Statement of accounts

Notes to the accounts

Consolidated profit and loss account of the Group

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000 (Restated)
Continuing Operations			
Turnover	*3*	**19,288,499**	19,025,512
Cost of sales		**(17,106,990)**	(16,806,590)
Gross profit		**2,181,509**	2,218,922
Other income		**62,724**	75,318
Total margin		**2,244,233**	2,294,240
Selling and distribution expenses		**(617,178)**	(572,498)
Merchandising and administrative expenses		**(1,022,912)**	(984,648)
Core operating profit	*3*	**604,143**	737,094
Gain on remeasurement of contingent consideration payable	*4*	**176,007**	112,648
Amortization of other intangible assets	*4*	**(35,462)**	(32,009)
One-off reorganisation costs		**(19,763)**	–
Other non-core operating expenses	*4*	**(1,300)**	(6,007)
Operating profit	*4*	**723,625**	811,726
Interest income		**6,984**	9,177
Interest expenses	*5*		
Non-cash interest expenses		**(9,976)**	(13,274)
Cash interest expenses		**(95,203)**	(94,301)
		(105,179)	(107,575)
Share of profits less losses of associated companies	*16*	**1,373**	442
Profit before taxation		**626,803**	713,770
Taxation	*6*	**(59,035)**	(72,011)
Profit for the year from Continuing Operations		**567,768**	641,759
Discontinued Operations			
(Loss for the period)/profit for the year from Discontinued Operations	*33*	**(98,122)**	113,528
Net profit for the year		**469,646**	755,287
Attributable to:			
Shareholders of the Company		**441,276**	725,337
Holders of perpetual capital securities		**30,000**	30,000
Non-controlling interests		**(1,630)**	(50)
		469,646	755,287

	Note	**2014 US$'000**	2013 US$'000 (Restated)
Attributable to Shareholders of the Company arising from:			
Continuing Operations		**539,398**	611,809
Discontinued Operations		**(98,122)**	113,528
		441,276	725,337
Earnings/(losses) per share for profit/(loss) attributable to the Shareholders of the Company during the year	*8*		
– basic from Continuing Operations		**50.3 HK cents**	57.1 HK cents
(equivalent to)		**6.46 US cents**	7.32 US cents
– basic from Discontinued Operations		**(9.2) HK cents**	10.6 HK cents
(equivalent to)		**(1.17) US cents**	1.36 US cents
– diluted from Continuing Operations		**50.3 HK cents**	57.1 HK cents
(equivalent to)		**6.46 US cents**	7.32 US cents
– diluted from Discontinued Operations		**(9.2) HK cents**	10.6 HK cents
(equivalent to)		**(1.17) US cents**	1.36 US cents

Details of distribution in specie and dividends to Shareholders of the Company are set out in *Note 9*. The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Consolidated statement of comprehensive income of the Group

For the year ended 31 December 2014

	2014 US$'000	2013 US$'000
Net Profit for the Year	**469,646**	755,287
Other Comprehensive (Expense)/Income:		
Items that will not be reclassified to profit or loss		
Remeasurements from post-employment benefits recognized in reserve, net of tax	**(728)**	4,440
Total Items that will not be Reclassified to Profit or Loss	**(728)**	4,440
Items that may be reclassified subsequently to profit or loss		
Currency translation differences*	**(92,158)**	11,195
Net fair value gains/(losses) on cash flow hedges, net of tax	**10,302**	(398)
Net fair value gains on available-for-sale financial assets, net of tax	**40**	71
Total Items that may be Reclassified Subsequently to Profit or Loss	**(81,816)**	10,868
Total Other Comprehensive (Expense)/Income for the Year, Net of Tax	**(82,544)**	15,308
Total Comprehensive Income for the Year	**387,102**	770,595
Attributable to:		
Shareholders of the Company	**358,556**	741,260
Holders of perpetual capital securities	**30,000**	30,000
Non-controlling interests	**(1,454)**	(665)
Total Comprehensive Income for the Year	**387,102**	770,595
Attributable to Shareholders of the Company Arising from:		
Continuing Operations	**457,778**	630,998
Discontinued Operations	**(99,222)**	110,262
	358,556	741,260

