused principal trading business we act as a principal supplier to our customers, operating primarily on a merchandise program-by-program basis; where the terms of each order are mutually agreed on a per program basis. We are continuing to develop our product expertise and move deeper into product verticals to solidify our leadership position in specific product categories. The combination of our agency and principal capabilities make Li & Fung the leading global sourcing supplier, offering both types of services with scale and scope.

The retail landscape has been evolving as it adapts to changes in consumption behavior, advent of technology and rise of e-commerce and borderless retail. In response to these changing market conditions with increased competition and margin pressure, our customers are actively adjusting their supply chain to procure differentiated products at competitive prices to maintain their market competitiveness. With our multi-channel sourcing platform, we are well positioned to serve our customers as they optimize their sourcing strategy and stay ahead of the market.

Trading Network Geographical Market Turnover

US$m





Trading Network Results

	2015 US$m	2014 US$m	Change %
Turnover	**17,907**	18,431	(2.8%)
Total Margin	**1,909**	2,004	(4.7%)
% of Turnover	***10.7%***	*10.9%*	
Operating Costs	**1,449**	1,446	+0.2%
Core Operating Profit	**460**	558	(17.6%)
% of Turnover	***2.6%***	*3.0%*	

TURNOVER

Turnover of the Trading Network, comprising 62% soft goods and 38% hard goods, decreased by 3% year-on-year to US$17.9 billion in 2015 in spite of an increase in unit volume during the year. The decrease in turnover is attributable to the deflationary environment in sourcing prices and the slowdown in both Europe and Asia. Furthermore, our reported turnover was severely affected by a negative foreign exchange translation impact resulting from the depreciation of both European and Asian currencies against the US$. Foreign exchange translation impact alone accounted for over half of the 3% year-on-year decline in our total turnover within the Trading Network.

Turnover in our US business remained flat at US$11.5 billion, largely supported by overall trading unit volume growth, particularly with our core customers. However, such growth was offset by price reduction due to deflationary prices, which impacted our agency business.

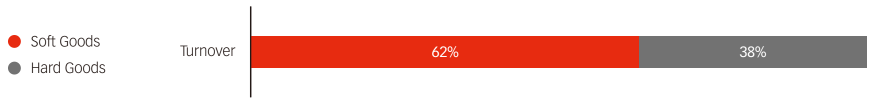
Our European business declined by 11% year-on-year to US$3.1 billion due largely to the unfavorable foreign exchange translation and the uncertain macroeconomic conditions in Europe. Our European business is primarily comprised of our principal trading business, which transacts in the respective local currencies. The depreciation of the Euro and Pound against our reporting currency during the year had a significant translation impact on our European business turnover as reported in US$.

Turnover in Asia decreased by 2.5% year-on-year to US$2.0 billion. In particular, our Asian distribution business suffered from the slowdown in China, geopolitical issues in Southeast Asia and the Asian currencies depreciation against the US$. Turnover in the Rest of World decreased by 9% year-on-year to US$1.3 billion due mainly to the overall reduction in orders by our customers in regions, such as Canada, Australia, the Middle East and Latin America, as well as foreign currency impact.

Across our Trading Network, we serve a diversified group of customers globally, ranging from brands, department stores, specialty stores, clubs, hypermarkets and pure play e-commerce players. Our top five customers, some of which we serve across both our Trading and Logistics Networks, accounted for 36% of our total Group turnover in 2015. Our customer base has been evolving, as we overtime increase the proportion of brands, specialty retailers, off-price discount stores, and an emerging group of pure play e-commerce players. Our core customers form the foundation of our business, many of whom we serve on both agency and principal-trading terms. Our relationships with core customers are strategic and long term in nature, with our sourcing teams fully aligned to our customers' procurement needs, and working with their teams closely on a daily basis.

While focusing on our core customers, we are always seeking new business opportunities and have built a strong prospective customer pipeline. In 2015, we signed a number of significant contracts for our agency-based services. On the e-commerce sourcing front, we continue to increase our share of Internet sales as our brands and bricks-and-mortar customers increase their online sales. In the meantime, pure e-commerce players have begun to establish their own private label collections and we are well placed to provide such private label services going forward.

Product Mix



TOTAL MARGIN

Total margin across the Trading Network decreased by 5% year-on-year to US$1.9 billion as a result of the decrease in total turnover and continued margin pressure on our principal business. The negative foreign exchange impact on turnover had a direct corresponding impact on total margin. Total margin percentage decreased from 10.9% in 2014 to 10.7% in 2015. Total margin percentage in our service-based agency business remained steady, given stable agency rates stipulated in the multi-year contracts. Total margin percentage in our principal business was under pressure as our customers faced their own pricing pressure with changes in the retail landscape and the need to make adjustments to their supply chains, which typically take time.

The unusually warm winter in 2015, as well as the heavier promotional activities throughout the year significantly impacted brands and retailers' gross margins, which also led to margin pressure throughout the entire supply chain. In response to such margin pressure, we continue to work closely with our customers to adjust their supply chains and optimize their sourcing strategies, as well as provide differentiated, innovative and well-designed products to support higher margins. The establishment of product verticals further enhances our product expertise and solidifies our leadership position as a principal trading supplier.

Our multi-channel sourcing platform enables us to provide customers with both agency and principal-trading services. Margin differs between the two sourcing channels. Long-term agency contracts have lower margins versus the higher program-by-program principal trading margins. Our overall total margin percentage was negatively impacted by our turnover mix in 2015 which shifted to slightly more agency service business.

OPERATING COSTS

Operating costs in our Trading Network remained relatively flat at US$1.4 billion largely helped by improved operational efficiencies and productivity despite the annualization of investments made in 2014.

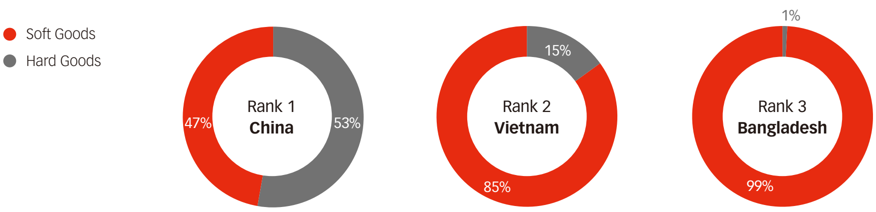
In 2015, we continued to optimize our operating expenses and deploy resources to support our growth in new customer accounts, increased unit volumes and enhancement of our product expertise. At the same time, we continued to streamline our operations and look for process efficiency and productivity gain to keep total operating costs flat amid the challenging market conditions. In addition, we continued to invest in the required infrastructure and resources for VSS.

CORE OPERATING PROFIT

The 18% year-on-year decline in core operating profit to US$460 million was attributed to a decline in turnover of 3% and a decline in total margin of 5%, while operating costs remained flat year-on-year. Core operating profit margin decreased from 3.0% in 2014 to 2.6% in 2015 as a result of the decline in total margin percentage from 10.9% to 10.7% and increase in operating costs percentage from 7.8% to 8.1%.

TOP SOURCING COUNTRIES

Our global network covers more than 40 economies, which allows for flexibility when moving orders from one production country to another to handle capacity constraints and satisfy customers' needs. Within this global network, our top three sourcing countries continue to be China, Vietnam and Bangladesh. While China accounted for over 50% of our sourcing unit volume, the remaining 40+ countries all have sizable sourcing operations, and we are one of the largest exporters of the product categories in which we trade in many of these countries. This comprehensive global network with strong local presence, long operating history and critical mass is one of our key competitive strengths. As the sourcing landscape continues to evolve with the decanting of sourcing from China and multiple trade agreements in play, we are well positioned to scale our existing operations in individual countries to meet our customers' changing sourcing needs.



VENDOR SUPPORT SERVICES

Our VSS unit was formed in the first year of our current Three-Year Plan to tap the huge potential of converting our factory base of over 15,000 to a customer base for services relating to the migration of labor intensive production from China to other developing countries. After making initial investments, pilot programs were launched in selected countries in 2015. We rolled out our digital vendor portal to connect with all our vendors, launched the bulk purchase programs in raw materials procurement and product liabilities insurance and developed working capital management tools and services for our suppliers, as well as initiated various vendor compliance services. The initial pilot phase in 2015 tracked better than expected and we exceeded our target of VSS breaking even in 2015 by generating a small profit.

Logistics Network

Our logistics business provides holistic, integrated solutions for our logistics customers through our in-country logistics and global freight management services. Unlike traditional logistics service providers, we have deep understanding of our customers' supply chains and product flows. Our knowledge and network along the entire global supply chain allow us to offer long-term collaborative solutions to our customers, making us their logistics partner of choice. We create value through execution excellence, operational efficiency and service innovation. As an asset-light operator, we optimize our resource allocation based on customer demand, and we enhance our flexibility and responsiveness through information technology and network sharing.

Our in-country logistics business offers Asia-focused logistics and supply chain solutions, and specializes in the key verticals of footwear and apparel, fast-moving consumer goods, food and beverage, retail and electronics. We have a strong portfolio of blue chip customers, servicing top-tier firms in our respective verticals. We provide a menu of contract logistics services under our in-country logistics business, including the traditional distribution center management, order management, local (including last mile) transportation, as well as more innovative and sophisticated services, such as hubbing and consolidation, data analytics and e-logistics fulfillment services.

Our global freight management business offers full service international freight services, including procurement of international freight, freight consolidation and forwarding, and origin and destination cross-border logistics services. The scale of this business increased significantly following the acquisition of China Container Line in 2014. With more than half a million TEUs of shipping volume, we now offer our customers full container loads or consolidate less-than container load freight services in a cost effective and competitive manner.

Logistics Network Results

	2015 US$m	2014 US$m	Change %
Turnover	**932**	874	+6.7%
Total Margin	**280**	240	+16.4%
Operating Costs	**227**	194	+16.9%
Core Operating Profit	**53**	46	+14.6%
% of Turnover	***5.6%***	*5.2%*	

TURNOVER

Turnover increased 7% year-on-year to US$932 million, largely driven by new business wins, geographical expansion and increased market share. This was offset by the substantial drop in global freight rates especially in the second half of the year, continued softness in global trade and the devaluation of currencies against the US$. In local currency terms, our logistics business generated a double-digit increase in total turnover.

Our in-country logistics business contributed the majority of net sales in 2015. This sustained strong organic growth momentum was driven mainly by new business wins and geographical expansion. China continued to be our largest market. Despite the slowdown in Asian economies, which significantly impacted the business flow of our customers, we grew our business by winning new customers, as well as by expanding services or geographical coverage with existing customers. This is reflected in the high number of new business contracts we signed during the year. Our entrance into Korea, Japan and Indonesia also began to generate positive contribution. Most encouraging of all is our sustained momentum in gaining market leadership in e-logistics, having achieved a highly successful Singles' Day operation in China. We continued to focus on optimizing our network of depots and warehouses, the latest of which is a state-of-the-art facility in Singapore, which consolidates five warehouses into a one-million-square-foot regional distribution center.

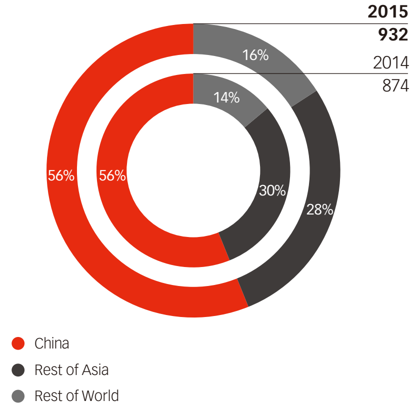
During 2015, the global freight industry was plagued by an unprecedented decline in freight rates as a result of overcapacity in carriers, lower oil prices and a slowdown in demand. Despite these challenges, we have managed the margin impact to our global freight business through prudent freight procurement and active contract management. Our global freight management business also gained market share through geographical expansion and successful cross-selling of our freight services to our Trading Network customers. At the same time, we continued to upgrade our IT infrastructure to improve efficiency in transport management and global freight optimization.

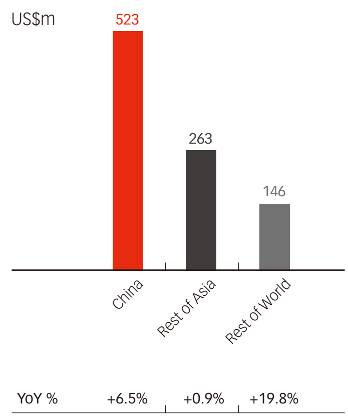
CORE OPERATING PROFIT

Core operating profit increased by 15% year-on-year to US$53 million and core operating profit margin improved from 5.2% to 5.6% in 2015. The improvement in margin was mainly due to our increased scale, continued focus on optimizing our customer portfolio and productivity through enhanced operating efficiency.

Logistics Network Geographical Market Turnover

US$m





Balance Sheet and Capital Structure

Strong Cash Position

Li & Fung has a strong and stable cash flow conversion business which, together with cash on hand carried forward from the previous year, more than adequately funded our working capital, dividends, interest expenses and capital expenditure in 2015.

- Operating cash flow of US$544 million is in line with core operating profit after working capital and depreciation adjustments and tax payments
- Capital expenditures of US$83 million and payments for consideration payable for previous acquisitions of US$102 million
- Dividends paid of US$445 million
- Net interest expenses paid of US$83 million, and distribution to perpetual capital securities holders of US$30 million

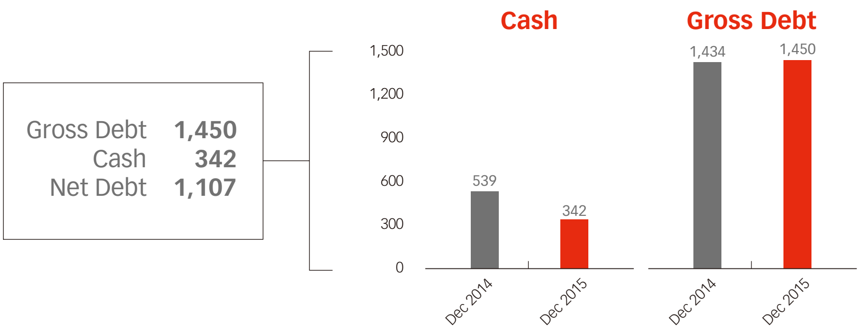
In terms of future commitments, the remaining balance of total purchase consideration payable for acquisitions was reduced to US$243 million by the end of 2015, of which US$181 million are earn-out payments to be paid over the course of the next three years. Our ongoing total capital expenditures are mainly comprised of IT system upgrades, expansion of our logistics business and ongoing maintenance capital expenditures, while we remain asset-light.

Solid Balance Sheet

Our balance sheet remained strong with a cash position of US$342 million, after payment of 2014 final and special dividends and 2015 interim dividend. Our total borrowing remained stable at US$1,450 million as of 31 December 2015, with a weighted average tenure of over three years. The majority of our debt is at a fixed rate and denominated in US dollars. Our net debt (total borrowings minus cash) was at US$1,107 million as of 31 December 2015.

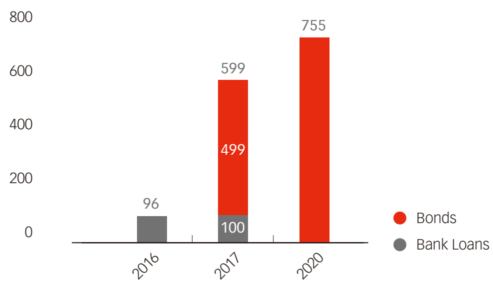
Cash and Gross Debt

US$m

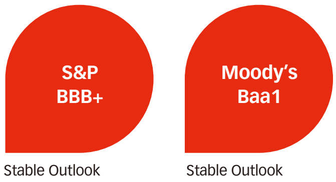


Debt Maturity Schedule

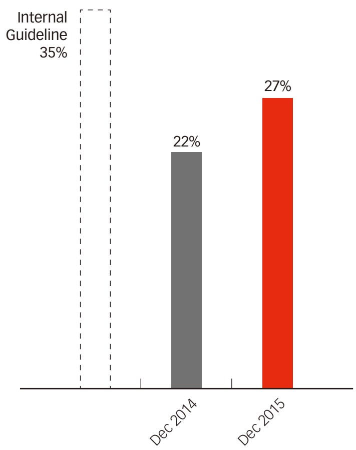
US$m



Credit Rating



Net Gearing Ratio



Net Gearing and Net Current Assets

Our net gearing ratio as stated in the audited consolidated balance sheet was 27% as of 31 December 2015 (31 December 2014: 22%).

We continued to adopt a conservative approach in managing our balance sheet and capital structure. As at 31 December 2015, our credit ratings from Moody's is Baa1 (stable outlook) and Standard & Poor's is BBB+ (stable outlook). We are 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 at 31 December 2015.

Banking Facilities

Bank Loans and Overdrafts

As at 31 December 2015, we had available bank loans and overdraft facilities of US$1,670 million comprising US$821 million committed and US$849 million uncommitted facilities. At the end of 2015, US$196 million of our bank loans and overdraft facilities were drawn down, with US$168 million from committed facilities. The unused limits on bank loans and overdraft facilities amounted to US$1,474 million and this included US$653 million unused committed facilities.

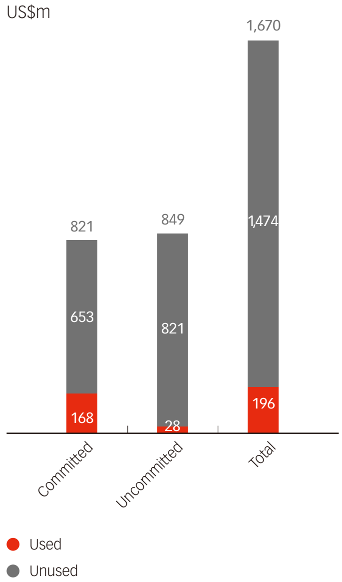
In early 2016, we successfully secured additional committed facilities with extended tenure. At the date of this Report, the total committed facilities increased to US$876 million, of which US$726 million were revolving facilities with tenure up to three years due in 2019, while the total available bank loans and overdraft facilities remained at US$1,670 million.

Trade Finance

Our normal trading operations are well supported by approximately US$2.5 billion in bank trading facilities including mainly letters of credit issued to suppliers and bills discounting. Letters of credit are a common means of payment to suppliers to support cross-border trades. Our payment obligations on letters of credit issued to suppliers is only crystalized when our suppliers have delivered the merchandise to our customers, or to us, in accordance with the terms and conditions specified in the related contractual documents. As at 31 December 2015, approximately 22% of the trade facilities were used.

Unused Bank Loans

US$m



Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

Given the unique nature of our 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.

We follow 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 high performance target threshold and are typically payable over a period of up to five to six years upon completion of a transaction if earned.

While many of our acquired businesses remain profitable and are growing, we 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 we 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 2015, there are approximately US$117 million of write-back of contingent considerations, the majority of which are in the form of earn-ups.

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 our assessment of all of the CGUs under the current operating structure, we have determined that there is no goodwill impairment as of 31 December 2015, as the recoverable amount of each CGU was in excess of its respective carrying value of the goodwill. We will continue to perform goodwill impairment tests on an ongoing basis.

Risk Management

We have 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. Our principal trading business carries a higher credit risk profile given we are acting as a supplier and we therefore have to take full counterparty risk of our customers in terms of accounts receivable and inventory. With the increased insolvency risk among global brands and retail customers, we have deployed a global credit risk management framework with tightened risk profile, and applied prudent policies to manage our credit risk with such receivables, which include, but are not limited to, the measures set out below:

- We select customers in a cautious manner. Our credit control team has implemented a risk assessment system to evaluate the financial strength of individual customers prior to agreeing on trade terms. It is not uncommon for us to require securities (such as standby or commercial letters of credit, or bank guarantees) from customers who fall short of the required minimum score under our risk assessment system
- A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis
- A credit risk system with a dedicated team and tightened policies has been established to ensure on-time recoveries from trade debtors
- Rigid internal policies which govern provisions made for both inventories and receivables are in place to motivate business managers to step up their efforts in these two areas and to avoid any significant impact on their financial performance

Foreign Exchange Risk Management

Most of our cash balances are deposits in HK$ and US$ with major global financial institutions, and most of our borrowings are denominated in US$.

Our revenues and payments are transacted mainly in the same currency, and are predominantly in US$. Therefore, we do 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 we arrange hedging by means of foreign exchange forward contracts.

For transactions subject to foreign exchange risk, we fully hedge our foreign currency exposure once we receive confirmed orders or enter into customer transactions. To mitigate the impact from changes in foreign exchange rates, we regularly review our operations in these selected countries and make necessary hedging arrangements in certain currencies against the US$. However, we do not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of our non-US$ foreign operations for both our income statements and balance sheet reporting purposes. Since our functional currency is in US$, we are subject to exchange rate exposure from translation of foreign operations' local results to US$ at average rate for the period for group consolidation. Our net equity investments in non-US$ denominated businesses are also 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.

From a medium to long-term perspective, we manage our operations in the most cost effective way possible within our global network. We strictly prohibit any financial derivative arrangement merely for speculation.

People

As an asset-light business, our success is overwhelmingly dependent on our people. We are very proud of and grateful for their expertise, dedication and hard work. As at 31 December 2015, we have a total workforce of 25,320, of which 7,106 are warehouse related workers for our logistics and distribution businesses. In terms of geography, 4,251 of our people were based in Hong Kong, 9,282 were based in Mainland China and 11,787 were based overseas.

Total manpower costs for 2015 were US$1,025 million, compared with US$995 million for 2014, with the majority of the increase due to share awards granted to employees during the year, as well as from expansion in our logistics business.

Outlook

We expect 2016 to be a challenging year given little indication of a turnaround of the global economy and retail sector in the near term. We believe the trading environment will remain weak while deflationary pressure will increase. The retail landscape is likely to remain clouded by a promotional environment, geopolitical instability and unpredictable weather patterns. In the meantime, we will continue to gain market share from existing customers, continue cross-selling within the Group, cultivate new accounts and improve productivity and operational efficiencies. Our current pipeline of opportunities is strong and we are targeting for more new customer wins this year. Through the ongoing development of our product verticals and the incubation of product categories with growth potential, we will further deepen our product expertise and deliver value to our customers. We also expect the contribution from VSS to grow over the next few years as our suite of services is gradually developed and rolled out. VSS is targeted to contribute 5% of our core operating profit in 2016, and gain greater traction in the coming years.

We expect our logistics business will continue to deliver strong growth as it continues to capture market share through e-logistics, cross border freight and value-added services. Global freight rates are expected to remain subdued due to the imbalance between supply and demand as well as overcapacity, which is unlikely to be resolved in the near future. Nonetheless, we will continue to focus on our strengths in executing our strategy, and supporting the needs of our customers. We will continue to deepen our relationships with our existing core customers, and nurture relationships with new customers, with the goal of growing their sales.

We are focused on investing into the future through partnership opportunities to collaborate on innovation in technology and data analytics. Our new presence in Silicon Valley demonstrates our commitment to innovation, and we will continue to experiment and develop high-quality products that are differentiated and to suit the continuous changing consumers' preferences.


LIFUNG

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

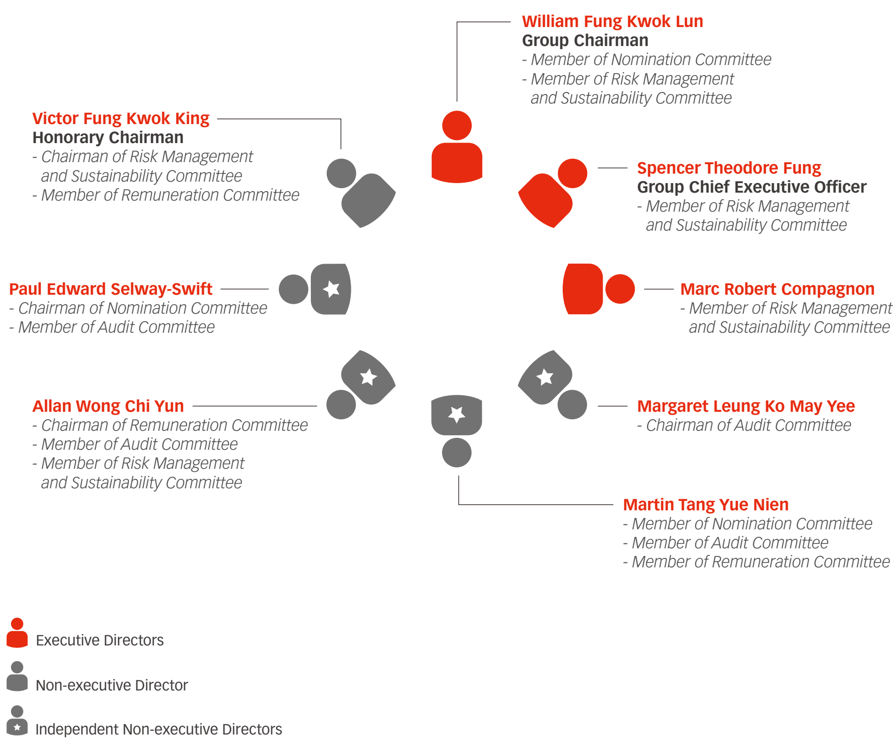
The Board and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasize transparency, accountability and independence.

The Board

Board Composition

The Board is currently composed of three Executive Directors, one Non-executive Director and four Independent Non-executive Directors. While the Board considers that this composition remains balanced and able to reinforce a strong independent review and monitoring function of overall management practices, the Board has taken steps to identify additional Independent Non-executive Directors with due regard for the benefits of diversity on the Board. Directors' biographical details and relevant relationships are set out in "Our board and management team" on pages 60 to 69.

List of Directors and their Roles and Functions



Board Diversity

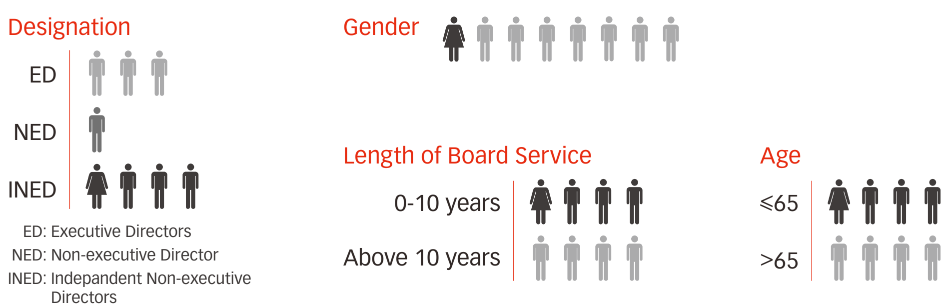
We believe board diversity enhances decision-making capability, allowing for different perspectives, and that a diverse board has both the breadth and depth of skills and experience to steer and oversee the dynamic and emerging business of the Group. We recognize that board diversity is a vital contributing element to the sustainable development and growth of the Group. This also promotes the interests of all our stakeholders, particularly the long-term interests of our Shareholders, fairly and effectively.

The Board adopted a Board Diversity Policy in 2013 which sets out the approach to diversify the Board. Under the 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 Group's business model and specific needs from time to time in determining the optimum composition of the Board.

Board members have a broad range of experience and business and management skill sets across different industries, including, but not limited to, supply chain management, banking and finance, talent management, leadership, risk management, global business and marketing.

Visit our website to read our Board Diversity Policy.



Group Chairman and Group Chief Executive Officer

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 responsibilities are clearly established and defined in writing by the Board.

Group Chairman	• Responsible for ensuring the Board is functioning properly, with sound corporate governance practices and procedures
Group Chief Executive Officer	• Responsible for managing the Group's business, including the implementation of strategy and initiatives, with the support of 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 the overall value, standards and strategy of the Group as well as reviewing its operation and financial performance.

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

Matters Reserved for Decision or Consideration by the Board

While specific functions are delegated to Board Committees and day-to-day operations to management, matters which have a critical bearing on the Company are specifically reserved for decision or consideration by the Board, including:

- Directors' appointments, reappointments and removals
- Constitution, composition and terms of reference of Board Committees
- Overall Group strategy
- Major acquisitions and disposals
- Appointment of the Group Chairman and Group Chief Executive Officer
- Annual budgeting and monitoring of performance against budget
- Annual and interim reports
- Major financing arrangements or commitments
- Oversight of risk management and internal control systems and reviewing their effectiveness and ensuring relevant statutory and regulatory compliance
- Any significant operational and financial matters
- Any major corporate governance issue

Delegation to Management

Operational responsibilities delegated by the Board to management, include:

- Preparation of the annual and interim financial statements 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
- Compliance with relevant statutory requirements, rules and regulations

Board Evaluation

The Board recognizes the importance and benefit of conducting regular evaluations of its performance to ensure effectiveness. Since 2013, an annual questionnaire is sent to each Director seeking views on the overall performance of the Board, its composition, conduct of Board meetings and provision of information. The responses are analyzed and discussed by the Board and suggestions are incorporated to improve corporate governance. The results of the 2015 Board evaluation indicated that the Board and its Committees are functioning satisfactorily. While the Directors are satisfied that the Board and its Committees have the right mix of expertise, experience and skills, they have also made constructive suggestions to further enhance Board composition.

Independence of Non-executive Directors

Each year the Board receives written confirmation from each Independent Non-executive Director of their independence and is satisfied of their independence for 2015. This assessment of the independence follows the terms set out in Chapter 3 of the Listing Rules and is delegated by the Board to the Nomination Committee.

Independent Non-executive Directors are required to inform the Company 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 the responsibility to select and recommend candidates for directorship. The Nomination Committee has established 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, and other forms of diversity such as gender, ethnicity and age.

The Company may in general meeting by ordinary resolution of the Shareholders 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 as determined by the Shareholders. 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 website.

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 annual general meetings. Under the Company's Bye-laws, one-third of the Directors, who have served longest on the Board, must retire and 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, 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 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 professional development to enhance and refresh their knowledge and skills for discharging their duties and responsibilities.

All Directors were informed on a timely basis of major changes that may have affected the businesses, including relevant rules and regulations. Since 2003, we have implemented an annual Board training program to update the Directors (in particular Independent Non-executive Directors) on the macroeconomics, business environment and regulatory requirements relevant to our operations. Board meetings outside of Hong Kong, coupled with briefings and office tours have been conducted since 2004. In 2015, a Board meeting and briefing was conducted in India with a visit to our sourcing office in New Delhi.

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

All Directors are required to provide their training records annually. For 2015, all Directors attended the arranged training sessions and gave, 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 and Risk Management Officer, as appointed by the Board, was invited to attend Board and committee meetings in 2015 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, four separate meetings were held in 2015 without other Executive Directors present. Written procedures are also in place for Directors to seek independent professional advice in performing their duties at the Company's expense. No requests for independent professional advice were made in 2015.

Liability Insurance for the Directors

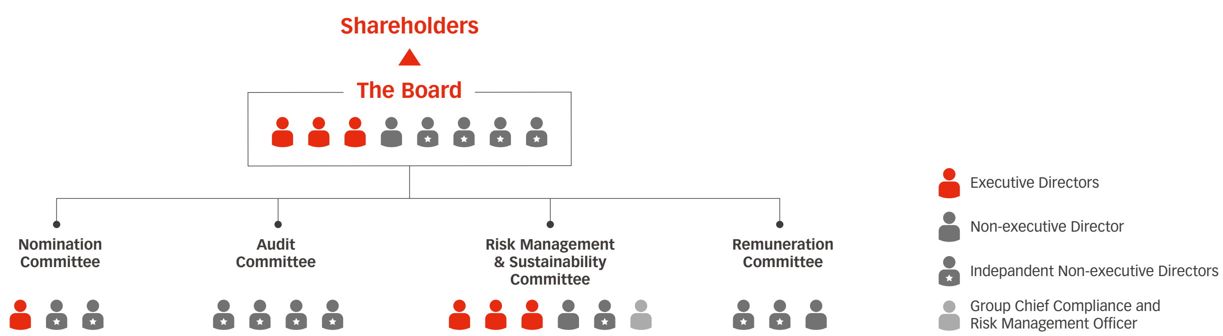
Details of liability insurance to indemnify the Directors for their liabilities arising out of corporate management activities are disclosed in the Report of the Directors on page 120.

Board and Committee Meetings

Regular Board and Board Committee meetings are scheduled a year in advance to facilitate maximum attendance. The agenda is set by the Group Chairman in consultation with members of the Board and the Committee meeting agendas are set by the respective Committee chairman. Senior management is typically invited to join Board meetings to enhance communication. The external auditor attended the 2015 annual general meeting to answer any questions from Shareholders on the audit of the Company.

In 2015, the Board held five meetings (with an average attendance rate of 98%). A summary of the Board and Committee composition, and meetings held in 2015, is below.

The Board and Shareholders



Board and Committee Meetings for Year 2015 – 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]	5/5	2/2	N/A	4/4	2/3	1/1
Paul Edward Selway-Swift [2]	5/5	4/4	4/4	N/A	N/A	0/1
Allan Wong Chi Yun [3]	5/5	N/A	4/4	4/4	3/3	1/1
Franklin Warren McFarlan [4]	3/3	2/2	2/2	N/A	2/3	1/1
Martin Tang Yue Nien	5/5	4/4	4/4	N/A	3/3	1/1
Margaret Leung Ko May Yee [5]	4/5	N/A	4/4	N/A	N/A	1/1
William Fung Kwok Lun [6]	5/5	4/4	N/A	4/4	N/A	1/1
Spencer Theodore Fung [7]	5/5	N/A	N/A	4/4	N/A	1/1
Marc Robert Compagnon	5/5	N/A	N/A	4/4	N/A	1/1
Srinivasan Parthasarathy [8]	3/3[10]	2/2[10]	2/2[10]	2/2	2/2[10]	0/1
Jason Yeung Chi Wai [9]	2/2[10]	2/2[10]	2/2[10]	2/2	1/1[10]	N/A
Average Attendance Rate	**98%**	**100%**	**100%**	**100%**	**89%**	**89%**
Dates of Meetings	8/1/2015 19/3/2015 21/5/2015 20/8/2015 16/11/2015	18/3/2015 20/5/2015 19/8/2015 16/11/2015	18/3/2015 20/5/2015 19/8/2015 16/11/2015	21/1/2015 14/4/2015 4/8/2015 14/10/2015	18/3/2015 20/5/2015 16/11/2015	21/5/2015

1. Honorary Chairman, and Chairman of the Risk Management and Sustainability Committee. Resigned as a member of the Nomination Committee with effect from 21 May 2015
2. Chairman of the Nomination Committee
3. Chairman of the Remuneration Committee
4. Retired by rotation as an Independent Non-executive Director of the Company with effect from 21 May 2015, and accordingly ceased to be a member of the Nomination, Audit and Remuneration Committees
5. Chairman of the Audit Committee
6. Chairman of the Board
7. Group Chief Executive Officer
8. Resigned as Group Chief Compliance Officer and as a member of the Risk Management and Sustainability Committee on 1 July 2015
9. Appointed as Group Chief Compliance and Risk Management Officer and as a member of the Risk Management and Sustainability Committee on 1 July 2015
10. Attended Board and Committee meetings as a non-member

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), 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.

In 2015, the terms of reference of the Audit Committee and the Risk Management and Sustainability Committee were updated to ensure full compliance with the new provisions in the Corporate Governance Code, in particular the incorporation of risk management, effective from 1 January 2016.

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, identification of suitably qualified individuals to become Board members, selecting or making recommendations to the Board on the selection of individuals nominated for directorships, and monitoring the training and continuous professional development of Directors and senior management.

The Committee met four times in 2015 (with an attendance rate of 100%) and was responsible for:

- Reviewing the structure, size, composition and balance of the Board, including diversity, the retirement of Directors by rotation, the reappointment of retiring Directors at the 2015 annual general meeting and the nomination of Directors to fill Board vacancies in 2015
- Assessing the independence of Independent Non-executive Directors
- Monitoring 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 with appropriate accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met four times in 2015 (with an attendance rate of 100%) 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 2015, 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 and financial reporting matters (including the interim and annual financial reports for the Board's approval)
- Updates on the new changes to the Corporate Governance Code and the respective responses of the Company
- Emerging risks (particularly credit, global tax regime, anti-corruption, ethical culture and cyber security) facing the Group
- Enhancements of global credit control framework
- 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 conducts 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.

WHISTLEBLOWING ARRANGEMENTS

The Audit Committee also ensures that proper whistleblowing arrangements are in place so that 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 and the appropriate follow-up action. Under our Guidelines on Whistleblowing/Reporting of Concerns, employees can report these concerns to either senior management or the Group Chief Compliance and Risk Management Officer. Any Shareholders or stakeholders can also report similar concerns by writing in confidence to our Group Chief Compliance and Risk Management Officer.

All concerns reported under our whistleblowing guidelines are handled confidentially. We support those who in good faith report genuine concern on potential or actual breaches of the Company's Code of Conduct and Business Ethics and any possible improprieties in any matters related to the Group. We do not tolerate any kind of retaliation against those who raise genuine concerns or participate in the investigation.

In 2015, no incidents of fraud or misconduct were reported from employees, Shareholders or stakeholders that had a material effect on the Company's financial statements 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 the 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 2015, the external auditor provided permitted non-audit services mainly in financial reporting system enhancement and tax compliance services. The nature and ratio of annual fees to the external auditor for non-audit services and for audit services in 2015 have been scrutinized by the Audit Committee (refer to details of fees to auditor in *Note 4* to the financial statements on page 161).

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 2015 financial statements, 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 2016 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 2015 (with an attendance rate of 100%) and reviewed the following:

- Risk management procedures pertinent to the Group's significant investments and operations
- 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 and Business Ethics as well as corporate responsibility and sustainability

In addition to this review scope, over 2015, the Committee specifically discussed:

- Revamped credit control framework
- Controls on use of factories with potential health and safety hazards
- Expectations of international unions and NGOs on retailers and brands on labor protection in evolving countries, and the implication to the Group
- Enhancement of control on payments to vendors
- Case of an employee's non-compliance with Group's conflict of interest policy
- Revision to the Li & Fung Supplier Code of Conduct and accompanying Standards, including the Subcontracting Standard against unauthorized subcontracting

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 and Award Shares to employees under the Company's share option schemes and Share Award Scheme, and determining the remuneration packages of individual Executive Directors and senior management.

The Committee met three times in 2015 (with an 89% attendance rate) to review and determine all Executive Directors' and senior management's remuneration packages and the granting of Share Options and Award Shares under the current Three-Year Plan 2014–2016.

Details of Directors' and senior management's emoluments of the Company are set out in *Note 10* to the financial statements on page 165 and *Note 40* to the financial statements on pages 208 to 211.

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 its 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
- Bonus
- Share Options and Award Shares granted under long-term incentive schemes, i.e. share option schemes and Share Award Scheme, adopted by the Shareholders

In determining guidelines for each compensation element, the Committee benchmarks the remuneration mix to market surveys. All Executive Directors' and senior management's remuneration packages were approved by the Remuneration Committee at the beginning of the current Three Year Plan 2014–2016.

Basic Salary

Li & Fung conducts periodic reviews of the basic salary of all employees (including Executive Directors and Senior Management) with reference to various factors like remuneration strategy, market pay trends and employee salary levels. The Group also determines the basic salary based on the performance of the Group, business unit and individual employee.

Bonus

Li & Fung implements a bonus scheme for each Executive Director and senior management. Under this scheme, the computation of bonus is based on measurable performance contributions and/or performance standards of operating groups headed by the respective Executive Directors and senior management.

Share Options and Award Shares

The Remuneration Committee recommends for Board approval all grants of Share Options and Award Shares under long-term incentive schemes, i.e. share option schemes and Share Award Scheme. The vesting of Share Options and Award Shares granted under the share option schemes and Share Award Scheme is subject to satisfaction of prescribed criteria of service length. The purpose is to align the interest of eligible persons of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or increase in value of Shares and to encourage and retain eligible persons to make contributions and long-term growth and profit of the Group.

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 2015, 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" on pages 60 to 69.

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.

Visit our website to read about our awards and recognition.

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 2015, specific confirmation of compliance has been obtained from each Director. No incident of non-compliance by Directors and relevant employees was noted in 2015.

Inside Information Procedures and Internal Controls

With respect to procedures and internal controls for the handling and dissemination of inside information, we have:

- Established a Policy on Inside Information to comply with our obligations under the SFO and the Listing Rules
- Included in our Code of Conduct and Business Ethics a prohibition of unauthorized use of confidential or inside information, including the trading of Company's securities
- Established procedures for responding to external enquiries about Group's affairs. Designated persons from senior management of the Group and the Investor Relations and Corporate Communication teams are identified and authorized to act as the Company's spokespersons and respond to enquiries in allocated areas of issues

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 120 to 122. The Shares held by each member of senior management are less than 2% of the issued share capital for the year ended 31 December 2015.

Directors' Responsibility for Financial Statements and Auditor's Responsibility

The Directors' responsibility for preparing the financial statements is set out on page 123, and the auditor's reporting responsibility is on page 124.

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 2015.

Shareholders' Rights

The Company strives to provide equal, regular, timely and effective communication and dissemination of material information to Shareholders and other stakeholders. The Company also encourages participation of Shareholders in annual general meetings and other general meetings. The Company sends notice to Shareholders for annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings.

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.

A Shareholder can also propose a person for election as a Director at the general meeting convened to deal with appointment/election of Director(s), and he/she must follow the designated procedure. The nomination procedure for nomination of Directors by Shareholders is available on our website.

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. To ensure Shareholders are familiar with the process, detailed procedures for conducting a poll are explained at the commencement of the general meetings, and all questions from Shareholders on the voting procedures can be answered before commencement of the poll voting. An external scrutineer will be appointed to monitor and count the votes cast by poll. Poll results will be posted on our website and the Stock Exchange's website after each general meeting.

Apart from participating in the Company's general meetings, Shareholders may send their specific enquiries requiring the Board's attention to our Company Secretary. Other general enquiries can be directed through the Company's designated contacts, email addresses and enquiries lines as set out in "Information for investors" on page 110.

Visit our website to read the Shareholders' Communication Policy.

Changes in Constitutional Documents

There is no significant change in the Company's constitutional documents during the year ended 31 December 2015.

Investor Relations

To uphold high standards of corporate governance, we maintain effective communications with the investment community by disseminating information in a timely and accurate manner. Our Investor Relations (IR) team maintains 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 a wider investment community, our corporate website 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.

Li & Fung is aware of its obligations under the SFO and the Listing Rules, including the overriding principle that information which is expected to be Inside Information should be announced promptly and to prevent selective or inadvertent disclosure of Inside Information. The Group therefore conducts the handling and dissemination of such Inside Information in accordance with the "Guidelines on Disclosure of Inside Information" issued by the SFO in June 2012 and Company's Policy on Inside Information. Members of senior management are identified and authorized to act as spokespersons and respond to related external enquiries. The Shareholders' Communication Policy is regularly reviewed by the Board to ensure its effectiveness.

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, our senior management meet with investors and analysts to share their latest views on the business and to further explain our business model.

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 to build a sustainable business.

Risk Management and Internal Control

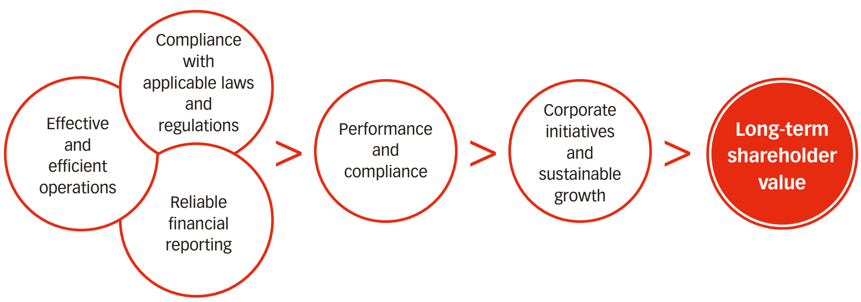
Li & Fung acknowledges that risks are inherent in our business and the markets in which we operate. The challenge is to identify and then manage them so they can be understood, minimized, transferred or avoided. This demands a proactive approach to risk management and an effective group-wide risk management framework.

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, which forms the development of necessary policies and procedures. We recognize that risk management is the responsibility of all of our people as an integral part of our day-to-day business process. Our 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, in conjunction with the Risk Management and Sustainability Committee, reviews the emerging risks of the Group annually, and the risk management and internal controls in place to address those risks. Qualified professionals within the business maintain and monitor these systems of control on an ongoing basis.

Described below are the main characteristics of our risk management and internal control framework.

Our Internal Control Framework is Designed to Achieve



Control Environment

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.

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.

Our Governance Structure

Our governance structure enables risk identification and escalation whilst providing assurance to the Board. We assign clear roles and responsibilities for managing risk and implement systems to facilitate the implementation of policies and guidelines. This structure comprises three layers of roles and responsibilities to manage risk and internal control as follows:

Role	Accountability	Responsibilities
Oversight	Audit Committee of the Board, Risk Management and Sustainability Committee of the Board	Oversight of corporate governance, financial reporting, risk management and internal control systems
Risk and control owner	Li & Fung Management and Operations Support Group	• Day-to-day execution and monitoring of internal control • Strategic policies and operating guidelines formulation and execution • Balance between business operation efficiency and exercising internal controls
Risk monitoring and communication	Corporate Compliance team	• Evaluation of risk management and internal controls to identify areas for improvement • Monitoring of corporate governance disclosure, statutory and listing rules compliance • Undertaking of investigations

Management of Key Risks

Li & Fung's risk management process is embedded in our strategy formulation, business planning, capital allocation, investment decisions, internal controls and day-to-day operations. This includes risk identification, exposure evaluation, control development and execution. There is also a continual process with periodic monitoring, review and reporting to the Risk Management and Sustainability Committee.

The following are considered material risks faced by the Group and are managed as such:

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 Operations Support Group (OSG) to centralize the business support functions and exercise control over global treasury activities, financial and management reporting, human resources, corporate services, legal and information technology systems. This aims to ensure adequate segregation of duties between OSG and front management so that all material transactions, activities, processes, wrongdoings or irregularities can be identified.

All controls of major operations are supplemented with written policies and Key Operating Guidelines (KOGs) tailored to the needs of the 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 use, business travel, HR processes, training sponsorship and procedures for handling grievances.

Contingency and business continuity plans, crisis management including fire drills, preparedness for pandemics and natural disasters 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 semiannual basis. Monthly updates are also provided to the Board to give timely and comprehensive assessments of the Company's performance, position and prospects. 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 36* and *37* to the financial statements on pages 199 to 202.

3. INVESTMENT RISK MANAGEMENT

The Investment Committee (comprising the Honorary Chairman, Group Chairman, Executive Directors and senior management) reviews strategic investments and acquisitions under a rigorous investment process. Significant investments and acquisitions (with consideration above a threshold pre-set by the Board) also require Board approval. Procedures are in place to monitor the ongoing post-acquisition performance of the investments.

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 (the Code), available at our internal and external websites, for all Directors and employees. A number of accompanying policies, guidelines and procedures covering anti-bribery, gifts, entertainment and hospitality, declaration of interest and whistleblowing were created to set a framework for our people to 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 employees are required to abide by the Code and they must apply business principles and ethics which are consistent with those expected by the Board and the Company's Shareholders and other stakeholders. Training sessions are regularly held throughout our global operations 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 whistleblowing and reporting of concerns are investigated independently.

The internal audit program integrates the assessment of compliance with the Code and the accompanying policies, guidelines and procedures. The Internal Audit team assesses the significance and risk profiles (e.g. country specific, labor intensity, compliance culture, complexity of regulations, transaction complexity) of the Group's business, operations and processes when determining the audit scope. The scope of internal audits covers the following in respect of the Code:

- Reviewing compliance with the Code and relevant polices and guidelines during the onsite audit of global offices and operations, including business transactions and related documentation
- Reviewing the Code self-assessment program completed by global offices with relevant supporting documentation
- Conducting interactive forums, training and/or individual meetings with management and our people to ensure a culture of good corporate governance, risk identification and compliance is embedded in operations

We are 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 and Business Ethics, 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 2015, no incident of non-compliance with the Company's Code of Conduct and Business Ethics that has significant impact to our operations was reported.

5. REGULATORY COMPLIANCE RISK MANAGEMENT

The Corporate Compliance team is comprised of the Corporate Governance and Corporate Secretarial teams. Under the supervision of the Group Chief Compliance and Risk Management Officer and in conjunction with designated internal and external legal advisors, the teams regularly review adherence to relevant laws and regulations, Listing Rules compliance, public disclosure requirements and our standards of compliance practices.

6. INFORMATION TECHNOLOGY RISK MANAGEMENT

Investing in information technology systems is an ongoing priority that supports the growing volume of our business transactions, enables us to improve control and availability of our information, and enhances the security of our systems to manage cyber security risks.

We remained focused on also improving the governance of our IT systems by moving to a managed services model for infrastructure security by leveraging leading vendors' expertise to protect our infrastructure, as well as updating access controls and authentication methods to meet industry standards. In 2015, we established our first Network Operating Center (NOC) in Panyu to monitor our critical data centers on a 24/7 basis. Over 2016 we will bring all data centers under NOC control. We successfully tested our disaster recovery response for all critical systems and applications again in 2015. Security awareness training, which is an important part of our cyber security strategy, is being progressively rolled out to our colleagues around the world.

We continue to develop our core operating systems, including our Export Trading System (XTS), portals for our customers and vendors, Mobile Quality Control (MQC) and OTS, our internal tracking system. We also continue to rollout our financial system E1 to new business units and completed an upgrade of our specialized freight system in China.

In 2015, a program management office was established to bring further consistency, enhanced project delivery and greater visibility of all projects across the Company via an online project portal, Project Central.

Major investments and upgrades continue to be implemented to enhance our financial consolidation tools and forecasting, and our cyber security monitoring with a focus on data privacy policies and governance.

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, and specific risks such as operational and adaptation risks arising from climate change.

Internal and External Audit

Internal Audit

The internal audit function is carried out by the Corporate Governance team. Under the supervision of the Group Chief Compliance and Risk Management Officer, it independently reviews compliance with Group policies and guidelines, legal and regulatory requirements, risk management and internal controls and evaluates their adequacy and effectiveness. The Group Chief Compliance and Risk Management 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 Group's Three-Year Plan and is reviewed and endorsed by the Audit Committee.

The principal tasks of the Corporate Governance team include:

- Preparation of an Internal Audit plan using a risk-based assessment methodology that covers the Group's significant operations over a three-year cycle
- Review of all operations, controls and compliance with KOGs and corporate policies, rules and regulations. The audit scope covers significant controls including financial, operational and compliance controls, and risk management policies and procedures
- 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 its meetings.

As part of the annual review of the effectiveness of the Group's risk management and internal control systems for 2015, 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 of the findings noted in the self-assessment programs and considered that sound internal control practices were in place for 2015.

External Audit

Our external auditor, PricewaterhouseCoopers (PwC), performs independent statutory audits of the Group's financial statements. 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 come to its notice during the course of the audit. PwC noted no significant internal control weaknesses in its audit for 2015.

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 2015:

- 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 financial statements 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 70. Brother of William Fung Kwok Lun and father of Spencer Theodore Fung. Group Chairman of the Fung Group, a Hong Kong-based multinational which comprises major 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's and Master's 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) and Koç Holding A.Ş. (Turkey). Since July 2015, chairman of the Advisory Board of the Asia Global Institute at The University of Hong Kong, a new multi-disciplinary think-tank to assume and carry forward the mission and operations of Fung Global Institute, of which he was a Founding Chairman (July 2010–June 2015). 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. 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 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 (2009–2014). Independent non-executive director of BOC Hong Kong (Holdings) Limited (June 2002–June 2014). Retired from the board of China Petrochemical Corporation (People's Republic of China). In 2003 and 2010, the Hong Kong Government awarded Victor the Gold Bauhinia Star and the Grand Bauhinia Medal respectively for his distinguished service to the community.

William Fung Kwok Lun

Group Chairman

Aged 67. Brother of Victor Fung Kwok King and uncle of 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. 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 Special Administrative Region Government in 2008.

Spencer Theodore Fung

Group Chief Executive Officer

Age 42. Group Chief Executive Officer since 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 Victor Fung Kwok King, Honorary Chairman, and nephew of William Fung Kwok Lun, Group Chairman.

Board Member Biographies (continued)

Marc Robert Compagnon
Executive Director and President of LF Sourcing

Aged 57, Executive Director since 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

Age 71. 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 chairman of Atlantis Investment Management (Ireland) Ltd. (2007–2014).

Allan Wong Chi Yun
Independent Non-executive Director
Chairman of Remuneration Committee

Age 65. An Independent Non-executive Director since 1999. Chairman and group chief executive officer of VTech Holdings Limited. Co-founded VTech Group in 1976. Holds a Bachelor of Science degree in Electrical Engineering from The University of Hong Kong, a Master of Science degree in Electrical and Computer Engineering from the University of Wisconsin and an Honorary Doctorate of Technology from The Hong Kong Polytechnic University. Deputy chairman and independent non-executive director of The Bank of East Asia, Limited. An independent non-executive director of China-Hongkong Photo Products Holdings Limited and MTR Corporation 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 63. 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. Holds a Bachelor's degree in Economics, Accounting and Business Administration from The University of Hong Kong.

Martin Tang Yue Nien

Independent Non-executive Director

Age 66. 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. 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 49. 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.

Jason Yeung Chi Wai
Group Chief Compliance and Risk Management Officer

Aged 61. Group Chief Compliance and Risk Management Officer of the Company since July 2015. Also, the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company and its publicly-listed companies in Hong Kong. Extensive experience in handling legal, compliance and regulatory matters, and worked previously in both the public and private sectors practising corporate, commercial and securities law. Prior to joining the Fung Group, deputy chief executive (Personal Banking) of Bank of China (Hong Kong) Limited (BOCHK) with responsibility for the overall performance of the personal banking businesses of BOCHK. Graduated from The University of Hong Kong with a Bachelor's degree in Social Sciences. Also graduated from The College of Law, United Kingdom and holds a Bachelor's degree in Law and a Master's degree in Business Administration from The University of Western Ontario, Canada.

Terry Wan Mei Chow
Company Secretary

Aged 52. Group Company Secretary of the Company since 1996 and responsible for the company secretarial services of the Group. Graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and started her career as company secretary at Ernst & Young in 1985. A fellow member of both The Institute of Chartered Secretaries and Administrators in England and The Hong Kong Institute of Chartered Secretaries (HKICS). A member of the Membership Committee of HKICS since 2013. Past member of the Company Secretaries Panel of HKICS (2013–2015). Recipient of the 1st Asian Company Secretary Recognition Award by Corporate Governance Asia in 2013.

Senior Management Biographies

Annabella Leung Wai Ping
President of LF Fashion

Aged 63. 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 54. Chief Administrative Officer since 2014 and responsible for global hub operations, human resources, corporate services and various strategic projects of the Group. Focuses on strengthening the global infrastructure set up and talent to support business success. Joined the Group in 2000 with the acquisition of Colby International Limited where Emily was the Chief Operating Officer and directly responsible for the operational and merchandising matters for Colby's apparel business worldwide. After that, managing the Group's department store, mass market, supermarket and specialty store apparel business in the Americas, Southern Hemisphere and Japan. In 2010, Emily served as the Chief Operating Officer of DSG, a dedicated sourcing group servicing Wal-Mart globally. Prior to her current role, President of LF USA Sourcing, spearheading the sourcing and operations in Asia. Graduated from The University of Hong Kong with a Bachelor of Social Sciences degree.

Gerard Jan Raymond
President of LF Asia and LF Beauty

Aged 59. 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

From left to right: Henry Chan, Mannel Fernandez, Marc Compagnon, Wai Ping Leung, Lâle Kesebi, Spencer Fung, Joseph Phi, William Fung, Emily Mak, Victor Fung, Richard Darling, Stephen Lister, Gerard Raymond and Edward Lam

Senior Management Biographies (continued)

Henry Chan
President of LF Products

Aged 65. 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 53. President of LF Logistics managing the Group's logistics, freight, data analytics 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. Chairman of GS1 Hong Kong. Director of GS1 Management Board. Member of the Advisory Committee, Centre for Marketing and Supply Chain Management at The Hong Kong University of Science and Technology (HKUST). Adjunct Professor of Information Systems, Business Statistics and Operations Management at HKUST. Member of Supply Chain 50, an association of the top supply chain professionals in the world. Board member of Macy's China Limited.

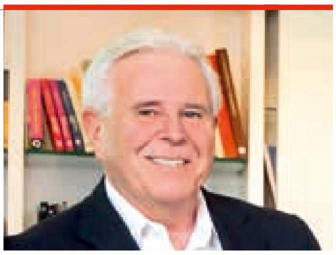
Lâle Kesebi
Chief Communications Officer & Head of Strategic Engagement

Aged 47. 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, member of Board of Governors of The Women's Foundation in Hong Kong. Member of Board of Trustees of the Asian University for Women (AUW) and co-chair of the AUW Support Foundation in Hong Kong. Formerly, chair of the Canadian Chamber's Business Policy & Government Relations committee and the Debenture and Scholarship committee of the Canadian International School in Hong Kong.

Manuel Carlos Fernandez
Group Chief Technology Officer

Aged 45. Group Chief Technology Officer since March 2006, responsible for strategic technology direction and leadership to all IT heads within the Fung Group including Convenience Retail Asia Limited, Trinity Limited, Global Brands Group Holding Limited and the Company. Assumed additional role of Head of Global Transactional Services of the Company in 2014. Joined the Group in 1999 as Regional IT Manager – Strategic Applications of Li & Fung Distribution Group. Chief Information Officer of Integrated Distribution Services Group between 2001 to 2006. Holds a Bachelor of Science in Computing for Real Time Systems (Honours) degree from University of the West of England Bristol. Awarded CIO of the year (Hong Kong region) in Hitachi Data Systems IT Inspiration Awards 2009.

Richard Nixon Darling
Head of Government and Public Affairs



Aged 62. Head of Government and Public Affairs overseeing the Group's government relations, public affairs and supply chain sustainability on global industry and multi-stakeholder initiatives. Also overseeing the Group's Vendor Compliance & Sustainability since 2015. Prior to his current role, President of DSG overseeing the Group's dedicated sourcing group servicing Wal-Mart globally. The founder of The Millwork Trading Co., Ltd, a joint venture with Li & Fung that became a wholly-owned subsidiary from 1999 to 2014. Board member of the American Apparel and Footwear Association and K.I.D.S./Fashion Delivers. Member of the Board of Governors of Parsons, The New School for Design. Representative of the Group on the Center for Retailing Excellence Executive Board of the Sam M. Walton College of Business at the University of Arkansas, the Board of Advisors of the Cornell University ILR School New Conversation Project, the Alliance for Bangladesh Worker Safety and The Accord on Fire and Building Safety in Bangladesh.

Robert Stephen Lister
President of LF Private Label

Aged 59. 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.

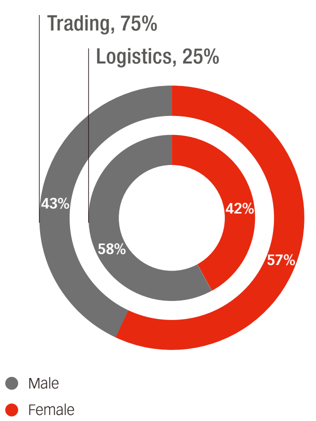
Our Culture Crew, Yi Hoo Ong, Francesca Ayala and Cherie Wong, on their global tour to share our values and connect with colleagues

Our people

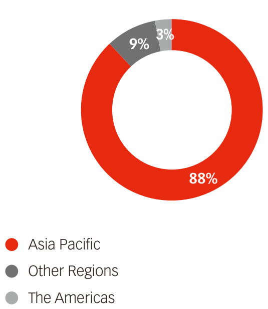
Our people are our greatest asset. We attract and retain entrepreneurial talent worldwide, with in-depth supply chain and logistics expertise, and provide our people with development opportunities at all levels.

25,320
EMPLOYEES WORLDWIDE

Employees by Business Network and Gender



Employees by Region



Our trading and logistics businesses are led by industry experts, who have deep product category and channel expertise across sourcing and logistics. From designers, merchandisers, quality assurance and control experts to our warehouse delivery and logistics professionals, our people are highly skilled and drive our growth and success.

Our senior management and teams around the world bring a vibrant mix of nationality, ethnicity, culture as well as professional and life experience that enriches our company. This breadth of cross-cultural and international work experience supports the sustainability of our global trading and logistics businesses.

We see diversity as a source of strength and pride. Our people are inherently diverse – we have 25,320 employees representing over 50 nationalities operating in more than 40 economies. Our diverse culture and broad global network are key to our success and enable us to work and collaborate across borders. Our diversity inspires innovation, enriching every aspect of our business.

Our business is built on long-term relationships within our teams and with our customers, suppliers and communities. Together, we strive to build sustainable businesses and supply chains. Attracting and developing the best skill and talent is essential to the sustainability of our business. In all of our operations we attract a mix of local and international professionals.

Our strengthened digital presence also helps us to engage the best talent from all over the world. We started to leverage LinkedIn as part of our recruitment strategy in 2015. For our effort, we were awarded the Gold Award for being the 2015 LinkedIn Hong Kong Evolving Employer. As of 31 December 2015, we hit the 40,001 follower mark and received 21,000 job applications during the year.

Management Team by Gender

55% MALE **45%** FEMALE

Employees by Gender[1]

46% MALE **54%** FEMALE

1 *For our full-time employees on permanent contracts, 52% are female and 48% are male. 58% of our female employees and 42% of male employees work full-time on temporary or other contracts.*

In addition to attracting external talent, we encourage internal transfer opportunities for our people who want to enhance their skills or develop new competencies. In 2015, 15% of our open positions were filled by existing employees.

Our Values

Our values form the basis of our culture, business strategies and brand. Three core values unite us and guide our actions:

We are entrepreneurs
We are humble
We are family

Our core values are more than just words. They are meaningful expressions of who we are. They define our behavior with each other as colleagues, with our customers and suppliers, and with all those we interact with in our daily lives.

In 2015 a special team, known as the 'Culture Crew', continued our global campaign on values, visiting 100 locations in 60 cities across 30 countries, reaching over 90% of our people around the world. A key aspect of the initiative was to host discussion forums to learn about what is important to our colleagues and to share their stories globally. A series of personal stories named 'The Living Book of Values' was created and posted on our One Family internal communication platform for all of our people to access anywhere, anytime. The team also documented their experiences and impressions of each of the offices they visited with over 100 blog posts, videos and photo albums. The Culture Crew played a key role in raising awareness and stimulating discussion on our values and fostered closer ties and greater collaboration among all of our people.

Visit our website to understand more about our values.

Our Approach

Fostering diversity, living our values, caring for and engaging our people, developing talent, and providing a respectful, safe and healthy working environment are essential elements of our Sustainability Strategy. Our people initiatives focus on three areas:

1) C.A.R.E. – caring for and engaging our people

2) Wellbeing – enhancing the wellbeing of our people

3) Career – attracting and developing talent

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. Across our global operations, C.A.R.E. drives our efforts in providing an environment that is entrepreneurial, engaging and fosters a long-term commitment to the company.

Each year we hold multiple events to share our goals and encourage dialogue and innovative thinking across geographies. Through town halls, annual conferences, team meetings and other events, our people connect to learn from seasoned professionals and collaborate with peers to incubate business ideas.

In 2015, our Group CEO Spencer Fung launched a series of monthly, small group gatherings with colleagues working in various roles from different businesses. The gatherings enable our colleagues to understand more about the company's direction and allow our CEO to learn about the challenges they face and to share his thoughts directly with them. These informal gatherings will continue in 2016.

Our One Family internal communication platform is key to connecting our people around the world. To further boost connection and encourage our people to share content, we revamped One Family in 2015 adding new features such as blogs, a social feed and communities of interest. Our people can now freely share their thoughts and ideas instantly, upload photos of activities hosted in local markets and form communities with colleagues who have the same interests and passions, or work in the same role. In 2015, One Family attracted 16,736 unique users.

5+ years

3,470
COLLEAGUES
with 5+ years
long service awards in 2015

10+ years

1,600
COLLEAGUES
with 10+ years
long service awards in 2015

We also arrange appreciation events, special days for families and awards that recognize the achievements of our people. In 2015, 3,470 employees reached anniversaries with Li & Fung for five years or more and were awarded Long Service Awards. Of our people receiving awards in 2015, 46% had worked with us for 10 years or more, including 47 colleagues with 30 years' service or more – a remarkable achievement.

Enhancing Wellbeing

The health, safety and wellbeing of our people are important to us. Our strategy and programs are tailored to support our peoples' wellbeing and to meet the specific occupational health and safety requirements of different working environments within our offices, manufacturing facilities and distribution centers. To support local needs and to meet local legal requirements, we ensure that our working hours and benefits, and other terms of employment, are tailored to each locality in our global network. In 2015 there were no fatalities in our workplaces globally.

To identify opportunities to enhance our working environment, we conducted a global self-assessment survey on our human resources practices in 2015. As a result, we are enhancing parental leave provided globally, and in some locations strengthening tracking of human resources metrics.

We are committed to maintaining a respectful workplace free from discrimination and harassment of any form and to providing 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 learn about the Code during their orientation. Policies and guidelines for addressing the Code are implemented in the acquisition of new businesses and through our ongoing recruitment, training, performance assessment, disciplinary and grievance processes.

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

Compliance with our Code is reviewed quarterly by the Risk Management and Sustainability Committee of the Board and audited by our corporate compliance team, under the supervision of the Group Chief Compliance and Risk Management Officer, who reports any material non-compliance to the Board directly or through the Risk Management and Sustainability Committee. In 2015, no instances of non-compliance were reported.

Our manufacturing and logistics facilities have all implemented formalized occupational health and safety management systems. Our Bangkok, Jakarta and Kuala Lumpur manufacturing facilities are certified to the OHSAS 18001 Occupational Health and Safety Management System standard, as are three of our logistics facilities in China and one in each of the Philippines, Singapore and Thailand. Our Trowbridge manufacturing facility meets RIDDOR[3] standards and the Tonawanda facility exceeds the standards of the OSH Act[4]. All facilities hold safety talks and training on workplace hazards, safe working practices, chemical management, forklift operation, defensive driving, and spill, fire and emergency prevention, drills and response. Annual Environmental, Health and Safety Weeks and topical OHS events are also held, and counselling services, medical clinics and vaccinations are provided.

We are very pleased that our manufacturing facility in Thailand won the 2015 National Outstanding Award on Occupational Safety, Health and Environment for the third year in a row.

We have fitness centers in a number of our workplaces and host a variety of exercise and wellness activities, ranging from health checks, yoga and dancing sessions to marathon training. We also continue to share tips on health and wellbeing through regular 'Useful Tips' emails.

We are committed to ensuring that our people feel safe and respected and able to apply their best skills at work. We believe this improves performance at work and brings benefits to our people, both personally and professionally.

Visit our website to read about our successful myRun campaign and other activities to promote wellbeing.

3 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

4 Occupational Safety and Health (OSH) Act of 1970, 29 CFR 1910 Occupational Safety and Health.

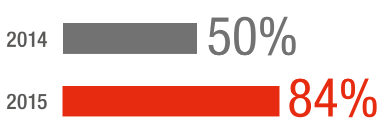
Developing Talent

We believe that building a strong culture of learning plays a vital role in maintaining sustainable growth. To ensure our people leverage their talents and develop their skills and competencies, we provide development programs focusing on leadership, broadening professional knowledge and enhancing productivity. We also provide flexible learning channels from online and classroom courses, on-the-job experience, networking and mentoring, to cross-border opportunities. In 2015, 21,284 colleagues attended learning opportunities – an increase of 66%. The number of in-house learning programs increased 10% to 1,257 programs. While average learning hours per employee dropped to four hours in 2015, this was partly due to our proactive response to our people's feedback to condense the content of our online courses to encourage greater participation. It was notable that during the year, the overall percentage of our people assessing learning opportunities increased sharply to 84%.

Each year we attract exceptional talent globally to join The Program for Management Development (PMD). Launched in 2010, this one-year, intensive program aims to cultivate entrepreneurialism and develop our future business leaders. It includes corporate orientation and training, rotational assignments in the Fung Group's core businesses and business education programs in Shanghai and New York. 12 Management Associates participated in the 2015 intake. A group of current and former PMDs are shown on the front cover of this Report.

In addition to our more formalized learning and development activities, our people use a robust learning platform, known as 'MyCareer', which lets them learn at their own pace. MyCareer covers career development, skill training, expertise sharing and personal and management development. MyCareer has over 130 learning videos and podcasts related to merchandising, retail and technology skills and in 2015, it was accessed by 21,284 colleagues.

We believe that building a strong culture of learning, experimentation and innovation plays a vital role in our growth.



PERCENTAGE OF EMPLOYEES PARTICIPATING IN LEARNING PROGRAMS

IN-HOUSE LEARNING PROGRAMS IN 2015

MIT MANAGEMENT EXECUTIVE EDUCATION

THE UNIVERSITY OF HONG KONG Faculty of Business and Economics

Stanford | Center for Professional Development

DEVELOPING LEADERS

Developing leaders, at all levels, is a key priority. Focused programs, networking, experiential and on-the-job learning are just some of the ways we foster leadership. We have developed a tailored leadership roadmap for different leadership levels. Since 2010, we have partnered with MIT Sloan Executive Education and The University of Hong Kong's Faculty of Business and Economics to implement our Executive Leadership Program. In conjunction with the Stanford Center for Professional Development, we have implemented our Advanced Leadership Program since 2012. 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. In 2015, there were two intakes for 100 senior managers. During the program, attendees were tasked with projects related to the supply chain, retailing and macroeconomic and market trends, and charged with developing outcomes that can be applied to our business.

The leadership program was extended to mid-level managers for the first time, with eight intakes being organized for 185 attendees in 2015. To cultivate an environment of 'Leaders building Leaders', 23 of our senior managers became internal trainers for the program. In addition, we continue to implement the New Manager's Program to help newly promoted colleagues take on the role of people managers.

PROFESSIONAL AND TECHNICAL SKILLS

Enhancing skills and broadening the business knowledge of our people is an important focus of our people strategy. In 2015, we introduced a new costing program for merchandisers to equip them with critical knowledge to cost each step of the supply chain – from raw material sourcing and manufacturing to logistics and retail. Additionally, a series of workshops around omni-channel, retail and sourcing, and seminars on fashion and business trends, were hosted. We were also very proud to launch an in-depth dying and coloring program based on the requirements and guidelines of the Society of Dyers and Colourists (SDC). The program deepens the dying and coloring skills of our colorists and supports them to become Chartered Colourists. Of the 36 trained colorists, five attained the qualification of Associate of the SDC and will become Chartered Colourists by 2017. These five colorists became 'Learning Champions' and continue to transfer their knowledge to colleagues through sharing sessions and how-to videos.

Visit our website for more information about our learning programs, including those to support our customers.

MyCareer Learning Platform

130+
LEARNING VIDEOS AND PODCASTS AVAILABLE

21,284
COLLEAGUES ACCESSED ONLINE LEARNING

INNOVATION PROGRAMS

We believe innovation is a key factor to staying competitive, especially against global market changes. We introduced a number of programs in 2015 to spur innovation. The Innovation Catalyst program in Shanghai, gathered middle managers across different businesses for an eight-week engagement that included training on design thinking and a team-based innovation challenge. This was complemented by coaching on innovation techniques, such as rapid prototyping and ways to connect what they had learned back to the business and to transfer their knowledge to other colleagues. Together with the Fung Academy, we plan to roll this out to other offices in 2016.

We believe that collaborative learning is key to developing an innovative culture. In 2015, we formed a Design Community with over 290 members in Hong Kong, Manchester and New York. The community is a platform for our designers to share their experience and collaborate with and learn from each other to further boost innovation within the company.

Production being checked by one of our suppliers in Istanbul, Turkey

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 our customers, factories, workers and communities. We partner with customers and suppliers who share this commitment and collaborate with industry stakeholders to further positive change.

15,000+
SUPPLIERS WORLDWIDE

THREE LARGEST SOURCING MARKETS

1. China
2. Vietnam
3. Bangladesh

At Li & Fung we manage complex and unique supply chains in over 40 economies around the world for our customers. Our global supplier network has been evolving for over 100 years. While over 80% of our sourcing business is with a core group of strategic suppliers, our network also allows us the flexibility to move production across markets, balance capacity constraints and respond to demand, while meeting specific customer needs, such as proximity to the end-consumer or technical expertise and distribution. By sourcing from multiple factories across multiple markets, we can also activate business contingency plans when unexpected issues occur and continue production for our customers.

Our Vendor Support Services (VSS) unit focuses on the needs of our global supplier base as it addresses the challenges facing the industry. In 2015 we developed services to support suppliers to enhance productivity, operational and resource efficiencies and product testing, and to capture performance data along the supply chain. We want to help suppliers mitigate the increasing costs of labor and other inputs by better managing material and resource usage, production swings, operations and logistics.

Addressing challenges and opportunities in our supply chain is integral to our Sustainability Strategy. Our initiatives focus on three areas:

- Managing risk and furthering compliance in our supply chains
- Sourcing responsibly
- Collaborating with customers and partners to build sustainable supply chains

Supply Chain Compliance

Improving workplace conditions and overall factory management practices brings benefits to workers, suppliers, factories and communities. Each of the locations in our supply chain has a unique set of challenges that we manage through our network of on-the-ground teams and in collaboration with industry and non-profit organizations and local authorities.

Managing our supply chain risk starts with strategic sourcing decisions by our customers and/or sourcing teams and our continuing efforts to direct business to suppliers that share our commitment to compliance and enhancing sustainability performance. Our Vendor Compliance & Sustainability (VCS) team assesses supplier risk and compliance and supports factories to continually improve performance.

Our Supplier Code of Conduct, which is based on the International Labour Organization (ILO)'s core conventions, outlines the requirements for suppliers to do business with Li & Fung. This includes compliance with relevant local laws and regulations and meeting the Code Standards related to health and safety, labor rights, environmental protection, accountability, transparency and ethics. We also support our customers to meet the requirements of the California Transparency in Supply Chains Act and the UK Slavery Act, which came into effect in 2015.

Suppliers are required to sign acceptance of our Code of Conduct and accompanying Standards. Performance against our Code is assessed through audits conducted by our VCS team, or external audit firms approved by Li & Fung or our customers. When compliance violations are identified, the factory is provided with a Corrective Action Plan including a reasonable timeline for completing the remedial actions, which also must be verified by the audit team. Any grievances that arise as part of factory incident reporting are investigated by our VCS teams and the results shared with all concerned with a response plan to address the grievance.

Our compliance monitoring program is maintained throughout the business relationship with an expectation for suppliers to continually improve compliance performance as per their Corrective Action Plan and beyond. In addition, our VCS teams have developed and marketed fee-based training modules that specifically meet factories' needs for quality, compliance-related training.

As a supply chain manager, an important task is also to ensure product quality and safety. Li & Fung has experienced quality assurance and control (QA/QC) teams that follow global procedures to provide oversight of product safety testing and inspections. In 2015, there were no recalls of products for health and safety reasons.

Recognizing that our QA/QC personnel can be our "eyes and ears" in the supply chain, we have been progressively training them to be aware of observable potential safety hazards and underage and forced labor through our Observer Development Program. As part of our ongoing factory monitoring program, our QA/QC teams proactively identify such risks and incidents and raise them directly with factory management and our sourcing and compliance teams for appropriate follow up.

“

We are committed to building sustainable supply chains at Li & Fung.

Richard Darling,
Head of Government and Public Affairs

Review of Our Audit and Compliance Process

In 2015, we conducted a thorough review of our audit program against evolving industry standards, key industry audit frameworks, consumer expectations and our experience on-the-ground working with suppliers to further compliance and performance. We reviewed our Supplier Code of Conduct, accompanying Standards and Guidance, introduced a new audit tool, established a new rating and grading system, expanded our equivalency program and enhanced our audit scope.

These enhancements are in response to the challenges facing our industry and are part of our broader shift to focus on remediation and capacity building to ensure that factories continually improve working conditions. The standardized audit tool, which meets our customers' requirements and aligns with common industry standards, allows for consistent audit execution and reporting. Our expanded audit equivalency program saves time and resources spent on duplicate and overlapping audits and Corrective Action Plans. The enhanced audit ratings and revised approval periods provide factories with longer timeframes to make improvements and the ability to track their ongoing performance and progress.

This new approach will drive efficiencies and empower factories to take ownership of their performance. Factories will see the value of investing in an audit and be more accountable and motivated to take action to improve factory conditions and compliance. Developing, and working with, a better supplier base creates a win-win situation for every stakeholder in the supply chain. The key updates are summarized below.

Supplier Code of Conduct	The updated Code more explicitly outlines our expectations for meeting key Standards related to: • Management systems • Health and safety practices • Labor practices • Environmental practices • Accountability, transparency and ethics
Rating and Grading	A new rating and grading system was established to: • Reduce audit fatigue with longer approval periods to allow corrective action to be implemented • Add a numerical grading to allow for better tracking of supplier progress over time • Provide clearer terminology for ratings

Equivalency Program	Our equivalency program was expanded to all factories to: • Reduce audit duplication, overlapping Corrective Action Plans and turnaround time for factory approvals • Enable VCS to review and convert audit reports by external parties to our grading
Audit Scope	The enhanced audit scope covers: • Management systems – governance, risk assessment, grievance process, legal disclosure • Health and safety – fire, electrical, machine, chemical and facility safety, emergency handling, first aid response, food health and safety, ergonomics • Labor and ethics – voluntary labor, working age, working hours, wages and benefits, fair and equal treatment, freedom of association, ethical conduct, transparency • Environment – air emissions, wastewater, noise pollution, hazardous waste • Security (C-TPAT) – personnel security, physical security, information access controls, shipment information controls, storage and distribution, business partner requirements, export logistics, transparency in the supply chain
Social Audit	The social audit process was enhanced with a global protocol that clearly outlines expectations for conducting audit activities. These include raising cases for special handling such as zero tolerance issues, potential building structural collapse, when access is denied and when onsite corrections are required
Security Audit	The security audit was enhanced to ensure alignment with the US Customs and Border Protection Customs-Trade Partnership Against Terrorism (C-TPAT)'s minimum criteria for Manufacturers and Best Practices

591
TRAINING SESSIONS
6,965 factory representatives and 5,044 employees attended

Supplier Capacity Building

We are committed to working with our suppliers to move them up the value chain. Building capability across our supplier base helps raise compliance standards in the industry. Improving factory operations and performance is part of our long-term goal of building sustainable global supply chains.

We focus our assessment, technical support and capacity-building efforts on establishing better-managed factories and better working conditions. The enhancements made to our auditing and compliance process in 2015 enable us to deepen our focus on improving factory operations through capacity-building programs. We believe that to achieve sustained change in the supply chain, it is essential to support factories to meet our compliance Standards, and to also ensure they have the information and training to build their capacity to integrate social and environmental best practices into their day-to-day operations.

We continue to implement training programs for our own employees and factory representatives on a number of topics, including new international regulations, customer-specific standards for health and safety, and environmental and social compliance. In 2015, we held 591 sessions for 6,965 factory representatives and 5,044 of our own people. This is in addition to the 634 training sessions held in 2014 for over 12,000 factory representatives and more than 3,000 of our employees.

A Snapshot of Our Training in 2015

Training Topic	No. of Factories	No. of People Trained
Conflict Minerals, Human Trafficking and Forced Labor	1,460	2,250
Fire and Electrical Safety	450	1,000
Social Compliance	390	700
Hazard and Risk Identification	90	250
Occupational Health and Safety	80	130

In addition to updating and enhancing our audit and compliance processes in 2015, we also took steps to shift the strategic focus of our VCS team from offering largely audit-based services to remediation and capacity-building services. The aim is to provide our suppliers and factories with the education, training and tools they need to upgrade their operations and comply with our Standards, which is also critical for the success of their business.

Some examples of the training modules we offer to suppliers and factories include:

- A capacity-building course for factories to learn how to remediate zero tolerance issues identified and to implement good practices to improve their performance and related audit score and rating
- An orientation course to educate factories on Li & Fung's compliance Standards, including our Supplier Code of Conduct and accompanying Standards
- A course to introduce basic principles of safety management in factories, including the most common issues of fire, electrical, and building and structural safety

This enhanced focus on capacity building enables us to provide suppliers and factories with all-encompassing packages for total factory improvement in addition to deeper support, such as on risk identification or fire safety management.

Our Sustainability Resource Center website provides our suppliers with compliance resources and tools, industry updates and training schedules designed to help suppliers better understand key compliance and operational issues, challenges and implications so that they can identify specific areas of improvement and develop action plans to enhance their performance. Information is regularly updated and materials are available in multiple languages.

Toolkits on how to improve key areas of business operations and health and safety are available and cover topics such as, occupational health and safety, building safety management, fire safety management, hazard identification and risk assessment, employee relations, and workforce planning. A suite of short, practical videos that are available in 14 languages were developed from the point of view of managers or workers to better communicate key issues. Video topics include: underage labor, managing working hours, electrical safety, fire safety, chemical safety, good governance and manufacturing excellence. In 2015, the videos were viewed 3,298 times and downloaded 1,960 times.

Visit our website to view the Fire Safety for Workers video.

Sustainability Resource Center Website Metrics in 2015

10,601
WEBSITE VISITS

66,512
PAGE VIEWS

7,492
RESOURCE DOWNLOADS

5,258
VIDEO VIEWS AND/OR DOWNLOADS

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. We also provide our customers with sustainable design, manufacturing, products and packaging options. We do this to meet customer requests for sustainably-sourced materials and products with reduced environmental impact from well-managed factories.

Some of the ways we helped customers source products and packaging with sustainability attributes over 2015 include:

Apparel	• Garments made of cotton from certified organic sources, such as the Global Organic Textile Standard (GOTS), that meet the Better Cotton Initiative (BCI) standard, and/or have been produced by mills that have joined Cotton LEADS™ as partners
	• Garments comprising recycled yarn, polymers, leather and shearling
	• Garments that are fur-free or comprise responsibly-sourced angora wool or down feathers
	• Textiles that are independently tested and certified to meet the Oeko-Tex Standard 100 criteria and/or REACH requirements
	• Textiles and shoes sourced from suppliers that are phasing out hazardous chemicals in production for customers committed to Greenpeace's DETOX campaign
	• Leather for shoes, wallets, covers and pouches produced from tanneries that are audited against the environmental responsibility practices of the Leather Working Group
Beauty Products	• Items that are biodegradable, not tested on animals and free of silicones, sulphates, parabens and colorants
	• 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
	• Toothpaste that is the first to be certified as organic in the world under the Oregon Tilth organic certification program

Household Items, Furniture and Packaging	• Household items, furniture and packaging made from wooden/paper materials that are Forest Stewardship Council™ (FSC™)[1] or Programme for the Endorsement of Forest Certification (PEFC)-certified, and meet the chain-of-custody requirements of the European Timber Regulation (EUTR) where applicable
	• Household items, utensils and furniture made from natural materials and fibres ranging from bamboo, roots and branches of organic teak wood and wood from spent rubber trees, to banana bark and water hyacinth
	• Gadgets made of recycled plastic and photo frames comprising recycled polystyrene foam, with recyclable packaging
	• Packaging, luggage and other items using polyethylene terephthalate (PET) instead of polyvinyl chloride (PVC), polypropylene (PP), polycarbonate (PC) or acrylonitrile butadiene styrene (ABS), as well as PVC-free packaging material for polybags, clips, gum tape, strings, collar inlays and zippers

Additional examples of how we support customers and suppliers to further environmental and social performance in the supply chain include:

- Reporting to customers on the processes in place and supplier compliance in meeting legislative requirements related to chain-of-custody requirements for wood products[2] and components containing reportable minerals[3], and required testing standards, such as BIFMA[4] for furniture. This includes conducting product risk and traceability assessments for customers by raw material categories
- Supporting suppliers to join tailored programs, on topics such as energy-efficiency opportunities and energy consumption reporting, or manufacturing excellence to enhance productivity and operational performance
- Sharing our 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-C113132, FSC-C114681, FSC-C116575 and FSC-C129309.*
2 *As per the United States' Lacey Act of 1900.*
3 *As per the United States' Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010.*
4 *Business and Institutional Furniture Manufacturers Association (BIFMA).*

Industry Collaboration

We recognize the power of collaboration to bring about meaningful change in the industry. We are involved in key industry initiatives that bring our customers and industry partners together to set standards and effect change. We also collaborate to implement focused programs that address the particular challenges of our industry and the specific production markets we operate in.

Cambodia

To raise awareness of building safety in Cambodia, Li & Fung has been actively engaging with the Government of Cambodia since 2014. This effort has led to the establishment of an inter-ministerial Working Group to develop Cambodia's Building Safety Code. The inter-ministerial working group comprises the Ministries of Land Management, Urban Planning and Construction, Labor, Industry and Handicraft, Health, the Interior and the Environment. We have engaged the International Code Council as our technical advisor to partner with the Working Group and to draft the Building Safety Code.

Bangladesh

We remain actively engaged in Bangladesh, where we work with governmental and non-governmental organizations, industry partners and suppliers to improve safety in factories.

We work closely with the Alliance for Bangladesh Worker Safety and the Bangladesh Accord on Fire and Building Safety as an advisor to both Boards and as a fully active member. We also fund both programs at the highest level – in line with the value of our sourcing in Bangladesh. In 2015 the focus for both initiatives was on education and the remediation of safety issues that surfaced through in-depth safety audits. We jointly organized a number of activities to implement and review progress over the course of the year. Over 2015, Li & Fung representatives participated in 120 factory visits and 280 meetings to support the Alliance and the Accord. Additionally, three training sessions were held and over 170 factories attended with over 330 participants in total. This contributes to continual progress being made by factories to remediate issues identified through the onsite assessments and addressed in training.

In addition to our support of the Alliance and Accord initiatives, we conducted training sessions on fire, structural and electrical safety for factory management and workers and to strengthen the capacity of our own QA/QC and merchandising teams in Bangladesh on social, fire, electrical and structural safety compliance issues.

Better Work

Li & Fung continues to be a Buyer Partner of Better Work, a partnership between the ILO and the International Finance Corporation that brings together governments, employers, workers and buyers to improve compliance with labor standards and promote competitiveness in the supply chain. In 2015, we supported factories in Cambodia, Indonesia, Jordan and Vietnam and hosted a Better Work Asia Buyers' Forum at our Hong Kong office.

Business for Social Responsibility (BSR)

We continue our partnership with BSR to implement the HERproject, which uses impactful peer-to-peer training and a local partner network to empower primarily female workers through education on nutrition, health and finance, and on improving workplace interaction, harmony and efficiency. An early indication of positive impact from the project shows reduced absenteeism and sick leave and improved workplace communication. The program will be further expanded in 2016.

Country	Program	No. of Factories	No. of Workers
Bangladesh	HERhealth	43	90,000+
Cambodia	HERhealth + Nutrition	12	19,000+
India	HERhealth + HERfinance	18	39,000+
Vietnam	HERhealth	16	26,000+
TOTAL		**89**	**174,000+**

Sustainable Apparel Coalition (SAC)

We have been actively involved in the development of the Higg Index, a suite of sustainability tools to help organizations standardize how they measure and evaluate the environmental performance of apparel products at the brand, product and facility levels.

In 2015, Li & Fung participated in the SAC's regional and global meetings, provided input on the Higg Analytics platform and worked with a customer and the SAC to pilot Advance Analytics for Higg Index data. As SAC updates the tool, we will support its pilot testing in a number of factories in our supply chain in 2016. We also support the Natural Resources Defense Council and SAC to implement Clean by Design, an initiative to reduce environmental impacts from manufacturing, in several textile mills in China.

We will continue to work with our partners to improve working conditions together in the supply chain.


PLAY
YOUTH BUILD
ACT

Our communities

We engage our people to meaningfully contribute to our communities.

Our Hong Kong colleagues take a short break from volunteering to rebuild houses for families in rural villages in Guangdong Province, China

Our communities

We are committed to making a positive impact in the communities where we live and work. We invest in the potential of people, help communities in need and mobilize our colleagues and networks for change. We are in it together, helping to create sustainable, long-term change in the world.

In It Together

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 impact goes hand-in-hand with having a successful business. Community engagement helps us attract and retain employees and helps them better understand our local communities and their needs. 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 initiatives, campaigns and disaster relief. Each activity is tracked to measure the inputs, outputs, outcomes and impacts. We share our metrics with our people and community partners and we use this information to review the focus and effectiveness of our programs. We also use qualitative surveys and measures to 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 creating impact.

2015 Community Engagement Results

OUR PEOPLE VOLUNTEERED **14,000+** times

30,000+ VOLUNTEER HOURS

US$ **368,000+** DONATED BY OUR PEOPLE

374 ACTIVITIES

84 LOCATIONS in **22** COUNTRIES participated in community initiatives

Our colleagues generously donated over US$368,000 to support community initiatives in 2015 including child education sponsorships, disaster relief, global campaigns for both women's and men's health and a wide variety of programs to care for local communities. In addition, our Company donated over US$611,000 to support charitable organizations and activities around the world.

Many of our activities are sponsored by the Fung (1906) Foundation, which provides funding for hands-on community service and matches funds from fundraising activities, which helps spur on our people's volunteerism and generous donations. In 2015, the Foundation's support was over US$476,000.

The effectiveness of our activities has increased year-on-year since we began reporting more systematically in 2011. Our aggregated metrics since 2011 include our employees volunteering over 131,000 times, giving over 62,000 hours to support 1,188 social and environmental initiatives around the world. Since 2011, our employees have donated over US$1.5 million to support communities and the Fung (1906) Foundation has provided over US$1.5 million to further support some of these projects. Our corporate donations have totaled US$5.64 million.

Community Engagement in Action

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

In all of our locations, our community engagement ambassadors inspire our people, share information, connect with community partners, organize activities and track outcomes and results. In 2015, we continued to publish our community engagement newsletter and increased its frequency to monthly, to inform, encourage, recognize and inspire our colleagues.

To maximize impact, we work directly with communities, and closely with 65 community partners worldwide, to help us implement programs. We work with a large variety of partners in each of our local markets and key global partners include: the Asian University for Women, Business for Social Responsibility, Captivating International, Crossroads Foundation, Habitat for Humanity, Movember Foundation, Red Cross/Red Crescent, Room to Read, World Vision and World Wide Fund for Nature (WWF).

To support our people even more to make a difference, in 2015, we introduced a global policy offering one day of volunteer leave a year to encourage every employee to volunteer at least eight hours a year.

Supporting our people to meaningfully contribute to our communities is an important part of our Sustainability Strategy. Our key focus areas are:

- Investing in the potential of people
- Helping communities in need
- Mobilizing for change

Investing in the Potential of People

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 help children, youth and adults who may be disadvantaged or disenfranchised to access education, learn new skills, and grow personally and professionally. We provide generous donations, sponsorships and volunteer our time to make a difference.

Our activities in 2015 included:

- Shared our skills, experience and expertise with students and youth through job shadowing, career workshops, speaking engagements, mentorships, life coaching, work placements and internships in Bangladesh and Hong Kong
- Sponsored girls' education and daily living essentials in a safe and nurturing environment and empowered girls with vocational training in China
- Visited schools and provided lessons to help children build a sustainable future in Bangladesh, Germany, Guatemala, India and Thailand

Visit our website to read more about how we invest in the potential of people.

"I'm so inspired to see our colleagues generously support their local communities. They live the change we want to see in the world.

Karen Seymour,
Community Engagement Director

Helping Communities in Need

The communities where we live and work are as unique geographically as their specific needs. To make a meaningful difference, we seek to raise awareness of social and environmental issues to maximize impact. We do this by mobilizing our people through both global campaigns supporting universal causes and locally-organized activities that target specific needs. Our global campaigns include common causes such as men's and women's health, blood donations and caring for the environment. We support a number of local initiatives that address social needs and enhance livelihoods.

Our activities in 2015 included:

- Provided disaster relief funding and essential goods in response to global calamities that included flooding in India and Malaysia, an earthquake in Nepal, and an explosion in Taiwan. We helped improve schools and homes through refurbishment and hands-on building projects in Bangladesh, Cambodia, China, India, Pakistan and Thailand. We also provided refurbished computers, technology support and new supplies to school children in China, Hong Kong and Turkey
- Spent time with and cared for disadvantaged children and the elderly in Bangladesh, Cambodia, China, Hong Kong, Portugal, Singapore, Thailand and Vietnam. We donated goods such as books, clothes, toys, scarves, toiletries and food to the elderly, refugee families, children in need, the homeless, orphans, victims of natural disasters, and rural communities in Bangladesh, Cambodia, China, Hong Kong, India, the Philippines, Portugal, Taiwan and Vietnam
- Joined seminars, community-building activities and sporting events to raise awareness and funds for causes around the globe, including cancer care, learning disabilities, illiteracy, medical needs, disadvantaged children, elderly in need, accident victims, among others
- Cleaned coastlines and cities and planted trees in many of the locations where we live and work through our annual "Clean up our World" campaign
- Donated blood and raised awareness for humanitarian need in many of our offices around the globe. In Hong Kong, we supported the Red Cross with our 17th year of blood donations
- Joined a mission in the Philippines to serve communities in need by distributing essential food, medicine and toiletries

💻 Visit our website to learn more about how we help communities in need.

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 strive to improve livelihoods, support people who were previously excluded from employment to find meaningful work and develop new business opportunities that support sustainable local economic development.

Our activities in 2015 included:

- Worked with partner factories in China and in our logistics operations in Taiwan and Thailand to help disabled people find meaningful work producing and packing goods for our customers. These workers were integrated with other workers in the factory, and they now have both long-term income opportunities and work experience
- Partnered with Business for Social Responsibility to empower factory workers, most of whom are female, in Bangladesh, Cambodia, India and Vietnam through the HERproject. These workers benefit from education on nutrition, health and finance, and on improving workplace interaction, harmony and efficiency. To date, over 174,000 workers and 89 suppliers are involved, and positive results measured included reduced absenteeism and sick leave and improved workplace communication

Visit our website to read about how we mobilize for change within the supply chain.

> **"The support from Li & Fung brings not only sustenance, but allows our refugee clients to engage with local volunteers who make them feel welcome in this new home.**
>
> **Jeffrey Andrews, Social Worker, Christian Action's Centre for Refugees in Hong Kong**

Our footprint

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

Our Cambodian colleagues partnered with two of our suppliers to plant over 200 trees, helping to restore a precious mangrove ecosystem near Phnom Penh, Cambodia


LI & FUNG

Our footprint

We take action to reduce the environmental impact of our operations. 2015 marks the sixth year of implementing our holistic Sustainability Strategy. Our strategy plays an important part in raising our colleagues' awareness and enabling the company to make significant progress.

We are committed to managing our environmental footprint responsibly and we leverage our resources and engage our people to make a difference along our value chain. As part of our Sustainability Strategy, we focus our actions on:

- Raising the environmental awareness of our people and supporting them to take action
- Designing sustainable workplaces
- Managing our resources responsibly

Since conducting an Investment Grade Audit of our Hong Kong headquarters in 2010, we have been implementing best practices throughout our global offices, distribution centers (DCs) and manufacturing facilities. We adopt measures to enhance the sustainability of our workplaces and to reduce consumption and waste, enhance recycling and expand our procurement of items with sustainable attributes. We invest in energy-efficient building systems, equipment and lighting, water-efficient equipment and fixtures and fuel-efficient transport. We conduct assessments as part of all capital expenditure upgrades to adopt sustainable options. Systems to measure, track and manage our environmental performance are implemented across our operations with eight facilities certified to the ISO 14001 environmental management system (EMS) or other environmental management standard[1].

Our commitment to the environment is exemplified by our manufacturing facility in Trowbridge being recognized as a Marks & Spencer ECO Factory since 2011 and our facility in Bangkok that continues to enhance its comprehensive sustainability program. As a result of its environmental achievements, the facility has been awarded a number of awards and certificates from the Thai government, including the Good Environmental Governance Award and the Green Industry Certificate by the Ministry of Industry for the fourth consecutive year. In 2015, the facility was again awarded Level 4 out of 5 for the Green Industry Certificate, and it is worth noting that no company is yet to achieve Level 5 out of 5.

In 2015, we are pleased to report that we reduced our greenhouse gas (GHG) emissions and our electricity and water consumption against our 2014 baseline in both absolute quantities and intensities.

1 Our manufacturing facilities in Bangkok, Jakarta and Kuala Lumpur, and three of our DCs in China and one in Thailand, are certified to the ISO 14001 EMS standard.

Environmental Awareness

We inspire and support our people to be mindful of how they can reduce environmental impact in their daily lives and we support them by taking action to reduce consumption and waste, and by expanding our procurement of items with sustainable attributes.

To support employee awareness and engagement, colleagues are involved in a variety of activities including efforts to conserve resources in our operations, plant trees, clean parks, river banks, beaches and coastlines, and protect coastal marine species.

To enable our 25,000-plus people around the world to share their best practices on environmental protection, we revamped our internal communications platform, One Family, and expanded its interactive features. Not only do we feature stories on environmental initiatives, our colleagues can generate and share content through a live feed, by commenting on articles, writing and following blogs, sharing videos, or creating and participating in communities around topics that interest them.

Reducing environmental impact, for the benefit of our colleagues, our business and our communities around the world, is a priority.

Sustainable Design

Integrating sustainability features into how we design, build and renovate our spaces – our offices, DCs 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. 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 2015, we have a total of 13 LEED[2]/BREEAM[3] certifications, including two 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.

Our new beauty research and development facility in Thailand was certified to LEED Platinum in 2015. The facility is projected to save over 68,165 kWh or the equivalent of 47 metric tons of carbon dioxide (CO_2) per year through the adoption of environmentally-responsible features, including:

- Solar photovoltaic system to generate 48,214 kWh of electricity per year, representing 40% of the building's designed annual electrical power requirements, which is equal to a cost saving of over US$5,000 per year
- Automation system that maintains optimum performance and efficiency levels for lighting, air conditioning and ventilation. The system uses high-efficiency, air-cooled water chilling equipment to provide 30% more fresh air than the minimum required standard, which maintains a healthy and productive environment for our people
- Sensor system that constantly monitors CO_2 levels in office and laboratory areas to ensure safe levels are maintained
- LED lamps consuming 34% less energy than CFL and T5 lighting
- Paints and coatings with zero or minimal VOC (volatile organic compound) content. Highly-reflective paints and glazing, which cover over 90% of the wall and window areas and block 30% more solar heat radiance than ordinary glazing materials, save energy required for air conditioning and provide abundant daylight conditions in working areas

2 Leadership in Energy and Environmental Design (LEED).

3 Building Research Establishment Environmental Assessment Method (BREEAM).

- Construction materials and furnishings were manufactured from post- and pre-consumer recycled materials, which brought savings of 20% to 80% over other materials
- Water-saving fixtures installed for all sinks, lavatories and showers, and rainwater is captured to irrigate landscaped areas
- Bicycle storage, shower facilities and preferred parking for vehicles that either adopt cleaner fuels or are used for car/van pooling are provided to encourage more environmentally-responsible forms of transportation

Resource Management

Our Reporting Scope

2015 marks the second year of our current Three-Year Plan and of integrating environmental data from our logistics and manufacturing facilities into our performance baseline[4] for our Trading and Logistics Networks, and for Li & Fung as a whole. Our reporting scope covers over 150 offices, six manufacturing facilities[5] and over 250 DCs.

Visit our website for details on our performance in 2015 and against our 2014 baseline. You can also read about best practices we implement to reduce the environmental footprint of our offices and facilities.

Responsible Procurement

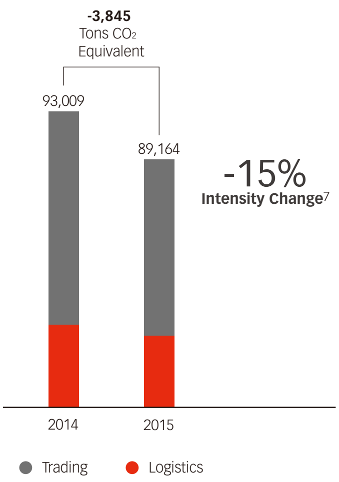
2015 saw the formalization of a global procurement function to leverage the scale of our network and lead the development and implementation of procurement best practices.

The initial sustainability focus of the team has been to reinforce our Supplier Code of Conduct with suppliers to our own operations. We assess our business suppliers against the Code, and include its requirements in our RFP (request for proposal) and selection process. The requirements are then formalized in our contracts with vendors. (Please refer to the "Our supply chain" section of this Report to learn about our approach to managing our supply chains).

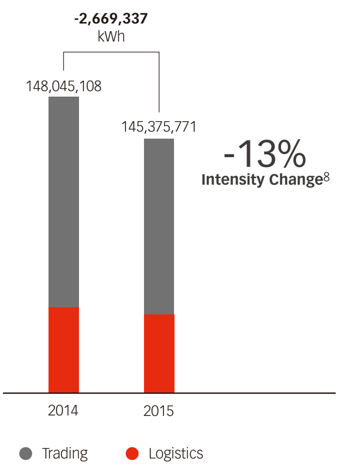
4 *Over the years, we have reported year-on-year comparisons of environmental metrics for our Trading Network against our initial 2010 baseline. As reported in our Annual Report 2014, following the July 2014 spin-off of some of the business entities in Li & Fung Trading and Distribution Networks to Global Brands, we established 2014 as the new baseline for our environmental reporting. This baseline does not include the six months of environmental data that was attributable to these entities prior to their spin-off to Global Brands. Consumption attributable to Li & Fung with Global Brands for January to June 2014 is disclosed on page 95 of Annual Report 2014.*

5 *Our facilities that manufacture beauty and personal care products are located in Bangkok, Dongguan, Jakarta, Kuala Lumpur, Tonawanda and Trowbridge.*

GHG Emissions



Electricity Consumption



To renew our effort to reduce paper consumption, action was undertaken in 2015 to:

- Assess printer and photocopier suppliers based on their ability to recycle devices and used toner cartridges
- Share detailed paper consumption data to raise awareness and encourage our people to reduce the quantity of paper they consume for printing and copying
- Implement a plan to reduce the number of people per printer from the current ratio of seven per printer to at least 15 per printer

Improving Energy Efficiency and Reducing Emissions

Climate change is impacting our world and the resilience of ecosystems. Changes in temperature and weather are affecting species and biodiversity, natural and built environments, food production, resource availability and transportation, among other impacts. The physical and financial impact of this is affecting 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.

We are committed to responsibly managing our footprint within our operations. Our consumption of energy and the composition of our GHG and air emissions globally are characterized by our trading business having over 150 offices and six manufacturing facilities, and our logistics business having vehicle fleets and over 250 DCs. For all of our facilities, systems are in place to monitor consumption and emissions. All facilities met the relevant regulatory requirements in 2015.

We calculate our GHG emissions according to international standards as well as appropriate national and local guidelines[6] 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.

In 2015 and against our 2014 results, both our overall electricity consumption and GHG emissions reduced, in absolute quantities and intensities, against our 2014 baseline. These reductions are attributable to our ongoing investment in efficient equipment, technologies, systems and vehicular fleets, consolidation of our offices and to the commitment of our people to make behavioral changes to conserve energy.

6 *Standards and guidelines adopted include the International Energy Agency's CO_2 Emission 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.*

7 *Tons CO_2 Equivalent/m^2*

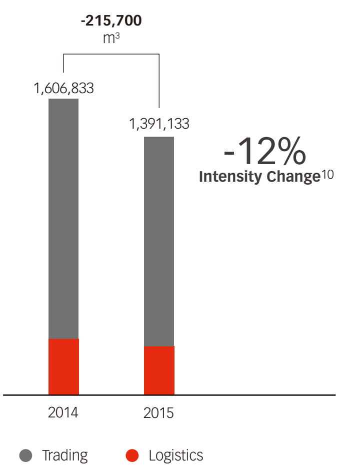
8 *kWh/m^2*

Examples of initiatives to reduce electricity and GHG emissions in 2015 included:

- Overall and progressive retrofitting of existing lighting with LED throughout our operations with, for example and as at the end of 2015, our Jakarta facility being 70% along its complete conversion to LED lighting
- Consolidating equipment and installing energy-efficient blade servers and virtual machines in our server rooms, as well as conserving energy by improving airflow and enclosing areas that have high-intensity cooling requirements
- Upgrading heating and cooling systems to improve efficiency and adopt cleaner energy sources, ranging from solar thermal and photovoltaics at our Bangkok facility to converting the boiler at our Jakarta facility to natural gas[9]
- Installing a hot box to warm ingredients used in the manufacturing of personal care products at our Tonawanda facility to make the process both more energy efficient and safer than with electric-powered heating bands or steam collars
- Introducing an electric delivery van to Logistics' vehicle fleet in Hong Kong with plans to expand the fleet
- Operating forklift vehicles that have rechargeable electric batteries, and safely reusing fit-for-purpose parts from retired forklifts for vehicles in operation
- Using handheld monitoring devices with rechargeable batteries that are linked to centralized databases to monitor inventory and thereby reduce paper consumption and enhance the efficiency of warehouse operations

9 *Five of our six manufacturing facilities operate boilers, four of them consuming natural gas and the other liquid petroleum gas (LPG).*

Water Consumption



In 2015 we introduced new tools to reduce overall travel and its contribution to greenhouse gas generation. In addition to our video conferencing facilities, IP phones have video functionality, VidyoDesktop is used for online video calls and colleagues use Webex to enhance sharing during conference and video calls.

In 2015, we exceeded the 10% intensity reduction targets we set to achieve by the end of 2016 for both our GHG emissions and electricity usage and we aim to maintain this positive trend throughout 2016. We continue to evaluate and implement new opportunities to conserve energy, adopt cleaner energy sources and are committed to reduce GHG emissions and our contribution to global climate change.

Visit our website for details on our 2015 electricity consumption and GHG emission metrics, and the composition of our Scope 1 and 2 GHG emissions.

Efficiently Using Resources and Reducing Waste

We are committed to using resources wisely and efficiently and reducing waste generation.

We have been progressively implementing water-efficiency measures throughout our operations, including the installation of water-efficient faucets, fixtures and fittings in our offices and equipment in our facilities, capturing rainwater for landscape irrigation to reduce water consumption and encouraging behavioral change in our people.

Against our 2014 baseline, overall we achieved absolute and intensity reductions in water consumption in 2015. This reduction is attributed to our ongoing investment in efficient equipment, technologies, systems, the consolidation of our offices, a reduced headcount for the Company and the commitment of our people to make behavioral changes to conserve water. Additionally, our manufacturing facilities have systems in place to reduce water consumption and the water system in our Jakarta facility was upgraded in 2015. Our facilities also undertake measures to reduce 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 2015, all facilities met the relevant regulatory requirements.

10 m^3/Headcount

Our offices use paper that is certified by a Forest Stewardship Council™ (FSC™) accredited certification body to be FSC Mix Paper from responsible sources. We also provide products that comprise materials, including wood, paper, cardboard and/or packaging that are verified to be from FSC[11] or PEFC[12] certified sources. In 2015 and over our 2014 baseline, our overall paper consumption increased by less than 2%. The increase is partly attributable to the inclusion of paper consumed as part of a comprehensive service agreement for multi-function machines in Hong Kong in the data for 2014 and 2015. Previously paper consumption data had comprised the quantity of A4-equivalent paper purchased directly for use in printer and copier machines globally. While this impacts the achievement of our 2016 paper intensity reduction target, we aim to reduce consumption through a renewed initiative to expand the internal tracking and reporting of paper consumption and to consolidate the number of machines used, as stated on page 106.

Each of our offices and facilities seek to minimize waste generation and maximize reuse and recycling in their local markets by collecting used paper, printer/copier toners, packaging, aluminum cans, plastic bottles and other materials that can be recycled locally. In Hong Kong, recyclables are collected by a local company and a social enterprise, we maintain six 'Class of Excellence' certifications under the Hong Kong government's Wastewi$e scheme for offices, and in 2015 our DC was awarded both the Gold Award and the Cleanliness Award from the Yan Oi Tong EcoPark Plastic Resource Recycling Center.

At our manufacturing facilities, various measures are used 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[13] 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.

We will continue to review our performance, implement measures and support our people to use resources efficiently and responsibly and to reduce waste generation[14]. We have exceeded and expect to maintain our water intensity reduction target of 5%. We will expand our efforts to move towards our paper intensity reduction target of 10% by 2016 over our 2014 baseline.

💻 Visit our website for details on our 2015 water and paper consumption metrics.

11 FSC license numbers FSC-C113132, FSC-C114681, FSC-C116575 and FSC-C129309.

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

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

14 In 2014 we set a target to reduce the intensity of our generation of waste by 10%. While our waste reduction efforts are ongoing, measuring our global waste stream is a work in progress.

Information for investors

Listing Information

Listing: Hong Kong Exchange

Stock Code: 494

Ticker Symbol

Reuters: 0494.HK

Bloomberg: 494 HK Equity

Index Recognition

Hang Seng Index

Hang Seng High Dividend Yield Index

MSCI Index Series

MSCI Global Sustainability Indexes

FTSE4Good Index Series

Hang Seng Corporate Sustainability Index Series

Key Dates

20 Aug 2015 Announcement of the 2015 Interim Results

18 Sep 2015 Payment of the 2015 Interim Dividend

17 Mar 2016 Announcement of the 2015 Final Results

18 May 2016 Record Date for the 2016 Annual General Meeting

19 May 2016 Annual General Meeting

23 May 2016 Dividend Ex-entitlement for Shares

25-26 May 2016 (both days inclusive) Closure of the Register of Shareholders

2 Jun 2016 Proposed Payment of the 2015 Final Dividend

Registrar and Transfer Offices

Principal

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
lifung-ecom@hk.tricorglobal.com

Share Information

Board lot size: 2,000 Shares

Shares outstanding as at 31 December 2015
8,415,447,306 Shares

Market capitalization as at 31 December 2015
HK$44,349,407,303

Basic earnings per Share for 2015
Interim 1.78 US cents
Full Year 5.04 US cents

Dividend per Share for 2015
Interim 13 HK cents | Final 15 HK cents
Total 28 HK cents

Enquiries

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Corporate Communications | media@lifung.com

Shareholders Addressed to the Board:
Company Secretariat | cosec@lifung.com

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888 Cheung Sha Wan Road
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Telephone: (852) 2300 2300

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 financial statements for the year ended 31 December 2015.

Principal Activities, Analysis of Operations and Business Review

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in *Note 42* to the financial statements.

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 financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2015, and an indication of likely future development in the Group business, can be found in the preceding sections of this Annual Report set out in pages 4 to 109. The preceding sections form part of this Report.

Shares Issued in the Year

55,049,000 new shares were issued at nominal value for the Share Award Scheme for the year ended 31 December 2015. No consideration was received by the Company for the issue. Details of the shares issued in the year ended 31 December 2015 are set out in *Note 24* to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on pages 127 to 128.

The Directors declared an interim dividend of HK$0.13 (equivalent to US$0.017) per ordinary share, totalling US$140,921,000 which was paid on 18 September 2015.

The Directors recommend the payment of a final dividend of HK$0.15 (equivalent to US$0.019) per share, totalling US$162,670,000.

Distributable Reserves

At 31 December 2015, the reserves of the Company available for distribution as dividends amounted to US$3,001,841,000, comprising retained earnings of US$2,027,652,000 and 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) the transfer from share premium of US$3,000,000,000 offset by the distribution in specie of US$2,290,000,000 *(Note 25)*.

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$611,000.

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 2015 and for the previous nine financial years are set out in the Ten-year financial summary section on pages 224 to 225.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws and there is no restriction 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.

Long-term Incentive Schemes

(A) Share Option Schemes

2003 OPTION SCHEME

Pursuant to the terms of the 2003 Option Scheme, the 2003 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 2003 Option Scheme expired on 11 May 2013 and no further options could thereafter be granted under the 2003 Option Scheme. However, all remaining provisions remain in full force and effect to govern the exercise of all the Share Options granted under the 2003 Option Scheme prior to its expiration.

As at 31 December 2015, there were Share Options relating to 16,000,000 Shares granted by the Company representing 0.19% of the issued Shares as at the date of this Report pursuant to the 2003 Option Scheme, which were valid and outstanding.

2014 OPTION SCHEME

The 2014 Option Scheme was adopted by the Shareholders at the annual general meeting of the Company held on 15 May 2014. As at 31 December 2015, there were Share Options relating to 89,184,000 Shares granted by the Company representing 1.06% of the issued Shares as at the date of this Report pursuant to the 2014 Option Scheme, which were valid and outstanding.

Details of the Share Options granted under the 2003 Option Scheme and the 2014 Option Scheme that remain outstanding as at 31 December 2015 are as follows:

			Number of Share Options				
Grant Date	Exercise Price HK$	Grantees	As at 1/1/2015	Granted	Lapsed	As at 31/12/2015	Exercisable Period
2003 Option Scheme							
11/4/2011	16.90[1]	William Fung Kwok Lun	412,000	–	(412,000)	–	1/5/2012–30/4/2015
		Spencer Theodore Fung	274,000	–	(274,000)	–	
		Marc Robert Compagnon	274,000	–	(274,000)	–	
		Continuous Contract Employees	21,358,000	–	(21,358,000)	–	
21/11/2011	12.71[1]	Continuous Contract Employees	1,380,000	–	(1,380,000)	–	1/5/2012–30/4/2015
22/12/2011	12.12[1]	Spencer Theodore Fung	9,000,000	–	(1,000,000)	8,000,000	Exercisable in nine equal tranches during the period from 1/5/2013 to 30/4/2023 with each tranche having an exercisable period of two years
		Marc Robert Compagnon	9,000,000	–	(1,000,000)	8,000,000	
2014 Option Scheme							
21/5/2015	7.49[2]	William Fung Kwok Lun	–	7,509,000	–	7,509,000	Exercisable in three tranches during the period from 1/1/2016 to 31/12/2019 with each tranche having an exercisable period of two years
		Spencer Theodore Fung	–	4,569,000	–	4,569,000	
		Marc Robert Compagnon	–	3,945,000	–	3,945,000	
		Continuous Contract Employees	–	74,084,000	(1,812,000)	72,272,000	
16/11/2015	5.81[3]	Continuous Contract Employees	–	889,000	–	889,000	Exercisable in two tranches during the period from 1/1/2017 to 31/12/2019 with each tranche having an exercisable period of two years
		Total	41,698,000	90,996,000	(27,510,000)	105,184,000	

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$15.20 to HK$12.71 and from HK$14.50 to HK$12.12 with effect from 31 August 2014.*

(2) *The closing market price per Share as at the date preceding the date on which the Share Options were granted and stated in the Stock Exchange's daily quotation sheet on 20 May 2015 was HK$7.29.*

(3) *The closing market price per Share as at the date preceding the date on which the Share Options were granted was HK$5.58.*

(4) *The above Share Options granted are recognized as expenses in the financial statements in accordance with the Company's accounting policy as set out in Note 1 to the financial statements. Other details of Share Options granted by the Company are set out in Note 24 to the financial statements.*

The major terms of the 2003 Option Scheme and the 2014 Option Scheme (collectively, the "Share Option Schemes") are summarized as follows:

(i) Purpose
The purpose of the Share Option 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, advisor, customer, contractor, business ally or joint venture partner of the Group or any affiliate under the Share Option 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 2003 Option Scheme and the 2014 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 Share Option Schemes. Following the expiration of the 2003 Option Scheme, no further share options can be granted under the 2003 Option Scheme.

The number of Shares available for issue under the 2014 Option Scheme is 746,855,830 Shares, representing 8.87% of the issued Shares 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 Share Option 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 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 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 Share Option 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 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 Share Option Schemes

The 2003 Option Scheme expired on 11 May 2013 and all outstanding Share Options granted under the 2003 Option Scheme and yet to be exercised shall remain valid.

Under the 2014 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.

(B) Share Award Scheme

The Share Award Scheme was adopted by the Shareholders at the annual general meeting of the Company held on 21 May 2015.

During the year, a total of 63,718,000 Award Shares were awarded to eligible persons pursuant to the Share Award Scheme, and out of which 7,634,000 Award Shares were awarded to connected persons including Spencer Theodore Fung and Marc Robert Compagnon who are Executive Directors of the Company. The 7,634,000 Award Shares were purchased from the open market. 55,049,000 Award Shares were allotted and issued at nominal value on 22 May 2015 to non-connected persons. The balance of 1,035,000 Award Shares were satisfied by the Award Shares which had not been vested and/or been forfeited in accordance with the terms of the Share Award Scheme.

During the year, a total of 2,378,000 Award Shares were unvested and/or forfeited and out of which, 1,035,000 Award Shares were applied to the awards to non-connected persons. As at 31 December 2015, a balance of 1,343,000 Award Shares were forfeited and held by the trustee to be applied towards future awards.

The movement in the Award Shares under the Share Award Scheme during the year are as follows:

		Number of Award Shares					
Grant Date	Grantees	As at 1/1/2015	Granted	Vested	Unvested/ Forfeited*	As at 31/12/2015	Vesting Date
21/5/2015	Spencer Theodore Fung	–	810,000	(90,000)	–	720,000	To be vested in five tranches with the vesting date on 31 December of each year from 2015 to 2019
	Marc Robert Compagnon	–	690,000	(76,800)	–	613,200	
	Connected Persons other than Directors	–	6,134,000	(680,400)	–	5,453,600	
	Non-connected Persons	–	55,049,000	(5,343,600)	(2,378,000)	47,327,400	
16/11/2015	Non-connected Persons	–	1,035,000	–	–	1,035,000	To be vested in four tranches with the vesting date on 31 December of each year from 2016 to 2019
	Total	–	63,718,000	(6,190,800)	(2,378,000)	55,149,200	

* *Award Shares that are not vested and/or are forfeited in accordance with the terms of the Share Award Scheme are held by the Trustee to be applied towards future awards in accordance with the provisions of the Share Award Scheme. During the year, 1,035,000 Award Shares had been applied from the 2,378,000 Award Shares which were unvested and/or forfeited.*

The major terms of the Share Award Scheme are summarized as follows:

(i) Purpose
The purpose of the Share Award Scheme is (i) to align the interests of eligible persons with those of the Group through the ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and (ii) to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

(ii) Eligible Persons
Any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate (as defined in the Share Award Scheme) who the Board considers, in its sole discretion, to have contributed or will contribute to the Group.

(iii) Awards
An award granted by the Board to eligible persons which may vest in the form of Award Shares or the actual price of the Award Shares which are sold on the vesting of an award pursuant to the Share Award Scheme.

(iv) Granting of Awards
The Board may, from time to time, grant awards to any eligible person who the Board considers to have contributed or will contribute to the Group.

Each grant of an award to any Director or connected person of the Company shall be subject to the prior approval of the Independent Non-executive Directors of the Company (excluding any independent non-executive director who is a proposed recipient of the grant of an award). The allotment and issue of new Shares in satisfaction of awards granted to connected persons of the Company (whether connected at the Company or subsidiary level), which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, will be subject to independent Shareholders' approval requirements under Chapter 14A of the Listing Rules notwithstanding the mandate was granted to the Directors at the 2015 annual general meeting of the Company to allot and issue up to 3% of the total number of issued Shares as at 21 May 2015.

(v) Maximum Number of Shares to be Awarded
The maximum number of Shares, whether they are new Shares to be allotted and issued by the Company, or Award Shares that are not vested and/or are forfeited and held by the independent trustee to be applied towards future awards, or existing shares to be purchased on the market by the independent trustee, underlying all grants made pursuant to the Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Share Award Scheme) shall not exceed 3% (i.e. 250,811,949 Shares) of the total number of issued Shares as at the Adoption Date. As at the date of this Report, 189,471,949 Award Shares are available for the furthering grant of awards under the Share Award Scheme, representing approximately 2.25% of the Shares in issue.

The above limit can be renewed or refreshed subject to approval of Shareholders within 10 years from the Adoption Date.

(vi) Limit for Each Participant
Under the Share Award Scheme, there is no specified limit on the maximum number of Award Shares which may be granted to a single eligible person but unvested under the Share Award Scheme.

(vii) Termination
Subject to any early termination as may be determined by the Board, the Share Award Scheme will be valid and effective for 10 years commencing on Adoption Date.

Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2015 are set out in *Note 42* to the financial statements.

Associated Companies

Details of the Company's principal associated companies at 31 December 2015 are set out in *Note 42* to the financial statements.

Joint Venture

Details of the Company's principal joint venture at 31 December 2015 are set out in *Note 42* to the financial statements.

Major Customers and Suppliers

During 2015 and 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 13% (2014: 14%) and 36% (2014: 35%) respectively.

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

Save as disclosed above, during 2015, 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.

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 Company entered into a distribution and sale of goods agreement with FH (1937) and its associates 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 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$28,128,000 for the year ended 31 December 2015 which did not exceed the annual cap for 2015 of US$80 million.

(ii) Pursuant to the master agreement for the leasing of properties 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 for the leasing of properties constituted continuing connected transactions of the Company under the Main Board Listing Rules. In such respect, the Group paid rental expenses of US$26,018,000 for the year ended 31 December 2015 which did not exceed the annual cap for 2015 of US$50 million.

(iii) 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 constituted continuing connected transactions of the Company under the Main Board Listing Rules. For the year ended 31 December 2015, the Group provided buying agency services to Global Brands Group with an aggregate turnover of approximately US$1,627,351,000. The aggregate commission payable to the Group under the buying agency agreement did not exceed the annual cap for 2015 of US$150 million and 7% of the FOB price on all products and components sourced through the Group.

(iv) On 24 June 2014, the Company entered into the master property agreement with Global Brands, for the sub-lease and licensing of offices to and from Global Brands Group from the listing date of Global Brands to 31 December 2016. The transactions contemplated under the master property agreement constituted continuing connected transactions of the Company under the Main Board Listing Rules. For the year ended 31 December 2015, aggregate rental and license fees paid to and from one another approximated US$5,751,000, which did not exceed the annual cap for 2015 of US$14 million.

(v) On 20 August 2015, the Company entered into a master agreement with FH (1937) for provision of logistics-related services to FH (1937) and its associates for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. The transactions contemplated under the master agreement constituted continuing connected transactions of the Company under the Main Board Listing Rules. In such respect, the Group recorded logistics-related services income of US$10,894,000 for the year ended 31 December 2015 which did not exceed the annual cap for 2015 of US$20 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 favourable 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. Proper internal control procedures are in place to identify, approve and record all these transactions.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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.56. 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's monthly pension cost contribution is 3% of 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 2015 were:

	US$'000
Contributions to the MPF Scheme	6,051
Contributions forfeited by employees	(1,745)
Contributions to the defined contribution provident scheme and defined benefits plan in Taiwan	797
Contributions pursuant to the statutory requirements in Korea	1,276
Contributions to the defined contribution provident scheme and defined benefits plan in Indonesia and Thailand	521
Contributions pursuant to statutory requirements in China	36,170
Contributions pursuant to local requirements in other overseas regions	21,338
	64,408

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* *(retired on 21 May 2015)*
Martin Tang Yue Nien*
Margaret Leung Ko May Yee*

Executive Directors:

William Fung Kwok Lun *(Group Chairman)*
Spencer Theodore Fung *(Group Chief Executive Officer)*
Marc Robert Compagnon

* *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.

Victor Fung Kwok King, Allan Wong Chi Yun and Margaret Leung Ko May Yee will retire by rotation at the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election.

As stated in the 2012 annual report of the Company, Paul Edward Selway-Swift will stand for re-election for a term of around one year at each annual general meeting. Accordingly, 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 pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee, therefore, is of the view that they meet the independence guidelines set out in Rule 3.13 of the Listing Rules and 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 60 to 69.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has maintained liability insurance to provide appropriate cover for the directors of the Company and its subsidiaries.

Directors' Service Contracts

Under a service contract dated 2 June 1992 between the Company and William Fung Kwok Lun and a service contract dated 2 June 1992 between Li & Fung (B.V.I.) Limited and William Fung Kwok Lun, 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' Material Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and 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 35* "Related Party Transactions" to the financial statements.

Directors' Interests

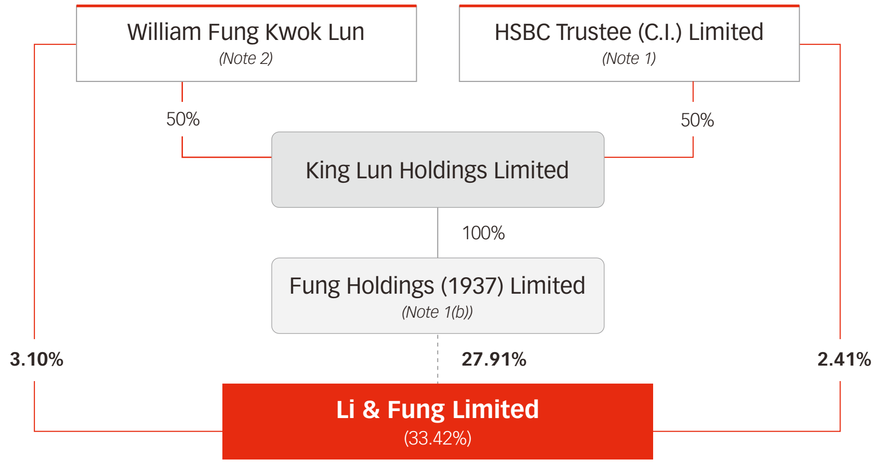
As at 31 December 2015, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying shares and debentures of the Company and its associated corporations (as defined under Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

(A) Long Positions in Shares, Underlying Shares and Debentures of the Company

	Number of Shares					
Name of Director	Personal Interest	Family Interest	Trust/ Corporate Interest	Equity Derivatives (Share Options)	Total	Percentage of Issued Share Capital
Victor Fung Kwok King	2,814,444	–	2,551,966,180[1]	–	2,554,780,624	30.35%
William Fung Kwok Lun	177,120,260	108,800[2(a)]	2,425,362,472[2(b)]	7,509,000[7]	2,610,100,532	31.01%
Spencer Theodore Fung*	1,498,000	–	2,552,686,180[1&3]	12,569,000[7]	2,566,753,180	30.50%
Marc Robert Compagnon	976,800	126,000[4(a)]	12,902,980[4(b)]	11,945,000[7]	25,950,780	0.30%
Paul Edward Selway-Swift	36,000	–	16,000[5]	–	52,000	0.00%
Martin Tang Yue Nien	60,000	–	60,000[6]	–	120,000	0.00%

* *Son of Victor Fung Kwok King*

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



NOTES:
As at 31 December 2015,

(1) Victor Fung Kwok King and Spencer Theodore Fung were each deemed to have interests in 2,551,966,180 Shares held in the following manner:

(a) 203,012,308 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 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 50% by HSBC Trustee as trustee of the Trust and 50% by William Fung Kwok Lun.

(2) (a) Apart from 108,800 Shares, the spouse of William Fung Kwok Lun held US$2,000,000 of the perpetual subordinated capital securities of the Company.

(b) 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 and both companies are beneficially owned by 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) Out of 2,552,686,180 Shares, 720,000 Shares represented the interests in Award Shares granted by the Company and remained unvested. Details on such Award Shares are set out in the Share Award Scheme section stated above. The balance of 2,551,966,180 Shares represented the deemed interests of Spencer Theodore Fung as mentioned in Note (1) above.

(4) (a) 126,000 Shares represented the interests in Award Shares granted by the Company to the spouse of Marc Robert Compagnon of which 14,000 Award Shares were vested on 31 December 2015 and the balance of 112,000 Award Shares were forfeited on 1 January 2016.

(b) Out of 12,902,980 Shares, 613,200 Shares represented the interests in Award Shares granted by the Company and remained unvested. Details on such Award Shares are set out in Share Award Scheme section stated above. The balance of 12,289,780 Shares were held by Profit Snow Holdings Limited, a company beneficially owned by Marc Robert Compagnon.

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

(6) 60,000 Shares were held by a trust of which Martin Tang Yue Nien is a beneficiary.

(7) 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 Option Schemes section stated above.

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

As at 31 December 2015, none of the Directors and chief executives of the Company or their associates had any short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined under 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 and Award Shares

The interests of the Directors and chief executives in the Share Options (being regarded as unlisted physically settled equity derivatives) and Award Shares are detailed in the Long-term Incentive Schemes section stated above.

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

Substantial Shareholders' Interests

As at 31 December 2015, other than the interests of the Directors or chief executives of the Company as disclosed in the previous section, the following entities had interests in the Shares of the Company which are required 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]	27.91%
HSBC Trustee (C.I.) Limited	Trustee	2,551,966,180[2]	30.32%
The Capital Group Companies, Inc.	Interest of controlled corporation	673,623,000	8.00%
Commonwealth Bank of Australia	Interest of controlled corporation	1,015,463,529	12.06%

NOTES:

As at 31 December 2015,

(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 Victor Fung Kwok King and William Fung Kwok Lun are directors of King Lun, FH (1937) and Fung Distribution.

(2) Please refer to Note (1) under the Directors' Interests section stated above.

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 2015.

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 Our board and management team section on pages 60 to 69.

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 Our commitment to good governance section on pages 32 to 49.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of financial statements 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 financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements 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 financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board
William FUNG Kwok Lun
Group Chairman

Hong Kong, 17 March 2016

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 financial statements of Li & Fung Limited (the "Company") and its subsidiaries set out on pages 127 to 223, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this Report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2016

Financial statements

Notes to the financial statements

Consolidated profit and loss account

For the year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Continuing Operations			
Turnover	3	**18,830,835**	19,288,499
Cost of sales		**(16,671,655)**	(17,106,990)
Gross profit		**2,159,180**	2,181,509
Other income		**29,645**	62,724
Total margin		**2,188,825**	2,244,233
Selling and distribution expenses		**(633,653)**	(617,178)
Merchandising and administrative expenses		**(1,042,748)**	(1,022,912)
Core operating profit	3	**512,424**	604,143
Gain on remeasurement of contingent consideration payable	4	**116,973**	176,007
Amortization of other intangible assets	4	**(34,412)**	(35,462)
One-off reorganization costs		**–**	(19,763)
Other non-core operating expenses	4	**–**	(1,300)
Operating profit	4	**594,985**	723,625
Interest income		**9,761**	6,984
Interest expenses	5		
Non-cash interest expenses		**(6,662)**	(9,976)
Cash interest expenses		**(92,879)**	(95,203)
		(99,541)	(105,179)
Share of profits less losses of associated companies	14	**1,570**	1,373
Profit before taxation		**506,775**	626,803
Taxation	6	**(57,890)**	(59,035)
Profit for the year from Continuing Operations		**448,885**	567,768
Discontinued Operations			
Loss for the period from Discontinued Operations	31	**–**	(98,122)
Net profit for the year		**448,885**	469,646
Attributable to:			
Shareholders of the Company		**421,046**	441,276
Holders of perpetual capital securities		**30,000**	30,000
Non-controlling interests		**(2,161)**	(1,630)
		448,885	469,646

	Note	2015 US$'000	2014 US$'000
Attributable to Shareholders of the Company arising from:			
Continuing Operations		**421,046**	539,398
Discontinued Operations		**–**	(98,122)
		421,046	441,276
Earnings/(losses) per share for profit/(loss) attributable to the Shareholders of the Company during the year	*7*		
Basic		**39.1 HK cents**	41.1 HK cents
(equivalent to)		**5.04 US cents**	5.29 US cents
– from Continuing Operations		**39.1 HK cents**	50.3 HK cents
(equivalent to)		**5.04 US cents**	6.46 US cents
– from Discontinued Operations		**–**	(9.2) HK cents
(equivalent to)		**–**	(1.17) US cents
Diluted		**39.0 HK cents**	41.1 HK cents
(equivalent to)		**5.02 US cents**	5.29 US cents
– from Continuing Operations		**39.0 HK cents**	50.3 HK cents
(equivalent to)		**5.02 US cents**	6.46 US cents
– from Discontinued Operations		**–**	(9.2) HK cents
(equivalent to)		**–**	(1.17) US cents

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	2015 US$'000	2014 US$'000
Net Profit for the Year	**448,885**	469,646
Other Comprehensive (Expense)/Income:		
Items that will not be reclassified to profit or loss		
Remeasurements from post-employment benefits recognized in reserve, net of tax	**(63)**	(728)
Total Items that will not be Reclassified to Profit or Loss	**(63)**	(728)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences*	**(83,932)**	(92,158)
Net fair value (losses)/gains on cash flow hedges, net of tax	**(6,077)**	10,302
Net fair value gains on available-for-sale financial assets, net of tax	**126**	40
Total Items that may be Reclassified Subsequently to Profit or Loss	**(89,883)**	(81,816)
Total Other Comprehensive Expense for the Year, Net of Tax	**(89,946)**	(82,544)
Total Comprehensive Income for the Year	**358,939**	387,102
Attributable to:		
Shareholders of the Company	**332,415**	358,556
Holders of perpetual capital securities	**30,000**	30,000
Non-controlling interests	**(3,476)**	(1,454)
Total Comprehensive Income for the Year	**358,939**	387,102
Attributable to Shareholders of the Company Arising From:		
Continuing Operations	**332,415**	457,778
Discontinued Operations	**–**	(99,222)
	332,415	358,556

* *Exchange differences resulting from translation of the results and financial positions of the Group entities with functional currencies other than the Group's presentation currency.*

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2015

	Note	As at 31 December 2015 US$'000	2014 US$'000
Non-current Assets			
Intangible assets	*11*	**4,266,863**	4,349,083
Property, plant and equipment	*12*	**241,626**	244,907
Prepaid premium for land leases	*13*	**1,942**	2,498
Associated companies	*14*	**10,070**	11,890
Joint venture	*15*	**313**	–
Available-for-sale financial assets	*16*	**3,854**	3,709
Other receivables, prepayments and deposits	*20*	**26,217**	7,570
Deferred tax assets	*29*	**36,527**	32,493
		4,587,412	4,652,150
Current Assets			
Inventories	*17*	**566,002**	565,291
Due from related companies	*18*	**486,939**	511,965
Trade and bills receivable	*20*	**1,689,413**	1,864,021
Other receivables, prepayments and deposits	*20*	**256,818**	333,743
Derivative financial instruments	*19*	**4,272**	11,323
Cash and bank balances	*21*	**342,243**	538,529
		3,345,687	3,824,872
Current Liabilities			
Due to related companies	*18*	**1,038**	48
Trade and bills payable	*22*	**2,464,785**	2,561,172
Accrued charges and sundry payables	*22*	**601,129**	692,427
Purchase consideration payable for acquisitions	*27*	**86,266**	134,468
Taxation		**56,463**	116,719
Bank advances for discounted bills	*20*	**33,681**	33,834
Short-term bank loans	*23*	**95,819**	162,850
		3,339,181	3,701,518
Net Current Assets		**6,506**	123,354
Total Assets Less Current Liabilities		**4,593,918**	4,775,504

	Note	As at 31 December **2015** **US$'000**	 2014 US$'000
Financed by:			
Share capital	*24*	**13,487**	13,398
Reserves		**2,489,386**	2,585,086
Shareholders' funds attributable to the Company's Shareholders		**2,502,873**	2,598,484
Holders of perpetual capital securities	*26*	**503,000**	503,000
Non-controlling interests		**4,293**	8,594
Total Equity		**3,010,166**	3,110,078
Non-current Liabilities			
Long-term notes	*27*	**1,253,823**	1,254,369
Purchase consideration payable for acquisitions	*27*	**156,236**	323,612
Other long-term liabilities	*27*	**116,420**	25,375
Post-employment benefit obligations	*28*	**21,909**	22,299
Deferred tax liabilities	*29*	**35,364**	39,771
		1,583,752	1,665,426
		4,593,918	4,775,504

William Fung Kwok Lun
Group Chairman

Spencer Theodore Fung
Group Chief Executive Officer

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Attributable to Shareholders of the Company							
	Share Capital US$'000 *(Note 24)*	Share Premium US$'000	Other Reserves US$'000 *(Note 25)*	Retained Earnings US$'000	Total US$'000	Holders of Perpetual Capital Securities US$'000 *(Note 26)*	Non-controlling Interests US$'000	Total Equity US$'000
Balance at 1 January 2015	13,398	699,476	634,098	1,251,512	2,598,484	503,000	8,594	3,110,078
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	421,046	421,046	30,000	(2,161)	448,885
Other Comprehensive (Expense)/ Income								
Currency translation differences	–	–	(82,617)	–	(82,617)	–	(1,315)	(83,932)
Net fair value gains on available-for-sale financial assets, net of tax	–	–	126	–	126	–	–	126
Net fair value losses on cash flow hedges, net of tax	–	–	(6,077)	–	(6,077)	–	–	(6,077)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	(63)	–	(63)	–	–	(63)
Total other comprehensive expense, net of tax	–	–	(88,631)	–	(88,631)	–	(1,315)	(89,946)
Total Comprehensive (Expense)/ Income	–	–	(88,631)	421,046	332,415	30,000	(3,476)	358,939
Transactions with Owners in their Capacity as Owners								
Issue of shares for Share Award Scheme	89	–	(89)	–	–	–	–	–
Purchase of shares for Share Award Scheme	–	–	(7,300)	–	(7,300)	–	–	(7,300)
Employee Share Option and Share Award Scheme:								
– value of employee services	–	–	23,583	–	23,583	–	–	23,583
– vesting of shares for Share Award Scheme	–	5,142	(5,142)	–	–	–	–	–
Distribution to holders of perpetual capital securities	–	–	–	–	–	(30,000)	–	(30,000)
Transfer from capital reserve	–	–	(1,616)	1,616	–	–	–	–
2014 final and special dividend paid	–	–	–	(303,388)	(303,388)	–	(825)	(304,213)
2015 interim dividend paid	–	–	–	(140,921)	(140,921)	–	–	(140,921)
Total Transactions with Owners in their Capacity as Owners	89	5,142	9,436	(442,693)	(428,026)	(30,000)	(825)	(458,851)
Balance at 31 December 2015	13,487	704,618	554,903	1,229,865	2,502,873	503,000	4,293	3,010,166

	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities	Non-controlling Interests	Total Equity
	Share Capital US$'000 *(Note 24)*	Share Premium US$'000	Other Reserves US$'000 *(Note 25)*	Retained Earnings US$'000	Total US$'000	US$'000 *(Note 26)*	US$'000	US$'000
Balance at 1 January 2014	13,398	3,699,476	6,503	1,317,260	5,036,637	503,000	10,048	5,549,685
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	441,276	441,276	30,000	(1,630)	469,646
Other Comprehensive (Expense)/ Income								
Currency translation differences	–	–	(92,334)	–	(92,334)	–	176	(92,158)
Net fair value gains on available-for-sale financial assets, net of tax	–	–	40	–	40	–	–	40
Net fair value gains on cash flow hedges, net of tax	–	–	10,302	–	10,302	–	–	10,302
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	(728)	–	(728)	–	–	(728)
Total other comprehensive (expense)/ income, net of tax	–	–	(82,720)	–	(82,720)	–	176	(82,544)
Total Comprehensive (Expense)/ Income	–	–	(82,720)	441,276	358,556	30,000	(1,454)	387,102
Transactions with Owners in their Capacity as Owners								
Employee Share Option Scheme:								
– value of employee services	–	–	228	–	228	–	–	228
Distribution to holders of perpetual capital securities	–	–	–	–	–	(30,000)	–	(30,000)
Share premium reduction	–	(3,000,000)	3,000,000	–	–	–	–	–
Transfer to capital reserve	–	–	87	(87)	–	–	–	–
2013 final dividend paid	–	–	–	(366,779)	(366,779)	–	–	(366,779)
2014 interim dividend paid	–	–	–	(140,158)	(140,158)	–	–	(140,158)
Distribution in specie	–	–	(2,290,000)	–	(2,290,000)	–	–	(2,290,000)
Total Transactions with Owners in their Capacity as Owners	–	(3,000,000)	710,315	(507,024)	(2,796,709)	(30,000)	–	(2,826,709)
Balance at 31 December 2014	13,398	699,476	634,098	1,251,512	2,598,484	503,000	8,594	3,110,078

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Continuing Operations			
Operating Activities			
Net cash inflow generated from operations	*30(a)*	**608,764**	692,565
Hong Kong profits tax paid		**(19,040)**	(12,584)
Overseas taxation paid		**(45,796)**	(42,042)
Net Cash Inflow from Operating Activities		**543,928**	637,939
Investing Activities			
Purchases of property, plant and equipment	*12*	**(78,090)**	(75,299)
Payments for system development, software, license and other intangible assets		**(5,299)**	(11,124)
Settlement of consideration payable for prior years acquisitions of businesses		**(102,268)**	(189,930)
Acquisitions of businesses		**–**	(34,285)
Payment on behalf of a related company		**–**	(57,134)
Proceeds from disposal of property, plant and equipment		**4,560**	2,678
Proceeds from disposal of an associated company		**1,379**	–
Interest income		**9,761**	6,984
Dividends received from associated companies	*14*	**1,436**	595
Investing in a joint venture	*15*	**(313)**	–
Net Cash Outflow from Investing Activities		**(168,834)**	(357,515)
Net Cash Inflow before Financing Activities		**375,094**	280,424
Financing Activities			
Interest paid		**(92,879)**	(95,203)
Distributions made to holders of perpetual capital securities		**(30,000)**	(30,000)
Dividends paid		**(445,134)**	(506,937)
Purchase of shares for Share Award Scheme		**(7,300)**	–
Net drawdown/(repayment) of bank loans	*30(b)*	**15,969**	(28,594)
Net Cash Outflow from Financing Activities		**(559,344)**	(660,734)
Decrease in Cash and Cash Equivalents from Continuing Operations*		**(184,250)**	(380,310)
Discontinued Operations			
Increase in cash and cash equivalents from Discontinued Operations*		**–**	668,374
(Decrease)/Increase in Cash and Cash Equivalents		**(184,250)**	288,064

* *Change in cash and cash equivalents before financing activities between Continuing Operations and Discontinued Operations.*

	Note	2015 US$'000	2014 US$'000
Cash and Cash Equivalents at 1 January			
Continuing Operations		**538,529**	344,471
Discontinued Operations		**–**	115,088
		538,529	459,559
(Decrease)/Increase in Cash and Cash Equivalents		**(184,250)**	288,064
Effect of foreign exchange rate changes		**(12,036)**	(4,493)
Distribution in specie	*30(c)*	**–**	(204,601)
Cash and Cash Equivalents of Continuing Operations at 31 December		**342,243**	538,529
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	*21*	**342,243**	538,529

Movement of Cash and Cash Equivalents*		2015 US$'000		2014 US$'000
Cash and Cash Equivalents at 1 January				
Continuing Operations		**538,529**		344,471
Discontinued Operations		**–**		115,088
		538,529		459,559
Continuing Operations				
Decrease in Cash and cash equivalents	**(184,250)**		(380,310)	
Loan repayment from Discontinued Operations	**–**		593,821	
Capital injection to Discontinued Operations	**–**		(15,000)	
(Decrease)/Increase in Cash and Cash Equivalents from Continuing Operations		**(184,250)**		198,511
Discontinued Operations				
Increase in cash and cash equivalents	**–**		668,374	
Loan repayment to Continuing Operations	**–**		(593,821)	
Capital injection from Continuing Operations	**–**		15,000	
Increase in Cash and Cash Equivalents from Discontinued Operations		**–**		89,553
Effect of foreign exchange rate changes		**(12,036)**		(4,493)
Distribution in specie		**–**		(204,601)
Cash and Cash Equivalents of Continuing Operations at 31 December		**342,243**		538,529

* *Additional information to illustrate the cash flow effect including financing activities between the Continuing Operations and the Discontinued Operations.*

The notes on pages 137 to 223 are an integral part of these consolidated financial statements.

Notes to the financial statements

1 Basis of Preparation and Principal Accounting Policies

The basis of preparation and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

On 8 July 2014, the Group spun-off its licensed brands and controlled brands businesses, named as the Global Brands Group, via a distribution in specie. The financial results of the Global Brands Group for the period ended 8 July 2014 were presented as Discontinued Operations.

1.1 Basis of Preparation

The consolidated financial statements of Li & Fung Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative instruments and contingent consideration payable) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in *Note 2*.

(A) AMENDMENTS TO EXISTING STANDARDS ADOPTED BY THE GROUP

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2015:

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The application of the above amendments to existing standards in the current year has had no material effect on the Group's reported financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.1 Basis of Preparation (continued)

(B) NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The following new standards and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods, but the Group has not early adopted them:

HKAS 1 Amendment	Disclosure Initiative[1]
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants[1]
HKAS 27 Amendment	Equity Method in Separate Financial Statements[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[1]

NOTES:

1. *Effective for annual periods beginning on or after 1 January 2016*
2. *Effective for annual periods beginning on or after 1 January 2018*
3. *Effective date to be determined*

The Group is in the process of making an assessment of the impact of these new standards and amendments to existing standards upon initial application.

(C) NEW HONG KONG COMPANIES ORDINANCE (CAP. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

1.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2015.

(A) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(A) SUBSIDIARIES (continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration for the acquisition of a subsidiary is the aggregate of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill *(Note 1.6)*. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies and financial information of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses *(Note 1.7)*. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(B) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(C) ASSOCIATED COMPANIES

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition *(Note 1.6)*.

The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profits less losses of associated companies" in the consolidated profit and loss account.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of associated companies has been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognized in the consolidated profit and loss account.

(D) JOINT VENTURES

Under the equity method of accounting, interests in joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified for making strategic decisions.

1.4 Foreign Currency Translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollar, which is the Company's functional and presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in other comprehensive income.

(C) GROUP COMPANIES

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.4 Foreign Currency Translation (continued)

(C) GROUP COMPANIES (continued)

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

1.5 Property, Plant and Equipment

(A) LAND AND BUILDINGS

Freehold land is stated at cost less impairment.

Buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

(B) OTHER PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment, comprising leasehold improvements, furniture, fixtures and equipment, plant and machinery, motor vehicles and company boat, are stated at cost less accumulated depreciation and accumulated impairment losses.

(C) DEPRECIATION AND IMPAIRMENT

Freehold land is not depreciated. Other classes of property, plant and equipment are depreciated at rates sufficient to allocate their costs less accumulated impairment losses to their residual values over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	shorter of lease term or useful life
Buildings and leasehold improvements	2% – 20%
Furniture, fixtures and equipment	6⅔% – 33⅓%
Plant and machinery	10% – 15%
Motor vehicles and company boat	15% – 20%

1 Basis of Preparation and Principal Accounting Policies (continued)

1.5 Property, Plant and Equipment (continued)

(C) DEPRECIATION AND IMPAIRMENT (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 1.7)*. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are expensed in the consolidated profit and loss account during the financial period in which they are incurred.

(D) GAIN OR LOSS ON DISPOSAL

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant item, and is recognized in the consolidated profit and loss account.

1.6 Intangible Assets

(A) GOODWILL

Goodwill represents the excess of the considerations transferred over the net fair value of the Group's share of the net identifiable assets/liabilities and contingent liabilities of the acquired business/associated company/joint venture at the date of acquisition *(Note 1.2(a))*. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies and joint ventures is included in interests in associated accompanies and joint ventures and is tested annually for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. Each unit or groups of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purpose.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.6 Intangible Assets (continued)

(B) SYSTEM DEVELOPMENT, SOFTWARE AND OTHER LICENSE COSTS

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful lives of 3 to 10 years.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

System development costs recognized as assets are amortized over their estimated useful lives of 3 to 10 years.

Brand licenses are license contracts entered into with the brandholders by the Group in the capacity as licensee. Brand licenses are capitalized based on the upfront costs incurred and the present value of guaranteed royalty payments to be made subsequent to the inception of the license contracts. Brand licenses are amortized based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 10 years.

(C) OTHER INTANGIBLE ASSETS

Intangible assets, other than goodwill, identified on business combinations are capitalized at their fair values. They represent mainly trademarks, buying agency agreements secured, and relationships with customers and licensors. Intangible assets arising from business combinations with definite useful lives are amortized on a straight-line basis from the date of acquisition over their estimated useful lives ranging from 5 to 20 years.

1.7 Impairment of Investments in Subsidiaries, Associated Companies, Joint Ventures and Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associated companies or joint venture is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associated companies or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.8 Discontinued Operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated profit and loss account, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

1.9 Financial Assets

CLASSIFICATION

The Group classifies its financial assets as either loans and receivables or available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(A) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivable", "other receivables, prepayments and deposits", "cash and bank balances" and "amounts due from related companies" in the balance sheet *(Note 1.12)*.

(B) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.9 Financial Assets (continued)

RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in consolidated profit or loss; translation differences on non-monetary securities are recognized in other comprehensive income. Changes in the fair values of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated profit and loss account as net investment loss.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated profit and loss account as part of interest income. Dividends on available-for-sale equity instruments are recognized in the consolidated profit and loss account as part of other revenues when the Group's right to receive payments is established.

1.10 Impairment of Financial Assets

(A) ASSETS CLASSIFIED AS LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.10 Impairment of Financial Assets (continued)

(A) ASSETS CLASSIFIED AS LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST (continued)

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the consolidated profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated profit and loss account.

(B) ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (A) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated profit and loss account. Impairment losses recognized in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the separate consolidated profit and loss account.

1.11 Inventories

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realizable value. Cost, calculated on a first-in, first-out (FIFO) basis, comprises purchase prices of inventories and direct costs (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.12 Trade and Other Receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated profit and loss account within selling expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the consolidated profit and loss account.

1.13 Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.14 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.16 Current and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.17 Employee Benefits

(A) EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave entitlements as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(B) DISCRETIONARY BONUS

The expected costs of discretionary bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for discretionary bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(C) POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group participates in a number of defined contribution plans and defined benefit plans throughout the world, the assets of which are generally held in separate trustee – administrated funds. The defined benefit pension plans are generally funded by payments from employees and by the relevant Group companies, taking into account the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution plans are charged to the consolidated profit and loss account in the year to which the contributions relate.

For defined benefit plans, pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans on an annual basis. The pension obligation is measured as the present value of the estimated future cash outflows, discounted by reference to market yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. In countries where there is no deep market in such bonds, the market yields on government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the consolidated profit and loss account.

The Group's net obligation in respect of long-service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The obligation is calculated using the projected unit credit method by a qualified actuary. The discount rate is determined by reference to market yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. In countries where there is no deep market in such bonds, the market yields on government bonds are used.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(D) SHARE-BASED COMPENSATION

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options/share awards is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options/share awards granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sale growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance vesting conditions are included in assumptions about the number of options/share awards that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates on the number of options/share awards that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated profit and loss account, with a corresponding adjustment to employee share-based compensation reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(E) SHARE-BASED PAYMENT TRANSACTIONS AMONG GROUP ENTITIES

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity’s financial statements.

1.18 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.19 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

1.20 Total Margin

Total margin includes gross profit and other recurring income relating to the trading and logistics businesses.

1.21 Core Operating Profit

Core operating profit is the profit before taxation generated from the Group's trading and logistics businesses excluding share of results of associated companies, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related cost. This also excludes gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items.

1.22 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

A service income is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.22 Revenue Recognition (continued)

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

Dividend income is recognized when the right to receive payment is established.

Other income incidental to normal operating activities is recognized when the services are rendered or the right to receive payment is established.

1.23 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

1.24 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease. The upfront prepayments made for leasehold land and land use rights are amortized on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

1.25 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the fair values of hedging derivatives are included within shareholders' equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. Trading derivatives are classified as a current asset or liability.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.25 Derivative Financial Instruments and Hedging Activities (continued)

(A) CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated profit and loss account.

Amounts accumulated in equity are recycled to the consolidated profit and loss account in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognized in the consolidated profit and loss account within sales. The gain or loss relating to the ineffective portion is recognized in the consolidated profit and loss account within other gains/(losses) – net. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory, or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated profit and loss account.

(B) DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives financial instruments recognized at fair value through profit or loss include certain derivative instruments that do not qualify for hedge accounting and conversion right embedded in convertible promissory note *(Note 19)*. Both are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair values of derivative financial instruments are recognized immediately in the consolidated profit and loss account.

1.26 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

1.27 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.28 Treasury Shares

In relation to certain business combinations and Share Award Scheme, the Company may issue or purchase shares to escrow agents for the settlement of acquisition consideration payables and to the trustee of Share Award Scheme. The shares, valued at the agreed upon issue price or purchase price, including any directly attributable incremental costs, are presented as "treasury shares" and deducted from total equity. The number of shares held by escrow agent for settlement of acquisition consideration and by the trustee of Share Award Scheme would be eliminated against the corresponding amount of share capital issued in the calculation of the earnings per share for profit attributable to the shareholders of the Company.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.29 Financial Guarantee Contract

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. The Company's liabilities under such guarantees are subsequently measured at the higher of the initial amount, less amortization of fees recognized in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on the experience of similar transactions and history of past losses, supplemented by the judgment of management. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated profit and loss account within administrative expenses.

2 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) Estimated Impairment of Intangible Assets including Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in *Note 1.6*. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates *(Note 11)*.

(B) Useful Lives of Intangible Assets

The Group amortizes its intangible assets with finite useful lives on a straight-line basis over their estimated useful lives. The estimated useful lives reflect the management's estimates of the periods that the Group intends to derive future economic benefits from the use of these intangible assets.

(C) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2 Critical Accounting Estimates and Judgments (continued)

(D) Contingent Considerations of Acquisitions

Certain of the Group's business acquisitions have involved post-acquisition performance-based contingent considerations. HKFRS 3 (Revised) is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group follows the requirement of HKFRS 3 (Revised) to recognize the fair value of those contingent considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses/subsidiaries. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired subsidiaries/business and significant judgment on time value of money. Contingent considerations shall be remeasured at their fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognized in the consolidated profit and loss account in accordance with HKFRS 3 (Revised). For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised) for the Group, changes in the fair values of contingent consideration are recognized in goodwill.

The basis of the contingent consideration differs for each acquisition; generally however the contingent consideration reflects a specified multiple of the post-acquisition financial profitability of the acquired business. Consequently, the actual additional consideration payable may vary according to the future performance of each individual acquired business, and the liabilities provided reflect estimates of such future performances.

Due to the number of acquisitions for which additional consideration remains outstanding and the variety of bases of determination, it is not practicable to provide any meaningful sensitivity in relation to the critical assumptions concerning future profitability of each acquired business and the potential impact on the gain or loss on remeasurement of contingent consideration payables and goodwill for each acquired business.

However, if the total actual contingent consideration payables are 10% lower or higher than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables for acquisitions made after 2010 would be US$24 million.

3 Segment Information

The Company is domiciled in Bermuda. The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its Hong Kong office is at 11/F, Li Fung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. The Group is principally engaged in managing the supply chain for retailers and brands worldwide with over 300 offices and distribution centers in more than 40 economies spanning across the Americas, Europe, Africa and Asia. Turnover represents revenue generated from sales and services rendered at invoiced value to customers from the Continuing Operations less discounts and returns.

In 2014, the Group accomplished a major restructuring of its operations. After the restructuring, the Group spun-off its licensed brands and controlled brands businesses primarily under Distribution Network, named as the Global Brands Group, via a distribution in specie on 8 July 2014. After the spin-off, the Group has grouped the remaining business under Distribution Network into Trading Network and continued to operate under two business networks, namely the Trading Network and the Logistics Network. The Trading Network focuses on provision of the global sourcing services via multiple channels, such as buying agent, trading-as-principal for private label merchandise and on-shore wholesale business. The Logistics Network focuses on provision of logistics solutions and freight forwarding services. The Group's Management (Chief Operating Decision-Maker) considers the business principally from the perspective of the two networks.

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit *(see Note 1.21)*. This measurement basis includes profit of the operating segments before share of results of associated companies, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related cost. This also excludes any gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items. Other information provided to the Group's management is measured in a manner consistent with that in the financial statements.

3 Segment Information (continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Year ended 31 December 2015				
Turnover	17,906,577	932,170	(7,912)	18,830,835
Total margin	1,909,007	279,818		2,188,825
Operating costs	(1,449,132)	(227,269)		(1,676,401)
Core operating profit	459,875	52,549		512,424
Gain on remeasurement of contingent consideration payable				116,973
Amortization of other intangible assets				(34,412)
Operating profit				594,985
Interest income				9,761
Interest expenses				
Non-cash interest expenses				(6,662)
Cash interest expenses				(92,879)
				(99,541)
Share of profits less losses of associated companies				1,570
Profit before taxation				506,775
Taxation				(57,890)
Net profit for the year				448,885
Depreciation and amortization	95,452	15,123		110,575
31 December 2015				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,890,628	656,403		4,547,031

3 Segment Information (continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Year ended 31 December 2014				
Turnover	18,430,816	873,577	(15,894)	19,288,499
Total margin	2,003,932	240,301		2,244,233
Operating costs	(1,445,648)	(194,442)		(1,640,090)
Core operating profit	558,284	45,859		604,143
Gain on remeasurement of contingent consideration payable				176,007
Amortization of other intangible assets				(35,462)
One-off reorganization costs				(19,763)
Other non-core operating expenses				(1,300)
Operating profit				723,625
Interest income				6,984
Interest expenses				
Non-cash interest expenses				(9,976)
Cash interest expenses				(95,203)
				(105,179)
Share of profits less losses of associated companies				1,373
Profit before taxation				626,803
Taxation				(59,035)
Profit for the year from Continuing Operations				567,768
Loss for the period from Discontinued Operations				(98,122)
Net profit for the year				469,646
Depreciation and amortization	100,922	14,198		115,120
31 December 2014				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,974,971	640,977		4,615,948

3 Segment Information (continued)

The geographical analysis of the Continuing Operations' turnover and the Group's non-current assets (other than available-for-sale financial assets and deferred tax assets) is as follows:

	Turnover		Non-current Assets (Other Than Available-for-sale Financial Assets and Deferred Tax Assets) As at 31 December	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
United States of America	**11,653,992**	11,587,145	**2,024,579**	1,981,767
Europe	**3,108,613**	3,488,136	**1,161,115**	1,264,408
Asia	**2,736,321**	2,744,264	**1,127,532**	1,116,474
Rest of the world	**1,331,909**	1,468,954	**233,805**	253,299
	18,830,835	19,288,499	**4,547,031**	4,615,948

Turnover of the Continuing Operations consists of sales of soft goods, hard goods and logistics income is as follows:

	2015 US$'000	2014 US$'000
Soft goods	**11,069,902**	11,674,826
Hard goods	**6,823,509**	6,727,997
Logistics	**937,424**	885,676
	18,830,835	19,288,499

For the year ended 31 December 2015, approximately 13% (2014: 14%) of the Continuing Operations' total turnover is derived from a single external customer, which is wholly attributable to the Trading Network.

4 Operating Profit from Continuing Operations

Operating profit from Continuing Operations is stated after crediting and charging the following:

	2015 US$'000	2014 US$'000
Crediting		
Gain on remeasurement of contingent consideration payable *(Note)***	**116,973**	176,007
Charging		
Cost of inventories sold	**16,671,655**	17,106,990
Amortization of system development, software and other license costs *(Note 11)*	**14,538**	14,574
Amortization of other intangible assets *(Note 11)***	**34,412**	35,462
Amortization of prepaid premium for land leases *(Note 13)*	**119**	137
Depreciation of property, plant and equipment *(Note 12)*	**61,506**	64,947
Loss on disposal of property, plant and equipment, net	**1,679**	1,363
Operating leases rental in respect of land and building	**155,871**	146,292
Provision for impaired receivables *(Note 20)*	**21,582**	31,083
Staff costs including directors' emoluments *(Note 9)*	**1,024,684**	995,208
Business acquisition-related cost*	**–**	1,300
Net exchange losses	**5,082**	4,611

* *Excluded from the core operating profit*

NOTE:
During the year, the Group remeasured contingent consideration payable for all acquisitions with outstanding contingent consideration arrangements based on the market outlook and their prevailing business plans and projections. Accordingly, a gain of approximately US$117 million was recognized. Among the total remeasurement gain, approximately US$87 million was adjustments to earn-up consideration. The revised provision for performance-based contingent considerations are calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of these acquired businesses. These gains were recognized as a non-core operating gain on remeasurement of contingent consideration payable.

The remuneration to the auditors for audit and non-audit services is as follows:

	2015 US$'000	2014 US$'000
Audit services	**4,491**	4,605
Non-audit services		
– due diligence reviews on acquisitions	**–**	211
– taxation services	**2,630**	2,606
– others	**1,534**	110
Total remuneration to auditors charged to consolidated profit and loss account	**8,655**	7,532

NOTE:
Of the above audit and non-audit services fees, US$4,417,000 (2014: US$4,503,000) and US$4,164,000 (2014: US$2,927,000) respectively are payable to the Company's auditor.

5 Interest Expenses from Continuing Operations

	2015 US$'000	2014 US$'000
Non-cash interest expenses on purchase consideration payable for acquisitions and long-term notes	**6,662**	9,976
Cash interest on bank loans and overdrafts, long-term notes	**92,879**	95,203
	99,541	105,179

6 Taxation from Continuing Operations

Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2015 US$'000	2014 US$'000
Current taxation		
– Hong Kong profits tax	**9,204**	11,394
– Overseas taxation	**49,094**	51,463
Under/(over) provision in prior years *(Note)*	**2,968**	(9,251)
Deferred taxation *(Note 29)*	**(3,376)**	5,429
	57,890	59,035

NOTE:
Under/(over) provision of taxation in 2015 included a recognition of prior year unrecognized deferred tax assets of US$6,795,000.

The taxation on the Continuing Operations' profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2015 %	2014 %
Calculated at a taxation rate of	**16.5**	16.5
Effect of different taxation rates in other countries	**(4.5)**	(3.8)
Income net of expenses not subject to taxation	**(1.4)**	(1.9)
Under/(over) provision in prior years	**0.6**	(1.5)
Utilization of previously unrecognized tax losses	**(0.1)**	(0.1)
Unrecognized tax losses	**0.3**	0.2
Effective tax rate	**11.4**	9.4

7 Earnings/(Losses) per Share

The calculation of basic earnings/(losses) per share is based on the Group's profit attributable to Shareholders of US$421,046,000 (2014: US$441,276,000), which includes the Group's profit attributable to Shareholders arising from the Continuing Operations of US$421,046,000 (2014: US$539,398,000) and the Group's losses attributable to Shareholders arising from the Discontinued Operations of US$Nil (2014: US$98,122,000) and on the weighted average number of 8,351,640,000 (2014: 8,356,317,000) shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2015 was calculated by adjusting the weighted average number of 8,351,640,000 ordinary shares in issue by 38,460,000 to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Option and Share Award Scheme. The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share for the year ended 31 December 2014 as the potential ordinary shares in respect of outstanding Share Options are anti-dilutive. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Share Options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of Share Options and vesting of Award Shares.

8 Dividends and Distribution in Specie

	2015 US$'000	2014 US$'000
Interim, paid, of HK$0.13 (equivalent to US$0.017) (2014: HK$0.13 (equivalent to US$0.017)) per ordinary share	**140,921**	140,158
Final, proposed, of HK$0.15 (equivalent to US$0.019) (2014: HK$0.21 (equivalent to US$0.027)) per ordinary share *(Note (a))*	**162,670**	225,088
Full year	**303,591**	365,246
Special, proposed, of HK$Nil (equivalent to US$Nil) (2014: HK$0.07 (equivalent to US$0.009)) per ordinary share *(Note (a))*	**–**	75,029
	303,591	440,275
Distribution in specie *(Note (b))*	**–**	2,290,000

NOTES:

(a) *At a meeting held on 17 March 2016, the Directors proposed a final dividend of HK$0.15 (equivalent to US$0.019) per share. The proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as appropriation of retained earnings for the year ending 31 December 2016 (Note 25).*

(b) *The entire issued share capital of Global Brands was spun-off via a distribution in specie completed on 8 July 2014. Global Brands then became a separate listing company on the main board of the Stock Exchange.*

The transaction was recognized and measured in accordance with "HK(IFRIC) 17 – Distribution of Non-cash Assets to Owners", which resulted in a non-cash gain of approximately US$1,003,000 (Note 31).

9 Staff Costs including Directors' Emoluments for Continuing Operations

	2015 US$'000	2014 US$'000
Salaries and bonuses	**894,635**	891,751
Staff benefits	**41,064**	42,214
Pension costs of defined contribution plans *(Note)*	**61,859**	58,559
Employee share option and share award expenses	**23,583**	228
Pension costs of defined benefit plans *(Note 28)*	**2,549**	1,711
Long-service payments	**994**	745
	1,024,684	995,208

NOTE:

Forfeited contributions totalling US$1,745,000 (2014: US$2,033,000) were utilized during the year and no remaining amount was available at the year-end to reduce future contributions.

10 Directors' and Senior Management's Emoluments

(a) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2014: three) Directors whose emoluments are reflected in the analysis shown in *Note 40*. The emoluments payable to the remaining two individuals who were senior management (2014: two individuals) during the year are as follows:

	2015 US$'000	2014 US$'000
Basic salaries, housing allowances, share options, share awards, other allowances and benefits-in-kind	**1,875**	1,915
Discretionary bonuses	**1,600**	5,796
Contributions to pension scheme	**3**	1
	3,478	7,712

Emolument bands	**Number of Individuals** **2015**	 2014
HK$10,500,001 – HK$11,000,000 (approximately US$1,346,001 – US$1,410,000)	**1**	–
HK$16,000,001 – HK$16,500,000 (approximately US$2,051,001 – US$2,115,000)	**1**	–
HK$26,500,001 – HK$27,000,000 (approximately US$3,397,001 – US$3,462,000)	**–**	1
HK$33,000,001 – HK$33,500,000 (approximately US$4,231,001 – US$4,295,000)	**–**	1

There is no amount paid or payable to the directors as inducement to join the Group and compensation for loss of office as directors.

(b) Senior Management's Emoluments

The emoluments payable to the remaining eight senior management (2014: ten senior management) during the year fell within the following bands:

Emolument bands	**Number of Individuals** **2015**	 2014
Below US$1,000,000	**3**	2
US$1,000,001 – US$1,500,000	**5**	5
US$1,500,001 – US$2,000,000	**–**	2
US$2,500,001 – US$3,000,000	**–**	1

11 Intangible Assets

	Goodwill US$'000	System Development, Software and Other License Costs US$'000	Other Intangible Assets: Buying Agency Agreements US$'000	Other Intangible Assets: Customer Relationships US$'000	Other Intangible Assets: Patents, Trademarks and Brand Names US$'000	Other Intangible Assets: Others US$'000	Total US$'000
At 1 January 2015							
Cost	3,910,770	86,858	67,867	403,327	50,641	12,583	4,532,046
Accumulated amortization	–	(53,019)	(21,431)	(98,154)	(9,224)	(1,135)	(182,963)
Net Book Amount	3,910,770	33,839	46,436	305,173	41,417	11,448	4,349,083
Year ended 31 December 2015							
Opening net book amount	3,910,770	33,839	46,436	305,173	41,417	11,448	4,349,083
Exchange differences	(33,518)	(1,813)	–	(2,281)	(1,179)	89	(38,702)
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (i))*	559	–	–	–	–	(155)	404
Additions	–	7,103	–	–	–	–	7,103
Disposals	–	(2,075)	–	–	–	–	(2,075)
Amortization	–	(14,538)	(3,875)	(26,614)	(3,447)	(476)	(48,950)
Closing Net Book Amount	3,877,811	22,516	42,561	276,278	36,791	10,906	4,266,863
At 31 December 2015							
Cost	3,877,811	76,508	67,867	400,124	49,211	12,521	4,484,042
Accumulated amortization	–	(53,992)	(25,306)	(123,846)	(12,420)	(1,615)	(217,179)
Net Book Amount	3,877,811	22,516	42,561	276,278	36,791	10,906	4,266,863

11 Intangible Assets (continued)

			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$'000	Patents, Trademarks and Brand Names US$'000	Others US$'000	Total US$'000
At 1 January 2014								
Cost	6,390,701	953,683	93,967	576,284	145,032	199,249	3,534	8,362,450
Accumulated amortization	–	(507,138)	(24,783)	(139,217)	(40,997)	(40,087)	(1,672)	(753,894)
Net Book Amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556
Year ended 31 December 2014								
Opening net book amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556
Continuing Operations								
Exchange differences	(57,849)	(2,321)	–	(2,740)	–	(1,475)	–	(64,385)
Acquisition of businesses	85,136	–	–	–	–	–	11,704	96,840
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (i))*	13,274	–	–	–	–	–	–	13,274
Adjustments to purchase consideration payable for acquisitions completed prior to 1 January 2010 *(Note (ii))*	(869)	–	–	–	–	–	–	(869)
Additions	–	14,247	7,000	–	–	–	456	21,703
Amortization	–	(14,574)	(3,875)	(27,115)	–	(3,634)	(838)	(50,036)
Discontinued Operations								
Exchange differences	11,251	(317)	–	2,473	(793)	(2,904)	–	9,710
Acquisition of businesses	66,853	–	–	–	8,382	–	–	75,235
Adjustments to purchase consideration payable for acquisitions and net asset value	14,581	–	–	–	–	–	–	14,581
Additions	–	142,210	–	–	–	–	–	142,210
Amortization	–	(78,834)	(1,157)	(11,941)	(6,961)	(5,652)	(90)	(104,635)
Distribution in specie	(2,612,308)	(473,117)	(24,716)	(92,571)	(104,663)	(104,080)	(1,646)	(3,413,101)
Closing Net Book Amount	3,910,770	33,839	46,436	305,173	–	41,417	11,448	4,349,083
At 31 December 2014								
Cost	3,910,770	86,858	67,867	403,327	–	50,641	12,583	4,532,046
Accumulated amortization	–	(53,019)	(21,431)	(98,154)	–	(9,224)	(1,135)	(182,963)
Net Book Amount	3,910,770	33,839	46,436	305,173	–	41,417	11,448	4,349,083

11 Intangible Assets (continued)

NOTES:

(i) *These are adjustments to purchase consideration payable for acquisitions and net asset values related to certain acquisitions of businesses in the prior year, which were previously determined on a provisional basis. During the measurement period of twelve months following a transaction, the Company recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Save as adjustments to goodwill and other intangible assets arising from business combination stated above, there were corresponding net adjustments to other assets/liabilities of approximately US$404,000 (2014: US$16,000) and no adjustment to purchase consideration payable for acquisitions (2014: US$13,258,000).*

(ii) *For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised) "Business Combination" being adopted by the Group, the changes in accrued contingent considerations determined based on post-acquisition performance were made against goodwill.*

Amortization of system development, software and other license costs of US$5,273,000 (2014: US$4,701,000) and US$9,265,000 (2014: US$9,873,000) have been expensed in merchandising and administrative expenses and selling and distribution expenses respectively.

Impairment Test for Goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segment.

A summary of goodwill by reporting segment is presented below.

	As at 31 December	
	2015	2014
	US$'000	US$'000
Trading Network	**3,321,708**	3,356,883
Logistics Network	**556,103**	553,887
	3,877,811	3,910,770

In accordance with HKAS 36 "Impairment of Assets" the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. Goodwill impairment reviews have been performed at the lowest level of CGU which generates cash flow independently. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on a one-year financial budget approved by management, extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 5%. The discount rate used of approximately 11% is pre-tax and reflects specific risks related to the relevant segments. The budgeted gross margin and net profit margin are determined by management for each individual CGU based on past performance and its expectations for market development. Management believes that any reasonably foreseeable changes in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

12 Property, Plant and Equipment

	Land and Buildings US$'000	Leasehold Improvements US$'000	Furniture, Fixtures and Equipment US$'000	Plant and Machinery US$'000	Motor Vehicles and Company Boat US$'000	Total US$'000
At 1 January 2015						
Cost	18,188	199,319	184,332	141,861	7,814	551,514
Accumulated depreciation	(2,424)	(131,732)	(120,951)	(49,158)	(2,342)	(306,607)
Net Book Amount	15,764	67,587	63,381	92,703	5,472	244,907
Year ended 31 December 2015						
Opening net book amount	15,764	67,587	63,381	92,703	5,472	244,907
Exchange differences	(1,425)	(1,951)	(3,025)	(7,075)	(150)	(13,626)
Additions	467	22,387	32,332	20,086	2,818	78,090
Disposals	(533)	(2,020)	(1,833)	(1,545)	(308)	(6,239)
Depreciation	(606)	(20,442)	(22,833)	(15,998)	(1,627)	(61,506)
Closing Net Book Amount	13,667	65,561	68,022	88,171	6,205	241,626
At 31 December 2015						
Cost	14,801	197,765	186,443	132,573	7,508	539,090
Accumulated depreciation	(1,134)	(132,204)	(118,421)	(44,402)	(1,303)	(297,464)
Net Book Amount	13,667	65,561	68,022	88,171	6,205	241,626

12 Property, Plant and Equipment (continued)

	Land and Buildings US$'000	Leasehold Improvements US$'000	Furniture, Fixtures and Equipment US$'000	Plant and Machinery US$'000	Motor Vehicles and Company Boat US$'000	Total US$'000
At 1 January 2014						
Cost	19,179	339,070	280,932	155,695	12,457	807,333
Accumulated depreciation	(1,975)	(142,406)	(171,370)	(47,625)	(4,358)	(367,734)
Net Book Amount	17,204	196,664	109,562	108,070	8,099	439,599
Year ended 31 December 2014						
Opening net book amount	17,204	196,664	109,562	108,070	8,099	439,599
Continuing Operations						
Exchange differences	(948)	(1,221)	(1,457)	(3,795)	(411)	(7,832)
Additions	336	23,424	23,315	25,418	2,806	75,299
Disposals	(137)	(1,804)	(968)	(823)	(309)	(4,041)
Depreciation	(691)	(20,835)	(23,810)	(18,016)	(1,595)	(64,947)
Discontinued Operations						
Exchange differences	–	(49)	387	–	(3)	335
Acquisition of businesses	–	87	367	–	–	454
Additions	–	11,895	10,666	1,472	52	24,085
Disposals	–	(755)	(979)	–	–	(1,734)
Depreciation	–	(8,672)	(12,540)	(861)	(45)	(22,118)
Distribution in specie	–	(131,147)	(41,162)	(18,762)	(3,122)	(194,193)
Closing Net Book Amount	15,764	67,587	63,381	92,703	5,472	244,907
At 31 December 2014						
Cost	18,188	199,319	184,332	141,861	7,814	551,514
Accumulated depreciation	(2,424)	(131,732)	(120,951)	(49,158)	(2,342)	(306,607)
Net Book Amount	15,764	67,587	63,381	92,703	5,472	244,907

Depreciation of US$33,973,000 (2014: US$36,436,000), US$19,075,000 (2014: US$19,568,000) and US$8,458,000 (2014: US$8,943,000) has been expensed in merchandising and administrative expenses, selling and distribution expenses and cost of sales respectively.

At 31 December 2015, land and buildings of US$2,545,000 (2014: US$3,248,000) were pledged as security for the Group's short-term bank loans *(Note 23)*.

13 Prepaid Premium for Land Leases

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analyzed as follows:

	2015 US$'000	2014 US$'000
Beginning of the year	**2,498**	2,789
Amortization	**(119)**	(137)
Exchange differences	**(437)**	(154)
End of the year	**1,942**	2,498

Amortization of US$117,000 (2014: US$135,000) and US$2,000 (2014: US$2,000) has been expensed in selling and distribution expenses and merchandising and administrative expenses respectively.

14 Associated Companies

	2015 US$'000	2014 US$'000
Beginning of the year	**11,890**	7,598
Acquisition of businesses	**–**	3,735
Share of profits less losses of associated companies	**1,570**	1,373
Dividend received	**(1,436)**	(595)
Disposals	**(1,802)**	–
Exchange differences	**(152)**	(221)
Total interests in associated companies	**10,070**	11,890

Details of principal associated companies are set out in *Note 42*.

15 Joint Venture

	2015 US$'000	2014 US$'000
Beginning of the year	**–**	14,515
Continuing Operations		
Addition	**313**	–
Discontinued Operations		
Acquisition of businesses	**–**	5,622
Share of profits less losses of joint ventures	**–**	324
Distribution in specie	**–**	(20,461)
Total interest in joint venture	**313**	–

Details of principal joint venture is set out in *Note 42*.

16 Available-for-sale Financial Assets

	2015 US$'000	2014 US$'000
Beginning of the year	**3,709**	3,669
Fair value gains on available-for-sale financial assets, net of tax *(Note 25)*	**126**	40
Exchange differences	**19**	–
End of the year	**3,854**	3,709

Available-for-sale financial assets include the following:

	2015 US$'000	2014 US$'000
Unlisted investments *(Note 38)*	**3,854**	3,709

Available-for-sale financial assets are denominated in HK dollar.

17 Inventories

	2015 US$'000	2014 US$'000
Finished goods	**502,447**	482,326
Raw materials	**63,555**	82,965
	566,002	565,291

18 Due from/(to) Related Companies

	2015 **US$'000**	2014 US$'000
Trade *(Note (a))*		
Due from:		
Associated companies	**6,983**	9,314
Other related companies	**463,369**	426,919
Non-trade *(Note (b))*		
Due from:		
Associated companies	**355**	326
Other related companies	**16,232**	75,406
	486,939	511,965
Due to:		
Other related companies	**(1,038)**	(48)

NOTES:

(a) *As of 31 December 2015, trade balances due from related companies of US$253,008,000 were current and the rest were less than 90 days past due. All balances were not considered impaired.*

(b) *The amounts are unsecured, interest free and repayable on demand. The fair values of amounts due from related companies are approximately the same as the carrying values.*

19 Derivative Financial Instruments

	2015 **US$'000**	2014 US$'000
Forward foreign exchange contracts – assets *(Note 38)*	**4,272**	11,323

Gain in equity of US$2,812,000 (2014: US$8,889,000) on forward foreign exchange contracts as of 31 December 2015 will be released to the consolidated profit and loss account at various dates between one month to one year from the balance sheet date *(Note 25)*.

For the years ended 31 December 2015 and 2014, no material amounts were recognized in the consolidated profit and loss account arising from ineffective cash flow hedges.

20 Trade and Other Receivables

	2015 US$'000	2014 US$'000
Trade and bills receivable – net	**1,689,413**	1,864,021
Other receivables, prepayments and deposits	**283,035**	341,313
	1,972,448	2,205,334
Less: non-current portion other receivables, prepayments and deposits	**(26,217)**	(7,570)
	1,946,231	2,197,764

The fair values of the Group's trade and other receivables were approximately the same as their carrying values as at 31 December 2015.

A significant portion of the Group's business is on sight letter of credit, usance letter of credit up to a tenor of 120 days, documents against payment or customers' letter of credit to suppliers. The balance of the business is on open account terms which is often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers. The ageing of trade and bills receivable based on invoice date is as follows:

	2015 US$'000	2014 US$'000
Current to 90 days	**1,595,433**	1,783,736
91 to 180 days	**83,376**	69,773
181 to 360 days	**7,900**	8,580
Over 360 days	**2,704**	1,932
	1,689,413	1,864,021

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers internationally dispersed.

As of 31 December 2015, trade receivables of US$1,673,045,000 (2014: US$1,849,501,000) that were current or less than 90 days past due are not considered impaired. Trade receivables of US$16,368,000 (2014: US$14,520,000) were past due over 90 days but not considered to be impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing of these trade receivables is as follows:

	2015 US$'000	2014 US$'000
91 to 180 days	**7,596**	10,093
Over 180 days	**8,772**	4,427
	16,368	14,520

As of 31 December 2015, outstanding trade receivables of US$35,252,000 (2014: US$22,556,000) and other receivables of US$11,316,000 (2014: US$29,401,000) were considered impaired and were fully provided. The individually impaired receivables mainly relate to transactions in disputes.

20 Trade and Other Receivables (continued)

Movements in the Group's provision for impairment of trade and other receivables are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**51,957**	54,423
Continuing Operations		
Provision for receivable impairment *(Note 4)*	**23,918**	31,984
Provision written off against receivables	**(14,397)**	(31,793)
Unused amounts reversed *(Note 4)*	**(2,336)**	(901)
Exchange difference	**(349)**	–
Discontinued Operations		
Provision for receivable impairment	**–**	1,967
Provision written off against receivables	**(12,225)**	(526)
Unused amounts reversed	**–**	(48)
Distribution in specie	**–**	(3,149)
At 31 December	**46,568**	51,957

The creation and release of provision for impaired receivables have been included in "Selling and distribution expenses" in the consolidated profit and loss account *(Note 4)*. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Save as disclosed as above, the other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

20 Trade and Other Receivables (continued)

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$33,681,000 (2014: US$33,834,000) to banks in exchange for cash as at 31 December 2015. The transactions have been accounted for as collateralized bank advances.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2015 **US$'000**	2014 US$'000
US dollar	**1,185,258**	1,331,239
HK dollar	**121,486**	146,643
Euro dollar	**205,846**	225,328
Pound sterling	**75,001**	87,657
Renminbi	**143,031**	140,810
Malaysia Ringgit	**35,798**	46,785
Thailand Baht	**54,206**	57,468
Others	**125,605**	161,834
	1,946,231	2,197,764

21 Cash and Cash Equivalents

	2015 **US$'000**	2014 US$'000
Cash and bank balances	**342,243**	538,529

The effective interest rate at the balance sheet date on bank balances was 0.3% (2014: 0.5%) per annum; these deposits have an average maturity period of 6 days (2014: 6 days).

22 Trade and Other Payables

	2015 **US$'000**	2014 US$'000
Trade and bills payable	**2,464,785**	2,561,172
Accrued charges and sundry payables	**601,129**	692,427
	3,065,914	3,253,599

The fair values of the Group's trade and other payables were approximately the same as their carrying values as at 31 December 2015.

22 Trade and Other Payables (continued)

At the balance sheet date, the ageing of trade and bills payable based on invoice date is as follows:

	2015 US$'000	2014 US$'000
Current to 90 days	**2,365,315**	2,491,454
91 to 180 days	**80,822**	55,420
181 to 360 days	**2,885**	12,241
Over 360 days	**15,763**	2,057
	2,464,785	2,561,172

23 Bank Borrowings

	2015 US$'000	2014 US$'000
Long-term bank loans		
– Unsecured *(Note 27)*	**100,000**	17,000
Short-term bank loans		
– Secured	**3,260**	4,106
– Unsecured	**92,559**	158,744
	95,819	162,850
Total bank borrowings	**195,819**	179,850

The fair values of the Group's borrowings were approximately the same as their carrying values as at 31 December 2015.

The effective interest rates at the balance sheet date were as follows:

		2015			2014	
	USD	**RMB**	**Others**	USD	RMB	Others
Long-term bank loans	**1.5%**	**–**	**–**	1.2%	–	–
Short-term bank loans	**1.4%**	**–**	**5.7%**	2.5%	5.5%	6.2%

The Group's contractual repricing dates for borrowings are all three months or less.

As at 31 December 2015, we had available bank loans and overdraft facilities of US$1,670 million comprising US$821 million committed and US$849 million uncommitted facilities. Subsequent to the balance sheet date, additional committed facilities were secured with extended tenure. At the date of this Report, the total committed facilities secured amounted to US$876 million, of which US$726 million were revolving facilities with tenure up to three years due in 2019.

23 Bank Borrowings (continued)

The carrying amounts of the borrowings are denominated in the following currencies:

	2015 US$'000	2014 US$'000
US dollar	**167,800**	116,880
Renminbi	**–**	36,554
Others	**28,019**	26,416
	195,819	179,850

24 Share Capital, Options and Award Shares

	No. of Shares (in thousand)	HK$'000	Equivalent US$'000
Authorized			
At 1 January 2014, ordinary shares of HK$0.0125 each	12,000,000	150,000	19,231
At 31 December 2014, ordinary shares of HK$0.0125 each	12,000,000	150,000	19,231
At 1 January 2015, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 31 December 2015, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and Fully Paid			
At 1 January 2014, ordinary shares of HK$0.0125 each	8,360,398	104,505	13,398
At 31 December 2014, ordinary shares of HK$0.0125 each	8,360,398	104,505	13,398
At 1 January 2015, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**
Issue of new Shares of HK$0.0125 each pursuant to Share Award Scheme *(Note)*	**55,049**	**688**	**89**
At 31 December 2015, ordinary shares of HK$0.0125 each	**8,415,447**	**105,193**	**13,487**

NOTE:

The closing market price per share on the date of the issue of new shares on 22 May 2015 was HK$7.32 per Share.

24 Share Capital, Options and Award Shares (continued)

Details of Share Options granted by the Company pursuant to the 2003 Option Scheme and 2014 Option Scheme and outstanding at 31 December 2015 are as follows:

Grant Date	Exercise Price HK$	Exercisable Period	Number of Share Options As at 1/1/2015	Granted	Lapsed	As at 31/12/2015
11/4/2011	16.90[1]	1/5/2012-30/4/2015	22,318,000	–	(22,318,000)	–
21/11/2011	12.71[1]	1/5/2012-30/4/2015	1,380,000	–	(1,380,000)	–
22/12/2011	12.12[1]	1/5/2013-30/4/2015	2,000,000	–	(2,000,000)	–
22/12/2011	12.12[1]	1/5/2014-30/4/2016	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2015-30/4/2017	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2016-30/4/2018	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2017-30/4/2019	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2018-30/4/2020	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2019-30/4/2021	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2020-30/4/2022	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2021-30/4/2023	2,000,000	–	–	2,000,000
21/5/2015	7.49	1/1/2016-31/12/2017	–	28,878,000	(604,000)	28,274,000
21/5/2015	7.49	1/1/2017-31/12/2018	–	30,539,000	(604,000)	29,935,000
21/5/2015	7.49	1/1/2018-31/12/2019	–	30,690,000	(604,000)	30,086,000
16/11/2015	5.81	1/1/2017-31/12/2018	–	285,000	–	285,000
16/11/2015	5.81	1/1/2018-31/12/2019	–	604,000	–	604,000
		Total	41,698,000	90,996,000	(27,510,000)	105,184,000

NOTE:

(1) *Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$20.21 to HK$16.90, from HK$15.20 to HK$12.71 and from HK$14.50 to HK$12.12 with effect from 31 August 2014.*

Subsequent to 31 December 2015, no Shares have been allotted and issued under the Share Option Scheme.

The Share Options outstanding at 31 December 2015 had a weighted average remaining contractual life of 3.15 years (2014: 2.06 years).

24 Share Capital, Options and Award Shares (continued)

Employee share option expenses charged to the consolidated profit and loss account are determined using the Black-Scholes valuation model based on the following assumptions:

Grant Date	11/4/2011	21/11/2011	22/12/2011	21/5/2015	16/11/2015
Option value *(Note (i))*	US$0.45 – US$0.57	US$0.42 – US$0.53	US$0.45 – US$0.77	US$0.13 – US$0.17	US$0.09 – US$0.11
Share price at grant date *(Note (i))*	HK$20.21	HK$14.24	HK$14.14	HK$7.49	HK$5.33
Exercisable price *(Note (i))*	HK$16.90 *(Note (ii))*	HK$12.71 *(Note (ii))*	HK$12.12 *(Note (ii))*	HK$7.49	HK$5.81
Standard deviation	33%	48%	49%	33%	31%
Annual risk-free interest rate	0.29%-1.80%	0.14%-0.84%	0.15%-1.35%	0.08%-1.22%	0.08%-1.25%
Life of options	4–5 years	4–5 years	4–12 years	2–5 years	3–5 years
Dividend yield	2.39%	2.39%	2.39%	4.06%	4.06%

NOTES:

(i) *Prior year information has been adjusted for the effect of the Bonus Issue in May 2006 and the Share Subdivision in May 2011.*

(ii) *Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$20.21 to HK$16.90, from HK$15.20 to HK$12.71 and from HK$14.50 to HK$12.12 with effect from 31 August 2014.*

24 Share Capital, Options and Award Shares (continued)

Details of Award Shares granted by the Company pursuant to the Share Award Scheme and outstanding at 31 December 2015 are as follows:

Grant Date	Fair Value per Share HK$	Vesting Date	Number of Award Shares As at 1/1/2015	Granted	Vested	Unvested/ Forfeited	As at 31/12/2015
21/5/2015	7.49	31/12/2015	–	6,433,000	(6,190,800)	(242,200)	–
21/5/2015	7.49	31/12/2016	–	13,623,500	–	(515,400)	13,108,100
21/5/2015	7.49	31/12/2017	–	20,890,000	–	(792,500)	20,097,500
21/5/2015	7.49	31/12/2018	–	14,465,000	–	(550,700)	13,914,300
21/5/2015	7.49	31/12/2019	–	7,271,500	–	(277,200)	6,994,300
16/11/2015	5.33	31/12/2016	–	100,600	–	–	100,600
16/11/2015	5.33	31/12/2017	–	346,400	–	–	346,400
16/11/2015	5.33	31/12/2018	–	342,100	–	–	342,100
16/11/2015	5.33	31/12/2019	–	245,900	–	–	245,900
		Total	–	63,718,000	(6,190,800)	(2,378,000)	55,149,200

The fair value of the Award Shares was calculated based on the market price of the Company's shares at the respective grant date.

During 2015, a total of 63,718,000 Award Shares were granted. 7,634,000 Award Shares were purchased from open market and 55,049,000 Award Shares were allotted and issued at nominal value. The balance of 1,035,000 Award Shares were satisfied by the Award Shares which had not been vested and/or been forfeited in accordance with the terms of the Share Award Scheme.

25 Reserves

	Treasury Share US$'000 *(Note (iii))*	Capital Reserve US$'000 *(Note (i))*	Contribution Surplus US$'000 *(Note (ii))*	Employee Share-Based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2015	(6,739)	3,922	710,000	37,049	2,719	8,889	(11,066)	(110,676)	634,098
Other Comprehensive (Expense)/ Income									
Currency translation differences	–	–	–	–	–	–	–	(82,617)	(82,617)
Net fair value gains on available-for-sale financial assets, net of tax *(Note 16)*	–	–	–	–	126	–	–	–	126
Net fair value losses on cash flow hedges, net of tax	–	–	–	–	–	(6,077)	–	–	(6,077)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	(63)	–	(63)
Transactions with Owners in their Capacity as Owners									
Issue of new shares for Share Award Scheme	(89)	–	–	–	–	–	–	–	(89)
Purchase of shares for Share Award Scheme	(7,300)	–	–	–	–	–	–	–	(7,300)
Employee Share Option and Share Award Scheme:									
– value of employee services	–	–	–	23,583	–	–	–	–	23,583
– vesting of shares for Share Award Scheme	828	–	–	(5,970)	–	–	–	–	(5,142)
Transfer from capital reserve	–	(1,616)	–	–	–	–	–	–	(1,616)
Balance at 31 December 2015	(13,300)	2,306	710,000	54,662	2,845	2,812	(11,129)	(193,293)	554,903

25 Reserves (continued)

	Treasury Share US$'000 *(Note (iii))*	Capital Reserve US$'000 *(Note (i))*	Contribution Surplus US$'000 *(Note (ii))*	Employee Share-Based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2014	(6,739)	3,835	–	36,821	2,679	(1,413)	(10,338)	(18,342)	6,503
Other Comprehensive (Expense)/ Income									
Currency translation differences	–	–	–	–	–	–	–	(92,334)	(92,334)
Net fair value gains on available-for-sale financial assets, net of tax *(Note 16)*	–	–	–	–	40	–	–	–	40
Net fair value gains on cash flow hedges, net of tax	–	–	–	–	–	10,302	–	–	10,302
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	(728)	–	(728)
Transactions with Owners in their Capacity as Owners									
Employee Share Option Scheme:									
– value of employee services	–	–	–	228	–	–	–	–	228
Share premium reduction	–	–	3,000,000	–	–	–	–	–	3,000,000
Distribution in specie	–	–	(2,290,000)	–	–	–	–	–	(2,290,000)
Transfer to capital reserve	–	87	–	–	–	–	–	–	87
Balance at 31 December 2014	(6,739)	3,922	710,000	37,049	2,719	8,889	(11,066)	(110,676)	634,098

NOTES:

(i) Capital reserve represents amount set aside from the profit of certain overseas subsidiaries of the Group in accordance with local statutory requirements.

(ii) During 2014, US$3,000,000,000 contributed surplus was created by reduction of the share premium of the Company and US$2,290,000,000 was distributed due to spin-off of Global Brands Group.

(iii) Treasury share represents the excess share issued for settlement of consideration for certain prior year acquisitions held by the escrow agent and shares issued and purchased for Share Award Scheme held by the trustee.

26 Perpetual Capital Securities

On 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$500 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2015 and 2014 included the accrued distribution payments.

27 Long-term Liabilities

	2015 US$'000	2014 US$'000
Long-term bank loans – unsecured *(Note 23)*	**100,000**	17,000
Long-term notes – unsecured	**1,253,823**	1,254,369
Purchase consideration payable for acquisitions	**242,502**	458,080
Other long-term liabilities	**16,420**	8,375
	1,612,745	1,737,824
Current portion of purchase consideration payable for acquisitions	**(86,266)**	(134,468)
	1,526,479	1,603,356

Purchase consideration payable for acquisitions is unsecured, interest-free and not repayable within twelve months. Unsecured long-term notes issued to independent third parties in 2007 of US$499,338,000 will mature in 2017 and bear annual coupon of 5.5%. Unsecured long-term notes issued to independent third parties in 2010 of US$754,485,000 will mature in 2020 and bear annual coupon of 5.25%.

Balance of purchase consideration payable for acquisitions as at 31 December 2015 amounted to US$242,502,000 (2014: US$458,080,000), of which US$181,186,000 (2014: US$304,440,000) was primarily earn-out and US$61,316,000 (2014: US$153,640,000) was earn-up. Earn-out is a contingent consideration that will be realized if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated periods of time. Earn-up is contingent consideration that will be realized if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated period of time.

Earn-out and earn-up of certain acquisitions were remeasured during the year, details are set out in *Note 4*, *Note 11* and *Note 38*.

27 Long-term Liabilities (continued)

The maturity of the financial liabilities is as follows:

	2015 US$'000	2014 US$'000
Within 1 year	**86,266**	134,468
Between 1 and 2 years	**667,776**	102,886
Between 2 and 5 years	**842,283**	736,583
Wholly repayable within 5 years	**1,596,325**	973,937
Over 5 years	**–**	755,512
	1,596,325	1,729,449

The fair values of the financial liabilities (non-current portion) are as follows:

	2015 US$'000	2014 US$'000
Long-term bank loans – unsecured	**100,000**	17,000
Long-term notes – unsecured	**1,326,280**	1,353,418
Purchase consideration payable for acquisitions	**156,236**	323,612
	1,582,516	1,694,030

The carrying amounts of financial liabilities are denominated in the following currencies:

	2015 US$'000	2014 US$'000
US dollar	**1,519,018**	1,606,959
Pound sterling	**18,547**	25,679
Euro dollar	**–**	5,485
Others	**58,760**	91,326
	1,596,325	1,729,449

28 Post-employment Benefit Obligations

	2015 US$'000	2014 US$'000
Pension obligations *(Note)*	**16,813**	16,949
Long-service payment liabilities	**5,096**	5,350
	21,909	22,299

NOTE:
The Group participates in a number of defined benefit plans in certain countries. Most of these pension plans are final salary defined benefit plans. The assets of the funded plans are held independently of the Group's assets in separate trustee-administered funds. The Group's defined benefit plans are valued by qualified actuaries annually using the projected unit credit method.

(i) The amount recognized in the consolidated balance sheet is determined as follows:

	2015 US$'000	2014 US$'000
Present value of funded obligations	**39,642**	40,922
Fair value of plan assets	**(22,829)**	(23,973)
Net liabilities in the consolidated balance sheet	**16,813**	16,949

(ii) The amount recognized in the consolidated profit and loss account is as follows:

	2015 US$'000	2014 US$'000
Current service cost	**1,757**	1,975
Past service cost and loss/(gain) on settlements	**243**	(931)
Administrative expenses paid	**102**	131
Net interest expense	**447**	536
Total, included in staff costs *(Note 9)*	**2,549**	1,711

(iii) The movements in the fair value of plan assets during the year are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**23,973**	28,684
Interest income	**675**	959
Exchange differences	**(995)**	(1,321)
Administrative expenses paid	**(102)**	(131)
Contributions	**1,331**	1,343
Benefits paid	**(1,972)**	(9,134)
Actuarial (loss)/gain on plan assets	**(81)**	3,573
At 31 December	**22,829**	23,973

28 Post-employment Benefit Obligations (continued)

(iv) Movements in the defined benefit obligation are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**40,922**	44,838
Current service cost	**1,757**	1,975
Interest cost	**1,122**	1,495
Past service cost and loss/(gain) on settlements	**243**	(931)
Actuarial loss/(gain) from changes in experiences	**1,616**	(1,575)
Actuarial losses from changes in financial assumptions	**125**	6,632
Actuarial (gain)/loss from changes in demographic assumptions	**(1,026)**	1
Exchange differences	**(1,860)**	(2,121)
Benefits paid	**(3,257)**	(9,392)
At 31 December	**39,642**	40,922

(v) The movements in net defined benefit liabilities recognized in the consolidated balance sheet are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**16,949**	16,154
Exchange differences	**(865)**	(800)
Total expense charged in the consolidated profit and loss account	**2,549**	1,711
Remeasurements losses recognized in other comprehensive income	**796**	1,485
Contributions paid	**(1,331)**	(1,343)
Benefits paid	**(1,285)**	(258)
At 31 December	**16,813**	16,949

28 Post-employment Benefit Obligations (continued)

(vi) The principal actuarial assumptions used for accounting purposes are:

	2015 **%**	2014 %
Discount rate	**1.0-8.9**	1.6-8.1
Salary growth rate	**2.0-8.0**	3.0-8.0
Pension growth rate	**1.5-4.5**	1.5-4.5

The sensitivity of the defined benefit obligation to changes in the principal assumption is:

	Impact on Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**±0.25%**	**–2.74%**	**+2.86%**

The above sensitivity analysis is based on a change in discount rate while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(vii) Plan assets comprised:

	2015 **US$'000**	2014 US$'000
Quoted Assets		
Cash and cash equivalents	**8,061**	8,416
Equity instruments		
European	**2,781**	6,210
American	**621**	–
Asian	**800**	–
Global	**4**	–
Debt instruments		
Government securities	**5,117**	4,172
Other securities and debt instruments	**3,151**	3,468
Investment funds		
Unit investment trust funds	**1,436**	1,660
Investment bond funds	**735**	–
Mutual funds	**9**	47
Others	**114**	–
	22,829	23,973

The weighted average duration of the defined benefit obligation ranges from 7.6 to 20.9 years.

28 Post-employment Benefit Obligations (continued)

(viii) Expected maturity analysis of benefit payments:

At 31 December 2015	Within 10 years US$'000	Between 10-20 years US$'000	Beyond 20 years US$'000
Expected benefit payments	**27,576**	**37,659**	**34,384**

The Group is exposed to a number of risks in relation to the defined benefit obligation, the most significant of which are detailed below:

Investment risk	The defined benefit pension holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short term volatility can cause additional funding to be required if a deficit emerges.
Interest rate risk	The defined benefit pension's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. In countries where there is no deep market in such bonds, the market yields on government bonds are used. As the defined benefit pension holds assets such as equities, the value of the assets and liabilities may not move in the same way.
Inflation risk	A significant proportion of the benefits under the defined benefit pension are linked to inflation. Although the defined benefit pension's assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to deficits emerging.
Mortality risk	In the event that members live longer than assumed, a deficit will emerge in the defined benefit pension.

In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

29 Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using applicable taxation rates prevailing in the countries in which the Group operates.

The movements in the net deferred tax (assets)/liabilities are as follows:

	2015 US$'000	2014 US$'000
At 1 January	**7,278**	18,769
Continuing Operations		
(Credited)/charged to consolidated profit and loss account *(Note 6)*	**(3,376)**	5,429
Recognition of prior year unrecognized deferred tax assets *(Note 6)*	**(6,795)**	–
Acquisition of businesses	**–**	2,925
Adjustments to purchase consideration payable for acquisitions and net asset value	**(128)**	–
Charged/(credited) to other comprehensive income	**37**	(359)
Charged/(credited) to hedging reserve	**1,045**	(186)
Exchange differences	**776**	671
Discontinued Operations		
Credited to consolidated profit and loss account	**–**	(20,106)
Acquisition of businesses	**–**	1,515
Distribution in specie	**–**	(1,380)
At 31 December	**(1,163)**	7,278

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The Group has unrecognized tax losses of US$164,974,000 (2014: US$183,874,000) to carry forward against future taxable income, out of which US$13,674,000 will expire during 2016-2024. Deferred tax assets for these tax losses are not recognized as it is not probable that related tax assets will be utilized in the foreseeable future.

29 Deferred Taxation (continued)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Provisions		Decelerated Tax Depreciation Allowances		Tax Losses		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Deferred Tax Assets	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	24,290	111,898	8,617	7,799	7,166	57,976	7,805	9,864	47,878	187,537
Continuing Operations										
Credited/(charged) to consolidated profit and loss account	707	(3,689)	1,271	1,395	8,895	(4,912)	(3,228)	(1,886)	7,645	(9,092)
Recognition of prior year unrecognized deferred tax assets	–	–	–	–	6,795	–	–	–	6,795	–
(Charged)/credited to other comprehensive income	–	–	–	–	–	–	(37)	359	(37)	359
(Charged)/credited to hedging reserve	–	–	–	–	–	–	(1,045)	186	(1,045)	186
Exchange differences	(960)	40	(206)	(451)	(276)	(202)	(20)	(350)	(1,462)	(963)
Discontinued Operations										
Credited to consolidated profit and loss account	–	11,670	–	–	–	35,549	–	–	–	47,219
Distribution in specie	–	(95,629)	–	(126)	–	(81,245)	–	(368)	–	(177,368)
At 31 December	24,037	24,290	9,682	8,617	22,580	7,166	3,475	7,805	59,774	47,878

29 Deferred Taxation (continued)

Deferred Tax Liabilities	Accelerated Tax Depreciation Allowances 2015 US$'000	Accelerated Tax Depreciation Allowances 2014 US$'000	Intangible Assets Arising from Business Combinations 2015 US$'000	Intangible Assets Arising from Business Combinations 2014 US$'000	Others 2015 US$'000	Others 2014 US$'000	Total 2015 US$'000	Total 2014 US$'000
At 1 January	**8,471**	25,866	**44,654**	177,506	**2,031**	2,934	**55,156**	206,306
Continuing Operations								
(Credited)/charged to consolidated profit and loss account	**(1,252)**	(7,211)	**4,448**	4,382	**1,073**	(834)	**4,269**	(3,663)
Acquisition of businesses	**–**	–	**–**	2,925	**–**	–	**–**	2,925
Adjustments to purchase consideration payable for acquisitions and net asset value	**–**	–	**(128)**	–	**–**	–	**(128)**	–
Exchange differences	**(723)**	(188)	**56**	(35)	**(19)**	(69)	**(686)**	(292)
Discontinued Operations								
Charged/(credited) to consolidated profit and loss account	**–**	6,266	**–**	20,847	**–**	–	**–**	27,113
Acquisition of businesses	**–**	–	**–**	1,515	**–**	–	**–**	1,515
Distribution in specie	**–**	(16,262)	**–**	(162,486)	**–**	–	**–**	(178,748)
At 31 December	**6,496**	8,471	**49,030**	44,654	**3,085**	2,031	**58,611**	55,156

After offsetting balances within the same tax jurisdiction, the balances as disclosed in the consolidated balance sheet are as follows:

	2015 US$'000	2014 US$'000
Deferred tax assets	**36,527**	32,493
Deferred tax liabilities	**(35,364)**	(39,771)
	1,163	(7,278)

The amounts shown in the consolidated balance sheet include the following:

	2015 US$'000	2014 US$'000
Deferred tax assets to be recovered after more than 12 months	**32,286**	30,073
Deferred tax assets to be recovered within 12 months	**4,241**	2,420
Deferred tax liabilities to be settled after more than 12 months	**33,829**	31,635
Deferred tax liabilities to be settled within 12 months	**1,535**	8,136

30 Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of Profit Before Taxation to Net Cash Inflow Generated from Operations of Continuing Operations

	2015 **US$'000**	2014 US$'000
Profit before taxation	**506,775**	626,803
Interest income	**(9,761)**	(6,984)
Interest expenses	**99,541**	105,179
Depreciation	**61,506**	64,947
Amortization of system development, software and other license costs	**14,538**	14,574
Amortization of other intangible assets	**34,412**	35,462
Amortization of prepaid premium for land leases	**119**	137
Share of profits less losses of associated companies	**(1,570)**	(1,373)
Employee share option and share award expenses	**23,583**	228
Loss on disposal of an associated company	**423**	–
Loss on disposal of property, plant and equipment, net	**1,679**	1,363
Gain on remeasurement of contingent consideration payable	**(116,973)**	(176,007)
Operating profit before working capital changes	**614,272**	664,329
(Increase)/decrease in inventories	**(711)**	31,434
Decrease/(increase) in trade and bills receivable, other receivables, prepayments and deposits and amounts due from related companies	**161,537**	(60,690)
(Decrease)/increase in trade and bills payable, accrued charges and sundry payables and amounts due to related companies	**(166,334)**	57,492
Net cash inflow generated from operations	**608,764**	692,565

30 Notes to the Consolidated Cash Flow Statement (continued)

(b) Analysis of Changes in Financing Activities During the Year

	2015		2014	
	Share Capital Including Share Premium US$'000 *(Note 24 & 25)*	**Bank Loans US$'000**	Share Capital Including Share Premium US$'000 *(Note 24 & 25)*	Bank Loans US$'000
At 1 January	**712,874**	**179,850**	3,712,874	210,785
Non-cash movement				
Issue of shares for Share Award Scheme	**89**	**–**	–	–
Vesting of shares for Share Award Scheme	**5,142**	**–**	–	–
Share premium reduction	**–**	**–**	(3,000,000)	–
	718,105	**179,850**	712,874	210,785
Continuing Operations				
Net drawdown/(repayment) of bank loans	**–**	**15,969**	–	(28,594)
Discontinued Operations				
Net drawdown of bank loans	**–**	**–**	–	725,113
Distribution in specie	**–**	**–**	–	(727,454)
At 31 December	**718,105**	**195,819**	712,874	179,850

30 Notes to the Consolidated Cash Flow Statement (continued)

(c) Distribution in Specie

Details of net assets of Global Brands Group at date of distribution in specie are set out below:

	2014 US$'000
Net assets distributed	
Intangible assets	3,413,101
Property, plant and equipment	194,193
Other non-current assets	39,946
Trade and other receivables	407,963
Cash and cash equivalents	204,601
Other current assets*	576,558
Trade and other payables	(800,980)
Other current liabilities	(238,502)
Other non-current liabilities	(879,038)
Purchase consideration payable for acquisitions	(628,845)
Book value of net assets distributed	2,288,997

* *Amounts adjusted to eliminate impacts between the Continuing Operations and the Discontinued Operations.*

Analysis of net outflow of cash and cash equivalents in respect of the distribution in specie:

	2014 US$'000
Cash proceeds on distribution in specie	–
Cash and cash equivalent distributed	204,601
Net cash outflow of cash and cash equivalents in respect of distribution in specie	204,601

Analysis of net gain on distribution in specie:

	2014 US$'000
Fair value of Global Brands Group	2,290,000
Less: Net assets value of Global Brands Group	(2,288,997)
Net gain on distribution in specie	1,003

31 Discontinued Operations

The consolidated results of Global Brands Group are presented in the consolidated profit and loss account as Discontinued Operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated statement of comprehensive income and consolidated cash flow statement distinguish the Discontinued Operations from the Continuing Operations.

31 Discontinued Operations (continued)

Results of the Discontinued Operations have been included in the consolidated profit and loss account as follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000
Turnover	1,393,940
Cost of sales*	(981,285)
Gross profit	412,655
Other income	32
Total margin	412,687
Selling and distribution expenses	(235,439)
Merchandising and administrative expenses	(240,469)
Core operating loss	(63,221)
Gain on remeasurement of contingent consideration payable	19,667
Amortization of other intangible assets	(25,801)
Professional fees for Spin-off	(11,860)
One-off reorganization costs for Spin-off	(16,880)
Other non-core operating expenses	(2,001)
Operating loss	(100,096)
Interest income	29
Interest expenses	
Non-cash interest expenses	(9,736)
Cash interest expenses	(6,852)
	(16,588)
Share of profits less losses of joint ventures	324
Loss before taxation	(116,331)
Taxation	17,206
Loss for the period	(99,125)
Net gain on distribution in specie *(Note 8(b))*	1,003
Net loss attributable to Shareholders of the Company	(98,122)

* *Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of US$782,598,000.*

Details of other financial information of the Discontinued Operations for the period from 1 January 2014 to 8 July 2014 were set out in 2014 Annual Report.

32 Contingent Liabilities

	2015 US$'000	2014 US$'000
Guarantees in respect of banking facilities granted to:		
Associated companies	**750**	750

33 Commitments from Continuing Operations

(a) Operating Lease Commitments

The Continuing Operations leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 26 years. At 31 December 2015, the Continuing Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 US$'000	2014 US$'000
Within one year	**139,170**	157,535
In the second to fifth year inclusive	**209,399**	294,639
After the fifth year	**119,010**	128,321
	467,579	580,495

(b) Capital Commitments

	2015 US$'000	2014 US$'000
Contracted but not provided for:		
Property, plant and equipment	**1,945**	17,046
System development, software and other license costs	**1,170**	–
	3,115	17,046

34 Charges on Assets

Save as disclosed in *Note 12*, there were no charges on the assets and undertakings of the Group as at 31 December 2015 and 2014.

35 Related Party Transactions

The Continuing Operations had the following material transactions with its related parties during the year ended 31 December 2015 and 2014:

	Note	**2015 US$'000**	2014 US$'000
Distribution and sales of goods	*(i)*	**28,128**	11,612
Operating leases rental paid	*(ii)*	**26,018**	24,549
Turnover on buying agency services provided	*(iii)*	**1,627,351**	891,587
Rental and license fee paid	*(iv)*	**2,287**	3,190
Rental and license fee received	*(iv)*	**3,464**	2,027
Logistics-related services income	*(v)*	**10,894**	10,342

(i) Pursuant to the master distribution and sales of goods agreement entered into on 5 December 2014 with FH (1937) for a term of three years ending 31 December 2017, certain distribution and sales of goods was made on mutually agreed normal commercial terms with FH (1937) and its associates.

(ii) Pursuant to the master agreement for leasing of properties dated 6 December 2013 entered into with FH (1937) for a term of three years ending 31 December 2016, the Continuing Operations had rental charge for certain properties leased from FH (1937) and its associates during the period based on mutually agreed normal commercial terms.

(iii) Pursuant to the buying agency agreement entered into with Global Brands Group on 24 June 2014, the Continuing Operations provided buying agency services to Global Brands Group and its associates for a term of three years from the listing date of Global Brands Group. For the year ended 31 December 2015, the Continuing Operations provided buying agency services to Global Brands Group with an aggregate turnover of approximately US$1,627,351,000 (for the period from 9 July 2014 to 31 December 2014: US$891,587,000).

(iv) Pursuant to the master property agreement entered into with Global Brands Group on 24 June 2014, the Continuing Operations and Global Brands Group had rental and license fee to and from one another for certain properties and license offices, showroom and warehouse premises on mutually agreed terms from the listing date of Global Brands Group to 31 December 2016. For the year ended 31 December 2015, aggregate rental and license fee paid to and from one another approximated to US$5,751,000 (for the period from 9 July 2014 to 31 December 2014: US$5,217,000).

(v) Pursuant to the master agreement for provision of logistics-related services entered into on 20 August 2015, the Continuing Operations provided certain logistics-related services to FH (1937) and its associates during the year. The aggregate service income, excluding the passed-through costs for direct freight forwarding, approximated to US$10,894,000 (2014: US$10,342,000).

The foregoing related party transactions also fall under the definition of continuing connected transactions of the Company as stipulated in the Listing Rules on the Stock Exchange.

During 2014, there were certain expenses incurred by FH (1937) and recharged to the Continuing Operations amounting to approximately US$1,000,000.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in *Notes 10* and *40*.

Save as above, the Continuing Operations had no material related party transactions during the year.

36 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market Risk

(I) FOREIGN EXCHANGE RISK

Most of the Group's cash balances were deposits in HK$ and US$ with major global financial institutions, and the Group's revenues and payments were transacted predominantly in US$. Therefore, it considers there is no significant risk exposure in relation to foreign exchange rate fluctuations.

There are small portion of sales and purchases transacted in different currencies, for which the Group arranges hedging by means of foreign exchange forward contracts. Other than this, the Group strictly prohibits any financial derivative arrangement merely for speculation.

At 31 December 2015, if the major foreign currencies, such as Euro dollar and Sterling Pound, to which the Group had exposure had strengthened/weakened by 10% (2014: 10%) against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 2.2% (2014: 2.0%) and 3.5% (2014: 3.7%) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables, borrowings and intangible assets.

(II) PRICE RISK

The Group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets. The Group maintains these investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 31 December 2015 and up to the report date of the financial statements, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies. At 31 December 2015, the fair value of foreign exchange forward contracts entered into by the Group amounted to US$4,272,000 (2014: US$11,323,000), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments assets.

(III) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from US dollar denominated bank borrowings and the US dollar denominated long-term notes issued. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

At 31 December 2015, if the variable interest rates on the bank borrowings had been 0.1% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US$1,273,000 (2014: US$811,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

36 Financial Risk Management (continued)

(b) Credit Risk

Credit risk mainly arises from trade and other receivables as well as cash and bank balances of the Group.

Most of the Group's cash and bank balances are held in major global financial institutions.

The Group has stringent policies in place to manage its credit risk with trade and other receivables, which include but are not limited to the measures set out below:

(i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing at the trade terms with individual customers. It is not uncommon that the Group requires securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers that fall short of the required minimum score under its Risk Assessment System;

(ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;

(iii) It has in place a close monitoring system with a dedicated team to ensure on-time recoveries from its trade debtors; and

(iv) Internally it has set up rigid policies on provision made for both inventories and receivables to motivate its business managers to step up efforts in these two areas so as to avoid any significant impact on their financial performance.

The Group's five largest customers of the Continuing Operations, in aggregate, account for 36% of the Continuing Operation's business. Transactions with these customers are entered into within the credit limits designated by the Group.

Except for trade receivables of US$35,252,000 (2014: US$22,556,000) and other receivables of US$11,316,000 (2014: US$29,401,000), which were considered impaired and fully provided, none of the other financial assets including available-for-sale financial assets *(Note 16)*, due from related companies *(Note 18)* and other receivables and deposits *(Note 20)* are considered impaired as there is no recent history of default of the counterparties. The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

36 Financial Risk Management (continued)

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities from the Group's bankers.

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents *(Note 21)*) on the basis of expected cash flow.

The table below analyzes the liquidity impact of the Group's non-derivative financial liabilities (including annual coupons payable for the long-term notes) into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. These amounts will not reconcile to the amounts disclosed on the consolidated balance sheet and in *Note 27* for long-term liabilities.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2015				
Long-term bank loans	**–**	**100,000**	**–**	**–**
Purchase consideration payable for acquisitions	**87,433**	**70,271**	**94,538**	**–**
Long-term notes – unsecured	**66,875**	**553,125**	**848,438**	**–**
Trade and bills payable	**2,464,785**	**–**	**–**	**–**
Accrued charges and sundry payables	**601,129**	**–**	**–**	**–**
Financial guarantee contract	**750**	**–**	**–**	**–**
Due to related companies	**1,038**	**–**	**–**	**–**
Bank advances for discounted bills	**33,681**	**–**	**–**	**–**
Short-term bank loans	**95,819**	**–**	**–**	**–**
At 31 December 2014				
Long-term bank loans	–	17,000	–	–
Purchase consideration payable for acquisitions	134,661	89,145	250,177	–
Long-term notes – unsecured	66,875	66,875	631,875	769,688
Trade and bills payable	2,561,172	–	–	–
Accrued charges and sundry payables	692,427	–	–	–
Financial guarantee contract	750	–	–	–
Due to related companies	48	–	–	–
Bank advances for discounted bills	33,834	–	–	–
Short-term bank loans	162,850	–	–	–

All of the Group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of US$212,734,000 (2014: US$205,935,000) and undiscounted contractual cash outflows of US$208,742,000 (2014: US$194,893,000).

37 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term bank loans *(Note 23)*, long-term bank loans *(Note 23)* and long-term notes *(Note 27)* less cash and cash equivalents *(Note 21)*). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

The Group's strategy is to maintain a gearing ratio not exceeding 35%. The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 **US$'000**	2014 US$'000
Long-term bank loans *(Note 23)*	**100,000**	17,000
Short-term bank loans *(Note 23)*	**95,819**	162,850
Long-term notes *(Note 27)*	**1,253,823**	1,254,369
	1,449,642	1,434,219
Less: Cash and cash equivalents *(Note 21)*	**(342,243)**	(538,529)
Net debt	**1,107,399**	895,690
Total equity	**3,010,166**	3,110,078
Total capital	**4,117,565**	4,005,768
Gearing ratio	**27%**	22%

38 Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets *(Note 16)*				
– Club debentures	**–**	**–**	**3,854**	**3,854**
Derivative financial instrument used for hedging *(Note 19)*	**–**	**4,272**	**–**	**4,272**
Total Assets	**–**	**4,272**	**3,854**	**8,126**
Liabilities				
Purchase consideration payable for acquisitions	**–**	**–**	**242,502**	**242,502**
Total Liabilities	**–**	**–**	**242,502**	**242,502**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets *(Note 16)*				
– Club debentures	–	–	3,709	3,709
Derivative financial instrument used for hedging *(Note 19)*	–	11,323	–	11,323
Total Assets	–	11,323	3,709	15,032
Liabilities				
Purchase consideration payable for acquisitions	–	–	458,080	458,080
Total Liabilities	–	–	458,080	458,080

38 Fair Value Estimation (continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfer of assets between level 1, level 2 and level 3 fair value hierarchy classifications during the year.

The following summarizes the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING

The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using discounted cash flow analysis. These valuations maximize the use of observable market data. Foreign currency exchange prices are the key observable inputs in the valuation.

PURCHASE CONSIDERATION PAYABLE FOR ACQUISITIONS

The Group recognizes the fair value of those purchase considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgment on time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 2.5%.

38 Fair Value Estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2015 and 2014.

	2015		2014	
	Purchase Consideration Payable for Acquisitions US$'000	**Others US$'000**	Purchase Consideration Payable for Acquisitions US$'000	Others US$'000
Opening balance	**458,080**	**3,709**	1,397,999	6,333
Continuing Operations				
Fair value gains	**–**	**126**	–	40
Additions	**–**	**–**	76,609	–
Settlement	**(102,268)**	**–**	(210,766)	–
Remeasurement of contingent consideration payable	**(116,973)**	**–**	(176,007)	–
Others	**3,663**	**19**	9,372	–
Discontinued Operations				
Additions	**–**	**–**	60,227	–
Settlement	**–**	**–**	(69,306)	–
Remeasurement of contingent consideration payable	**–**	**–**	(19,667)	–
Others	**–**	**–**	18,464	–
Distribution in specie	**–**	**–**	(628,845)	(2,664)
Closing balance	**242,502**	**3,854**	458,080	3,709
Total gain for the year included in profit or loss of Continuing Operations	**(116,973)**	**–**	(176,007)	–

39 Balance Sheet and Reserve Movement of the Company

Balance Sheet of the Company

	Note	2015 US$'000	2014 US$'000
		As at 31 December	
Non-current Assets			
Interests in subsidiaries		**1,339,604**	1,339,604
Current Assets			
Due from subsidiaries		**4,182,044**	4,327,309
Other receivables, prepayments and deposits		**139**	499
Cash and bank balances		**5,808**	1,439
		4,187,991	4,329,247
Current Liabilities			
Accrued charges and sundry payables		**9,464**	9,457
		9,464	9,457
Net Current Assets		**4,178,527**	4,319,790
Total Assets Less Current Liabilities		**5,518,131**	5,659,394
Financed by:			
Share capital		**13,487**	13,398
Reserves	*(a)*	**3,747,821**	3,888,627
Shareholders' funds		**3,761,308**	3,902,025
Holders of perpetual capital securities		**503,000**	503,000
Total Equity		**4,264,308**	4,405,025
Non-current Liabilities			
Long-term notes		**1,253,823**	1,254,369
		5,518,131	5,659,394

William Fung Kwok Lun
Group Chairman

Spencer Theodore Fung
Group Chief Executive Officer

39 Balance Sheet and Reserve Movement of the Company (continued)

(a) Reserve Movement of the Company

	Share Premium US$'000	Treasury Share US$'000 *(Note 25 (iii))*	Contribution Surplus US$'000 *(Note (i))*	Employee Share-based Compensation Reserve US$'000	Retained Earnings US$'000	Total US$'000
Balance at 1 January 2015	**699,476**	**(6,739)**	**974,189**	**37,049**	**2,184,652**	**3,888,627**
Profit for the year	**–**	**–**	**–**	**–**	**287,309**	**287,309**
Issue of shares for Share Award Scheme	**–**	**(89)**	**–**	**–**	**–**	**(89)**
Purchase of shares for Share Award Scheme	**–**	**(7,300)**	**–**	**–**	**–**	**(7,300)**
Employee Share Option and Share Award Scheme:						
– value of employee services	**–**	**–**	**–**	**23,583**	**–**	**23,583**
– vesting of shares for Share Award Scheme	**5,142**	**828**	**–**	**(5,970)**	**–**	**–**
2014 final and special dividend paid	**–**	**–**	**–**	**–**	**(303,388)**	**(303,388)**
2015 interim dividend paid	**–**	**–**	**–**	**–**	**(140,921)**	**(140,921)**
Balance at 31 December 2015	**704,618**	**(13,300)**	**974,189**	**54,662**	**2,027,652**	**3,747,821**
Balance at 1 January 2014	3,699,476	(6,739)	264,189	36,821	566,889	4,560,636
Profit for the year	–	–	–	–	2,124,700	2,124,700
Employee Share Option Scheme:						
– value of employee services	–	–	–	228	–	228
Share premium reduction	(3,000,000)	–	3,000,000	–	–	–
2013 final dividend paid	–	–	–	–	(366,779)	(366,779)
2014 interim dividend paid	–	–	–	–	(140,158)	(140,158)
Distribution in specie	–	–	(2,290,000)	–	–	(2,290,000)
Balance at 31 December 2014	699,476	(6,739)	974,189	37,049	2,184,652	3,888,627

NOTE:

(i) The contribution surplus of the Company represents:

(1) The difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Li & Fung (B.V.I.) Limited and the value of net assets of the underlying subsidiaries acquired as at 2 June 1992 amounting to US$14,232,000. At Group level, the amount is reclassified into its components of reserves of the underlying subsidiaries.

(2) The difference between the issue price and the nominal value of the Company's shares issued in connection with the acquisition of Colby in 2000 amounting to US$249,957,000. At Group level, the amount is set off against goodwill arising from the acquisition.

(3) During 2014, US$3,000,000,000 contributed surplus was created by reduction of the share premium of the Company. Contributed surplus of US$2,290,000,000 was then distributed as a result of the spin-off of Global Brands Group.

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' and Chief Executive's Emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

	Emoluments Paid or Receivable in Respect of a Person's Services as a Director, Whether of the Company or its Subsidiary Undertaking:								Emoluments Paid or Receivable in respect of Director's Other Services in Connection with the Management of the Affairs of the Company or its Subsidiary Undertaking	
Name of Director	Fees US$'000	Salary US$'000	Discretionary Bonuses US$'000 *(Note (i))*	Housing Allowance US$'000	Share Options/ Award Shares Gain US$'000 *(Note (v))*	Estimated Money Value of Other Benefits US$'000 *(Note (ii))*	Employer's Contribution to a Retirement Benefit Scheme US$'000	Remunerations Paid or Receivable in respect of Accepting Office as Director US$'000	US$'000	Total US$'000
Executive Directors										
William Fung Kwok Lun	39	618	2,358	-	-	-	-	-	-	3,015
Spencer Theodore Fung	39	703	2,331	-	61	-	2	-	-	3,136
Marc Robert Compagnon	39	639	3,143	-	52	43	2	-	-	3,918
Non-executive Directors										
Victor Fung Kwok King	61	-	-	-	-	-	-	-	-	61
Paul Edward Selway-Swift	64	-	-	-	-	-	-	-	-	64
Allan Wong Chi Yun	71	-	-	-	-	-	-	-	-	71
Franklin Warren McFarlan *(Note (iv))*	27	-	-	-	-	-	-	-	-	27
Martin Tang Yue Nien	64	-	-	-	-	-	-	-	-	64
Margaret Leung Ko May Yee	64	-	-	-	-	-	-	-	-	64

NOTES:

(i) The discretionary bonuses paid in 2015 were in relation to performance and services for 2014.

(ii) Other benefits include mortgage interest subsidy and club membership.

(iii) During the year, no Share (2014: Nil) was issued to any directors of the Company under the 2003 Option Scheme and 2014 Option Scheme.

(iv) Retired as Independent Non-executive Director of the Company with effect from 21 May 2015.

(v) Share Options/Award Shares gain is determined based on the market price at the exercise/vesting date.

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(a) Directors' and Chief Executive's Emoluments (continued)

For the year ended 31 December 2014:

	Emoluments Paid or Receivable in Respect of a Person's Services as a Director, Whether of the Company or its Subsidiary Undertaking:									
Name of Director	Fees US$'000	Salary US$'000	Discretionary Bonuses US $'000 *(Note (i))*	Housing Allowance US$'000	Share Options/ Award Shares Gain US$'000	Estimated Money Value of Other Benefits US$'000 *(Note (ii))*	Employer's Contribution to a Retirement Benefit Scheme US$'000	Remunerations Paid or Receivable in respect of Accepting Office as Director US$'000	Emoluments Paid or Receivable in respect of Director's Other Services in Connection with the Management of the Affairs of the Company or its Subsidiary Undertaking US$'000	Total US$'000
Executive Directors										
William Fung Kwok Lun	39	616	2,512	–	–	–	2	–	–	3,169
Bruce Philip Rockowitz *(Note (iii))*	20	282	5,557	–	–	14	1	–	–	5,874
Spencer Theodore Fung	39	648	1,058	–	–	–	2	–	–	1,747
Marc Robert Compagnon *(Note (iv))*	20	600	4,045	–	–	46	2	–	–	4,713
Non-executive Directors										
Victor Fung Kwok King	65	–	–	–	–	–	–	–	–	65
Paul Edward Selway-Swift	69	–	–	–	–	–	–	–	–	69
Allan Wong Chi Yun	68	–	–	–	–	–	–	–	–	68
Franklin Warren McFarlan	64	–	–	–	–	–	–	–	–	64
Martin Tang Yue Nien	64	–	–	–	–	–	–	–	–	64
Benedict Chang Yew Teck *(Note (v))*	16	–	–	–	–	–	–	–	–	16
Fu Yuning *(Note (vi))*	58	–	–	–	–	–	–	–	–	58
Margaret Leung Ko May Yee	59	–	–	–	–	–	–	–	–	59

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(a) Directors' and Chief Executive's Emoluments (continued)

For the year ended 31 December 2014: (continued)

NOTES:

(i) The discretionary bonuses paid in 2014 were in relation to performance and services for 2013.

(ii) Other benefits include mortgage interest subsidy and club membership.

(iii) Resigned as Executive Director of the Company with effect from 1 July 2014.

(iv) Appointed as Executive Director of the Company with effect from 1 July 2014.

(v) Retired as Non-executive Director of the Company with effect from 15 May 2014.

(vi) Resigned as Independent Non-executive Director of the Company with effect from 31 December 2014.

As at 31 December 2015, certain Directors held the following Share Options to acquire Shares of the Company:

No. of Share Options	Exercise Price	Exercisable Period
16,000,000 (2014: 18,000,000)	HK$12.12[1]	Exercisable in eight equal tranches during the period from 1/5/2014 to 30/4/2023 with each tranche having an exercisable period of two years
16,023,000 (2014: Nil)	HK$7.49	Exercisable in three equal tranches during the period from 1/1/2016 to 31/12/2019 with each tranche having an exercisable period of two years

NOTE:

(1) Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$14.50 to HK$12.12 with effect from 31 August 2014.

The closing market price of the Shares as at 31 December 2015 was HK$5.27.

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(b) Directors' Termination Benefits

No termination benefits was provided to or receivable by any director during the year as compensation for the early termination of appointment (2014: None).

(c) Consideration Provided to Third Parties for Making Available Directors' Services

No consideration was provided to or receivable by third parties for making available directors' services (2014: None).

(d) Information about Loans, Quasi-loans and Other Dealings in Favour of Directors, Controlled Bodies Corporate by and Connected Entities with Such Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2014: None).

(e) Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

41 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 17 March 2016.

42 Principal Subsidiaries, Associated Companies and Joint Venture

		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	Held Directly				
(2)	Integrated Distribution Services Group Limited	Bermuda	Ordinary US$12,000	100	Investment holding
(2)	LF Centennial Limited	British Virgin Islands	Ordinary US$50,000	100	Investment holding
(2)	LF Credit Limited	Bermuda	Ordinary US$12,000	100	Investment holding
(1)	Li & Fung (B.V.I.) Limited	British Virgin Islands	Ordinary US$400,010	100	Marketing services and investment holding
	Held Indirectly				
	888 UK Limited	England	Ordinary GBP100	100	Service company
(2)	AGI Logistics Foreign Holdings LLC	U.S.A.	Capital contribution US$1	100	Investment holding
	Algreta Solutions Limited	England	Ordinary GBP10,527	100	Sale and distribution of security products
(2)	Appleton Holdings Ltd.	British Virgin Islands	Ordinary US$1	100	Investment holding
	B.G.S. Limited	Thailand	Ordinary Baht 288,000 Preference Baht 712,000	100	Marketing and distribution of healthcare products
	Black Cat Fireworks Limited	England	Ordinary GBP15,500,000	100	Wholesaling
(2)	Bond Medical Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Bossini Fashion GmbH	Germany	EUR468,000	100	Importer
	BS Direct Limited	Hong Kong	Ordinary HK$2	100	Export trading
	C Group US LLC	U.S.A.	Capital contribution US$1,000	100	Marketing services
	Camberley Enterprises Limited	Hong Kong	Ordinary HK$250,000	100	Manufacturing and trading
	Camberley Trading Service (Shenzhen) Limited	The People's Republic of China	RMB1,500,000	100 foreign-owned enterprise	Export trading services
(2)	Catalyst Direct Sarl	France	Ordinary EUR10,000	100	Wholesaling
(2)	Catalyst Tags Inc.	U.S.A.	Common stock US$10,000	100	Distribution
(2)	Centennial (Luxembourg) S.a.r.l.	Luxembourg	EUR8,931,250	100	Investment holding
	Character Direct Limited	Hong Kong	Ordinary HK$2	100	Design and marketing
	Chuan Jui Chuan Logistics Co., Ltd.	Taiwan	NT$25,000,000	100	Transportation
	Chuan Jui Fu Logistics Co., Ltd.	Taiwan	NT$25,000,000	100	Transportation
(2)	Colby Group Holdings Limited	British Virgin Islands	Ordinary US$45,000	100	Investment holding
(2)	Colby Property Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Comet Feuerwerk GmbH	Germany	EUR1,000,000	100	Fireworks wholesaling
	Concept 3 Limited	Hong Kong	Ordinary HK$2	100	Investment holding
(2)	Covo Design (Dongguan) Co., Ltd.	The People's Republic of China	US$4,000,000	100 foreign-owned enterprise	Sample production and export trading services

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	Crimzon Rose Accessories (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,500,000	100 foreign-owned enterprise	Wholesaling
	Definitive Sourcing (India) Private Limited	India	Rs100,000	100	Buying services for sourcing goods
(2)	Direct Sourcing Group Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Direct Sourcing Group Investment Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Direct Sourcing Group Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	Dodwell (Mauritius) Limited	Hong Kong	Ordinary "A" HK$300,000 Ordinary "B" HK$200,000	60	Export trading
	Dodwell (Singapore) Pte. Ltd.	Singapore	Ordinary S$200,000	100	Export trading
(2)	Dongguan LF Beauty Manufacturing Services Limited	The People's Republic of China	HK$11,220,000	100 foreign-owned enterprise	Trading and manufacturing
(2)	Dongguan LF Products Trading Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Sample design and export trading services
(2)	DSG (Bangladesh) Limited	Bangladesh	Ordinary TK$3,750,000	100	Export trading services
	DSG (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
	DSG (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
(2)	DSG (US) Inc.	U.S.A.	Common stock US$1	100	Sourcing service
	DSG Services Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading services
(2)	Empire Knight Group Limited	British Virgin Islands	Ordinary US$1	100	Property investment
(2)	Far East Logistics (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,500,000	100 foreign-owned enterprise	Wholesaling
	Fenix Fashion Limited	Hong Kong	Ordinary HK$1	100	General trading of merchandise
(2)	Fleet Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Four Star Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	Four Star Construction and Engineering Company Limited	Macau	MOP$25,000	100	Distribution of medical and pharmaceutical products and medical equipment
(2)	GB Apparel Limited	England	Ordinary GBP1,000	100	Investment holding
	GMR (Hong Kong) Limited	Hong Kong	Ordinary HK$2	100	Export trading
(2)	Golden Gate Fireworks Inc.	U.S.A.	Common stock US$600,000	100	Commission agent and investment holding
	Golden Horn N.V.	Curacao	US$6,100	100	Investment holding
	Goodwest Enterprises Limited	Hong Kong	Ordinary HK$2	100	Export trading
	GSCM (HK) Limited	Hong Kong	Ordinary HK$140,000	100	Export trading
	GSCM LLC	U.S.A.	Capital contribution US$1	100	Trading of apparel
	Hanson Im-und Export GmbH	Germany	EUR26,000	100	Wholesaling
(2)	Homeworks (Europe) B.V.	The Netherlands	Ordinary EUR18,000	100	Export trading
	Homeworks Asia Limited	Hong Kong	Ordinary HK$2	100	Export trading
	HTL Fashion (UK) Limited	England	Ordinary GBP1	100	Design and export trading
	HTL Fashion Hazir Giyim Sanayi ve Ticaret Limited Sirketi	Turkey	YTL25,000	100	Manufacturing
	HTP Fashion Limited	Hong Kong	Ordinary HK$1	100	Manufacturing and trading
(2)	Icare Health Care Company Ltd.	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	IDS Corporate Services (S) Pte. Ltd.	Singapore	Ordinary S$24,700	100	Investment holding, distribution and provision of services including management services
(2)	IDS Group Limited	British Virgin Islands	Ordinary US$949,165	100	Investment holding
(2)	IDS International (Shanghai) Co., Ltd.	The People's Republic of China	RMB5,500,000	100 foreign-owned enterprise	Freight forwarders and other logistics services
(2)	IDS International USA Inc.	U.S.A.	Common stock US$1	100	Logistics and supply chain management
	IDS Manufacturing Sdn. Bhd.	Malaysia	Ordinary RM23,000,000	100	Manufacturing of pharmaceutical, foods and toiletries products
	Imagine POS Limited	Hong Kong	Ordinary "A" HK$2,000,000 Ordinary "B" HK$757,471	100	Export trading

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
	Imagine POS UK Limited	England	Ordinary GBP100	100	Cosmetic estate management services
	International Sources Trading Limited	Hong Kong	Ordinary HK$2	100	Export trading
	Jackel Cosmetics Limited	Hong Kong	Class "A" HK$9,950,645 Class "B" non-voting HK$13,890	100	Export trading
(2)	Jackel France SAS	France	Ordinary EUR37,500	100	Export trading
	Jackel International (Asia) Limited	Hong Kong	Ordinary "A" HK$346,500 Ordinary "B" HK$86,850	100	Export trading
(2)	Jackel International Europe SAS	France	Ordinary EUR105,000	100	Export trading
	Jackel, Inc.	U.S.A.	Class "A" voting common stock US$1 Class "B" non-voting common stock US$99	100	Export trading
	JDH Marketing (Thailand) Limited	Thailand	Ordinary Baht 210,000,000	100	Marketing and distribution of healthcare products
	JV Cosmetics Company Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
	Kariya Industries Limited	Hong Kong	Ordinary HK$1,000,000	100	Manufacturing and trading
	Lenci Calzature SpA	Italy	Equity shares EUR206,400	100	Design, marketing and sourcing
	LF (Philippines), Inc.	The Philippines	Common shares Pesos 21,000,000	100	Distribution of consumer products and provision of logistics services
(2)	LF Asia (Borneo) Sdn Bhd	Brunei Darussalam	Ordinary B$3,000,000	70	General merchandising, shipping and insurance agency
	LF Asia (Hong Kong) Limited	Hong Kong	Ordinary HK$146,000,000	100	Distribution of consumer and pharmaceutical products
	LF Asia (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM14,231,002	100	Distribution of consumer and pharmaceutical products
(2)	LF Asia (Philippines), Inc.	The Philippines	Common shares Peso 11,983,140	100	Distribution and logistics
	LF Asia (Singapore) Pte. Ltd.	Singapore	Ordinary S$300,000 Preference S$68,000	100	Distribution of healthcare products
	LF Asia (Thailand) Limited	Thailand	Ordinary Baht 16,000,000 Preference Baht 5,500,000 25% paid up	100	Distribution of consumer and pharmaceutical products
	LF Asia Distribution (Taiwan) Limited	Hong Kong	Ordinary HK$1	100	Distribution of consumer products
	LF Asia Management Limited	Hong Kong	Ordinary HK$10,000	100	Provision of management and consultancy services
	LF Asia Marketing (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM1,000,000	100	Distribution of consumer products

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	LF Asia Sebor (Sabah) Holdings Sdn. Bhd.	Malaysia	Ordinary RM11,000,000	60	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sabah) Sdn. Bhd.	Malaysia	Ordinary RM9,850,000	60	Distribution of consumer products
(2)	LF Asia Sebor (Sarawak) Holdings Sdn. Bhd.	Malaysia	Ordinary RM9,503,333	67.09	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sarawak) Sdn. Bhd.	Malaysia	Ordinary RM5,000,000	67.09	Distribution of consumer products
(2)	LF Beauty (Shenzhen) Limited	The People's Republic of China	HK$8,500,000	100 foreign-owned enterprise	Export trading services
	LF Beauty (Thailand) Ltd. (formerly known as IDS Manufacturing Limited)	Thailand	Ordinary Baht 469,500,000	100	Manufacturing of household, pharmaceutical and personal care products
	LF Beauty (UK) Limited	England	Ordinary GBP100	100	Design, marketing and manufacturing
	LF Beauty Inc.	U.S.A.	Common stock US$1	100	Investment holding
	LF Beauty Limited	Hong Kong	Ordinary HK$1	100	Export trading
(2)	LF Beauty Manufacturing China Co. Ltd (formerly known as JV Cosmetics (Dongguan) Co. Ltd.)	The People's Republic of China	HK$105,000,000	100 foreign-owned enterprise	Manufacturing and trading
	LF Centennial Pte. Ltd.	Singapore	Ordinary S$100,000	100	Export trading services
	LF Centennial Services (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
(2)	LF Corporate Capital (I) Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Credit Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of trade-related credit services
	LF Distribution Holding Inc.	U.S.A.	Common stock US$1	100	Investment holding
(2)	LF Distribution Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Distribution International Holding Limited	Hong Kong	Ordinary US$1	100	Investment holding
	LF Distribution International Inc.	U.S.A.	Common stock US$1	100	Investment holding
(2)	LF Distribution Limited	Bermuda	Ordinary US$100	100	Investment holding
	LF Europe (Germany) Services GmbH	Germany	EUR25,000	100	Provision of accounting services
	LF Europe Limited	England	Ordinary GBP26,788,000	100	Investment holding
	LF Fashion (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
	LF Fashion Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	LF Fashion Service Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	LF Freight (Hong Kong) Limited	Hong Kong	Ordinary HK$2	100	Provision of supply chain management services
	LF Home Limited	Hong Kong	Ordinary HK$2	100	Export trading
(2)	LF International Inc.	U.S.A.	Common stock US$30,002	100	Investment management
	LF Logistics (Bangladesh) Limited	Bangladesh	Ordinary TK$10,000,000	100	Freight forwarding
	LF Logistics (Cambodia) Limited	Cambodia	Ordinary Riels 20,000,000	100	Freight forwarding and other logistics services
	LF Logistics (China) Co., Ltd.	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
(2)	LF Logistics (Guangzhou) Co., Ltd.	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
	LF Logistics (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100	Provision of logistics services
(2)	LF Logistics (India) Private Limited	India	Ordinary Rs15,000,000	100	Logistics, supply chain management and freight forwarding
	LF Logistics (Taiwan) Limited	Hong Kong	Ordinary HK$200	100	Provision of logistics and packaging services
	LF Logistics (Thailand) Limited	Thailand	Ordinary Baht 307,750,000	100	Provision of logistics services
	LF Logistics (UK) Limited	England	Ordinary GBP50,000	100	Provision of logistics services
(2)	LF Logistics Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Logistics Holdings (UK) Limited	England	Ordinary GBP1	100	Investment holding
(2)	LF Logistics Korea Limited	Korea	Common stock KRW300,000,000	100	Provision of logistics services
(2)	LF Logistics Limited	Bermuda	Ordinary US$100	100	Investment holding
	LF Logistics Management Limited	Hong Kong	Ordinary HK$2	100	Provision of management and consultancy services
(2)	LF Logistics Pakistan (Private) Limited	Pakistan	Ordinary Rs5,000,000	100	Freight forwarders and other logistics services
	LF Logistics Services (M) Sdn. Bhd.	Malaysia	Ordinary RM2,000,000	100	Provision of logistics services
	LF Logistics Services Pte. Ltd.	Singapore	Ordinary S$28,296,962	100	Provision of logistics services
(2)	LF Logistics USA LLC (formerly known as LF Freight (USA) LLC)	U.S.A.	Capital contribution US$1	100	Freight forwarders and other logistics services
	LF Men's Group LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	LF Performance Services Sdn. Bhd.	Malaysia	Ordinary RM250,000	70	House Royal Custom's bonded warehouse licence
	LF Products (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Provision of management support services

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	LF Products (Shanghai) Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Export, import and domestics trading
	LF Products Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	LF Sourcing (Millwork) LLC	U.S.A.	Capital contribution US$1	100	Sourcing and export trading
	LF Sourcing Sportswear LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
(2)	Li & Fung (Australia) Proprietary Limited	Australia	Ordinary AUD1	100	Marketing liaison
	Li & Fung (Bangladesh) Limited	Bangladesh	Ordinary TK$9,500,000	100	Export trading services
(2)	Li & Fung (Brasil) Trading, Importacao E Exportacao Ltda	Brazil	Common shares R$333,559	100	Service provider
	Li & Fung (Cambodia) Limited	Cambodia	Ordinary Riels 120,000,000	100	Export trading services
(2)	Li & Fung (Chile) Limitada	Chile	Chilean Pesos $5,500,000	100	Export trading
	Li & Fung (Europe) Holding Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Exports) Limited	Hong Kong	Ordinary HK$10,000 Non-voting deferred HK$8,600,000	100	Investment holding
(2)	Li & Fung (Guatemala) S.A.	Guatemala	Nominative shares Q5,000	100	Export trading services
(2)	Li & Fung (Honduras) Limited	Honduras	Nominative common shares Lps25,000	100	Export trading services
	Li & Fung (India) Private Limited	India	Equity shares Rs64,000,200	100	Export trading services
	Li & Fung (Korea) Limited	Korea	Common stock KRW200,000,000	100	Export trading services
(2)	Li & Fung (Mauritius) Limited	Mauritius	"A" Shares Rs750,000 "B" Shares Rs500,000	60	Export trading services
(2)	Li & Fung (Morocco) SARL	Morocco	Ordinary Dirhams10,000	100	Export trading services
(2)	Li & Fung (Nicaragua), Sociedad Anonima	Nicaragua	Nominative shares C$50,000	100	Export trading
	Li & Fung (Philippines) Inc.	The Philippines	Common shares Peso 1,000,000	100	Export trading services
(2)	Li & Fung (Portugal) Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Singapore) Private Limited	Singapore	Ordinary S$25,000	100	Export trading services
	Li & Fung (Taiwan) Limited	Taiwan	NT$63,000,000	100	Sourcing and inspection
	Li & Fung (Thailand) Limited	Thailand	Ordinary Baht 20,000,000	100	Export trading services
	Li & Fung (Trading) Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000	100	Export trading services and investment holding
	Li & Fung (Vietnam) Limited	Vietnam	Charter capital US$800,000	100	Export trading services
	Li & Fung Agencia de Compras em Portugal, Limitada	Portugal	EUR99,759.58	100	Export trading services

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	Li & Fung Mexico S.A. de C.V. (formerly known as Direct SG Mexico Limited S.A. de C.V.)	Mexico	Nominative common shares MXP150,000	100	Service and import trading
	Li & Fung Mumessillik Pazarlama Limited Sirketi	Turkey	YTL45,356,100	100	Export trading services
	Li & Fung Pakistan (Private) Limited	Pakistan	Ordinary Rs10,000,000	100	Export trading services
	Li & Fung South Africa (Proprietary) Limited	South Africa	Ordinary Rand 100	100	Export trading services
	Li & Fung Taiwan Holdings Limited	Taiwan	NT$287,996,000	100	Investment holding
	Li & Fung Trading (China) Holding Limited (formerly known as Dana International Limited)	Hong Kong	Ordinary HK$2	100	Investment holding
(2)	Li & Fung Trading (Italia) S.r.l.	Italy	EUR100,000	100	Export trading services
	Li & Fung Trading (Shanghai) Limited	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Export trading
(2)	Li & Fung Trading Service (Guangzhou) Limited	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shanghai) Company Limited	The People's Republic of China	US$6,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
	Lighthouse Asia Limited	Hong Kong	Ordinary HK$10,000	100	Investment holding
	Lion Rock (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100	Investment holding
	Lion Rock Far East (1972) Limited	Hong Kong	Ordinary HK$20	100	Investment holding
	Lion Rock International Trading & Co.	Hong Kong	Capital contribution HK$3,000,000	100	Provision of management services
	Lion Rock Services (Far East) & Co.	Hong Kong	Capital contribution HK$17,000,000	100	Merchandising agent
	Lion Rock Services (Switzerland) AG	Switzerland	CHF3,400,000	100	Export trading services
	Lloyd Textile Trading Limited	Hong Kong	Ordinary HK$1,000,000	100	Manufacturing and trading
	Lornamead Acquisitions Limited	England	Ordinary GBP1,000	100	Investment holding
	Lornamead GmbH	Germany	EUR25,000	100	Manufacturing of perfumes and toilet preparations
	Lornamead Group Limited	England	Ordinary GBP1,000	100	Investment holding
	Lornamead Inc.	U.S.A.	Common stock US$26,824.8975	100	Wholesaling
	Lornamead UK Limited	England	Ordinary GBP100	100	Manufacture of perfumes and toilet preparations
	Material Sourcing (HK) Limited	Hong Kong	Ordinary HK$1	100	Export trading

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	Mercury (BVI) Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Meredith Associates Limited	Hong Kong	Ordinary US$1,327,932	100	Investment holding
	Mighty Hurricane Holdings Inc.	U.S.A.	Common stock of US$100	100	Wholesaling
	Miles Fashion Asia Pte. Ltd.	Singapore	Ordinary S$1	100	Export trading
	Miles GmbH (formerly known as Miles Fashion GmbH)	Germany	EUR11,000,000	100	Importer
	Miles Fashion Group France EURL	France	EUR10,000	100	Wholesaling
(2)	Miles Fashion USA, Inc.	U.S.A.	Common stock US$1,000	100	Importer
	Millwork Holdings Co., Inc.	U.S.A.	Common stock US$1	100	Investment holding
	Modium Konfeksiyon Sanayi ve Ticaret Anonim Sirketi	Turkey	A Shares YTL2,249,975 B Shares YTL25	100	Manufacturing
	Nanjing LF Asia Company Limited	The People's Republic of China	US$5,000,000	100 foreign-owned enterprise	Importer, export trading and distribution of general merchandise
(2)	New Star Instruments Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Ningbo Zhicheng Customs Brokerage Co., Ltd.	The People's Republic of China	RMB1,500,000	100 foreign-owned enterprise	Provision of customs brokerage services
	P.T. Lifung Indonesia	Indonesia	Ordinary US$500,000	100	Export trading services
	Paco Trading (International) Limited	Hong Kong	Ordinary HK$2	100	Export trading
	PATCH Licensing LLC	U.S.A.	Capital contribution US$1	66.67	Export trading services
	Perfect Trading Inc.	Egypt	LE2,480,000	60	Export trading services
	Peter Black Footwear & Accessories Limited	England	Ordinary GBP202,000	100	Design, marketing and sourcing
	Peter Black Holdings Limited	England	Ordinary GBP0.25	100	Investment holding
	Peter Black International Limited	England	Ordinary GBP0.01	100	Investment holding
	Peter Black Overseas Holdings Limited	England	Ordinary GBP2	100	Investment holding
	Phil Henson GmbH	Germany	EUR50,000	100	Importer
	Product Development Partners Limited	Hong Kong	Ordinary HK$2	100	Export trading
	PromOcean France SAS	France	EUR8,530,303	100	Wholesaling
	PromOcean GmbH	Germany	EUR25,570	100	Wholesaling
	PromOcean No 1 Limited	England	Ordinary GBP1	100	Investment holding
	PromOcean Spain SL	Spain	EUR3,005.06	100	Wholesaling
	PromOcean The Netherlands B.V.	The Netherlands	EUR39,379.5	100	Wholesaling
	PromOcean UK Limited	England	Ordinary GBP1	100	Wholesaling

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	PT Direct Sourcing Indonesia	Indonesia	Ordinary US$250,000	100	Export trading services
(2)	PT. IDS Logistics Indonesia	Indonesia	Ordinary Rp1,820,400,000	100	Provision of logistics services
(2)	PF. LF Asia Marketing Indonesia	Indonesia	Ordinary US$300,000	100	Import and distribution of cosmetics and personal care products
	PT. LF Beauty Manufacturing Indonesia (formerly known as PT. LF Asia Manufacturing Indonesia)	Indonesia	Ordinary Rp453,600,000	100	Manufacturing of personal care and household products
(2)	PT. LF Services Indonesia	Indonesia	Ordinary Rp5,000,000,000	100	Logistics, transport and other services
	Ralsey Group Ltd.	U.S.A.	Common stock US$1	100	Wholesaling
(2)	Ratners Enterprises Ltd.	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Region Giant Holdings Limited	British Virgin Islands	Ordinary US$31	100	Investment holding
	RMS Trading GmbH	Germany	Registered capital EUR25,000	100	General trading of merchandise
	RT Sourcing (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,000,000	100 foreign-owned enterprise	Export trading services
	RT Sourcing Asia Limited	Hong Kong	Ordinary HK$102,000	100	Investment holding
	Shanghai IDS Distribution Co., Ltd.	The People's Republic of China	US$3,100,000	100 foreign-owned enterprise	Storage and logistic transportation management
(2)	Shanghai IDS Logistics Co., Ltd.	The People's Republic of China	RMB1,000,000	100 foreign-owned enterprise	Provision of logistics services
	Shanghai LF Asia Healthcare Co., Ltd.	The People's Republic of China	RMB6,000,000	100 foreign-owned enterprise	Distribution of pharmaceutical products
(2)	Shenzhen Catalyst Trading Co., Ltd.	The People's Republic of China	US$120,000	100 foreign-owned enterprise	Security tag trading
	Shiu Fung Fireworks Company Limited	Hong Kong	Ordinary "A" HK$1,100,000 Ordinary "B" HK$1,100,000	100	Export trading
	Shiu Fung Fireworks Trading (Changsha) Limited	The People's Republic of China	RMB4,000,000	100 foreign-owned enterprise	Export trading
	Silvereed (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading
(2)	Simkar 2 Limited	Cayman Islands	Ordinary US$50,000	100	Investment holding
(2)	Simkar Limited	Cayman Islands	Ordinary US$49,999.75	100	Investment holding
	Sky Million International Limited	Hong Kong	Ordinary HK$2	100	Property investment

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	STS Shenzhen Testing Service Limited	The People's Republic of China	US$660,000	100 foreign-owned enterprise	Testing and technology consultation
(2)	Tantallon Enterprises Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Texnorte II – Industrias Texteis, Limitada	Portugal	EUR5,000	100	Export trading services
	Texnorte Industrial Limited	Hong Kong	Ordinary HK$2	100	Export trading
	Toy Island (USA) LLC	U.S.A.	Capital contribution US$100	100	Marketing
	Uncle Sam Online Vertriebs-und Vermarktungsrechte GmbH	Germany	EUR26,000	100	Wholesaling
	Ventana Bekleidungsfabrikation GmbH	Germany	EUR26,000	100	Wholesaling
	Visage Group Limited	England	Ordinary GBP100,000	100	Investment holding
	Visage Holdings (2010) Limited	England	Ordinary GBP2	100	Investment holding
	Visage Holdings Limited	England	Ordinary GBP35,163	100	Investment holding
	Visage Limited	England	Ordinary GBP54,100	100	Design, marketing and sourcing
	W S Trading Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
(2)	Welmed (Macau) Company Limited	Macau	MOP$25,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Whalen Limited	Hong Kong	Ordinary HK$62,000,000	100	Design and marketing
	Whalen LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	Wilson Textile Limited	Hong Kong	Ordinary HK$1	100	Export trading

NOTES:

(1) Li & Fung (B.V.I.) Limited provides the subsidiaries with promotional and marketing services outside Hong Kong.

(2) Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited/reviewed by PricewaterhouseCoopers amounted to less than 5% of the Group's total net assets.

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

The above table lists out the principal subsidiaries of the Company as at 31 December 2015 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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$2,909,051	30	Fireworks distribution
#	Marshall Fireworks, Inc.	U.S.A.	Common stock US$10,000	30	Convenience and store
#	Ningbo Penavico-CCL International Freight Forwarding Co., Ltd.	The People's Republic of China	US$1,000,000	40	Provision of freight forwarding services
#	Winco Fireworks International, LLC	U.S.A.	Capital contribution US$9,753,776	30	Wholesaling
#	Winco Fireworks Mississippi, LLC	U.S.A.	Capital contribution US$177,421	30	Wholesaling
#	Winco of Tennessee, LLC	U.S.A.	Capital contribution US$364,550	30	Fireworks wholesaling and retailing
Note	**Principal Joint Venture**				
*	Red Sun Company Limited	The People's Republic of China	RMB48,000,000	20	Domestic and export trading

The associated companies are not audited by PricewaterhouseCoopers.

* *The joint venture is not audited by PricewaterhouseCoopers.*

Although the Group owns less than half of the equity interests in Red Sun Company Limited, it is able to exercise joint control by virtue of an agreement with other investors.

The above table lists out the principal associated companies and joint venture of the Company as at 31 December 2015 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.

Ten-year financial summary

Consolidated Profit and Loss Account

	2015 US$'000	2014 US$'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
Turnover	**18,830,835**	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
Core Operating Profit	**512,424**	604,143	737,094	511,173	882,056	725,138	511,552	395,392	408,539	300,542
Operating Profit	**594,985**	723,625	811,726	790,703	879,937	679,318	497,373	390,310	461,545	309,272
Interest income	**9,761**	6,984	9,177	20,385	19,490	13,567	11,636	14,455	26,691	12,627
Interest expenses	**(99,541)**	(105,179)	(107,575)	(135,109)	(128,594)	(98,443)	(47,706)	(61,561)	(64,059)	(18,983)
Share of profits less losses of associated companies	**1,570**	1,373	442	638	1,231	1,850	998	794	634	1,359
Profit before taxation	**506,775**	626,803	713,770	676,617	772,064	596,292	462,301	343,998	424,811	304,275
Taxation	**(57,890)**	(59,035)	(72,011)	(54,053)	(90,660)	(47,525)	(30,798)	(33,269)	(32,379)	(22,011)
Profit/(loss) for the year										
Continuing Operations *(Note 1)*	**448,885**	567,768	641,759							
Discontinued Operations *(Note 1)*	**–**	(98,122)	113,528							
Net profit for the year	**448,885**	469,646	755,287	622,564	681,404	548,767	431,503	310,729	392,432	282,264
Attributable to:										
Shareholders of the Company	**421,046**	441,276	725,337	617,416	681,229	548,491	431,937	310,505	392,312	282,284
Holders of perpetual capital securities	**30,000**	30,000	30,000	4,415	–	–	–	–	–	–
Non-controlling interests	**(2,161)**	(1,630)	(50)	733	175	276	(434)	224	120	(20)
	448,885	469,646	755,287	622,564	681,404	548,767	431,503	310,729	392,432	282,264
Earnings per Share (HK cents) ***(Note 2)***										
Basic	**39.1**	50.3[3]	57.1[3]	58.1	65.8	55.9	45.5	34.6	44.8	33.5
equivalent to (US cents)	**5.04**	6.46[3]	7.32[3]	7.45	8.43	7.17	5.83	4.44	5.74	4.30
Dividend per Share (HK cents) ***(Note 4)***	**28.0**	34.0	41.5[4]	31.0	53.0	45.0	37.5	28.5	35.5	27.5
equivalent to (US cents)	**3.61**	4.36	5.32[4]	3.97	6.79	5.77	4.81	3.65	4.55	3.53
Special Dividend per Share (HK cents)	**–**	7.0	–	–	–	–	–	–	–	–
equivalent to (US cents)	**–**	0.90	–	–	–	–	–	–	–	–

NOTES:

(1) *The spin-off of Global Brands Group was completed on 8 July 2014. The financial results for the Global Brands Group for the period ended 8 July 2014 were presented as loss from Discontinued Operations on net basis. Comparatives for the year ended 31 December 2013 have been restated accordingly. The financial results prior to 2013 have not been restated.*

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

(3) *Based on earnings of Continuing Operations of the Group.*

(4) *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.*

Consolidated Balance Sheet

	2015 US$'000	2014 US$'000	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000
Intangible assets	**4,266,863**	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
Property, plant and equipment	**241,626**	244,907	439,599	418,624	325,432	309,186	160,988	164,495	144,872	142,868
Other non-current assets	**78,923**	58,160	119,558	160,930	120,195	127,456	115,133	23,023	30,751	115,943
Current assets	**3,345,687**	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
Current liabilities	**3,339,181**	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
Net current assets	**6,506**	123,354	215,616	506,031	286,751	860,426	530,040	463,817	348,779	307,401
	4,593,918	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
Financed by:										
Share capital	**13,487**	13,398	13,398	13,396	12,987	12,899	12,103	11,648	11,060	10,928
Holders of perpetual capital securities	**503,000**	503,000	503,000	504,415	–	–	–	–	–	–
Reserves	**2,493,679**	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
Shareholders' funds	**3,010,166**	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
Other non-current liabilities	**1,583,752**	1,665,426	2,833,644	3,006,671	3,327,378	2,554,763	874,837	815,323	725,647	118,219
	4,593,918	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

Glossary

In this Report, unless otherwise specified the following glossary applies.

2003 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 expired on 11 May 2013
2014 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
Adoption Date	The date of adoption of the Share Award Scheme by the Shareholders at the annual general meeting of the Company held on 21 May 2015
associate(s), chief executive(s), connected person(s), substantial shareholder(s)	each has the meaning as described in the Listing Rules
Award Shares	the Shares granted under the Share Award Scheme to an eligible person(s) approved for participation in the Share Award Scheme
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)	a director(s) of the Company
Discontinued Operations	Global Brands Group, the spin-off of the Company's 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 Distribution	Fung Distribution International Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of FH (1937)
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 as the trustee of a trust established for the benefit of the family members of Victor Fung Kwok King
King Lun	King Lun Holdings Limited, a company incorporated in the British Virgin Islands owned 50% by HSBC Trustee and 50% by 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
PRC	the People's Republic of China
Report	the annual report of the Company for the year ended 31 December 2015
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	ordinary share(s) of HK$0.0125 each in the share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Share Award Scheme	the share award scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 21 May 2015
Share Option(s)	the outstanding option(s) granted under the 2003 Option Scheme and/or 2014 Option Scheme
Stock Exchange	The Stock Exchange of Hong Kong Limited
US$	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*
Martin Tang Yue Nien*

** Independent Non-executive Directors*

Chief Financial Officer
Edward Lam Sung Lai

Group Chief Compliance and Risk Management Officer
Jason Yeung Chi Wai

Company Secretary
Terry Wan Mei Chow

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

Principal Bankers
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Citibank, N.A.
JPMorgan Chase Bank, N.A.
Standard Chartered Bank (Hong Kong) Limited

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