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

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Consolidated balance sheet of the Group

As at 31 December 2014

	Note	As at 31 December 2014 US$'000	2013 US$'000
Non-Current Assets			
Intangible assets	*12*	**4,349,083**	7,608,556
Property, plant and equipment	*13*	**244,907**	439,599
Prepaid premium for land leases	*14*	**2,498**	2,789
Associated companies	*16*	**11,890**	7,598
Joint ventures	*17*	**–**	14,515
Available-for-sale financial assets	*18*	**3,709**	3,669
Other receivables and deposits	*22*	**7,570**	15,623
Deferred tax assets	*31*	**32,493**	75,364
		4,652,150	8,167,713
Current Assets			
Inventories	*19*	**565,291**	1,100,486
Due from related companies	*20*	**511,965**	67,670
Trade and bills receivable	*22*	**1,864,021**	2,220,841
Other receivables, prepayments and deposits	*22*	**333,743**	446,520
Derivative financial instruments	*21*	**11,323**	2,664
Cash and bank balances	*23*	**538,529**	459,559
		3,824,872	4,297,740
Current Liabilities			
Due to related companies	*20*	**48**	14,682
Trade and bills payable	*24*	**2,561,172**	2,552,495
Accrued charges and sundry payables	*24*	**692,427**	837,790
Purchase consideration payable for acquisitions	*29*	**134,468**	409,512
Taxation		**116,719**	127,035
Derivative financial instruments	*21*	**–**	8,275
Bank advances for discounted bills	*22*	**33,834**	38,190
Short-term bank loans	*25*	**162,850**	94,145
		3,701,518	4,082,124
Net Current Assets		**123,354**	215,616
Total Assets Less Current Liabilities		**4,775,504**	8,383,329

	Note	As at 31 December 2014 US$'000	2013 US$'000
Financed by:			
Share capital	*26*	**13,398**	13,398
Reserves		**2,284,969**	4,658,811
Proposed dividend		**300,117**	364,428
		2,585,086	5,023,239
Shareholders' funds attributable to the Company's Shareholders		**2,598,484**	5,036,637
Holders of perpetual capital securities	*28*	**503,000**	503,000
Non-controlling interests		**8,594**	10,048
Total Equity		**3,110,078**	5,549,685
Non-Current Liabilities			
Long-term notes	*29*	**1,254,369**	1,254,915
Purchase consideration payable for acquisitions	*29*	**323,612**	988,487
Other long-term liabilities	*29*	**25,375**	471,779
Post-employment benefit obligations	*30*	**22,299**	24,330
Deferred tax liabilities	*31*	**39,771**	94,133
		1,665,426	2,833,644
		4,775,504	8,383,329

William Fung Kwok Lun
Group Chairman

Spencer Theodore Fung
Group Chief Executive Officer

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Balance sheet of the Company

As at 31 December 2014

	Note	As at 31 December 2014 US$'000	2013 US$'000
Interests in subsidiaries	*15*	**1,339,604**	1,339,604
Current Assets			
Due from subsidiaries	*20*	**4,327,309**	5,001,637
Other receivables, prepayments and deposits	*22*	**499**	313
Cash and bank balances	*23*	**1,439**	110
		4,329,247	5,002,060
Current Liabilities			
Accrued charges and sundry payables	*24*	**9,457**	9,715
		9,457	9,715
Net current assets		**4,319,790**	4,992,345
Total assets less current liabilities		**5,659,394**	6,331,949
Financed by:			
Share capital	*26*	**13,398**	13,398
Reserves	*27(b)*	**3,588,510**	4,196,208
Proposed dividend	*27(b)*	**300,117**	364,428
		3,888,627	4,560,636
Shareholders' funds		**3,902,025**	4,574,034
Holders of perpetual capital securities	*28*	**503,000**	503,000
		4,405,025	5,077,034
Non-Current Liabilities			
Long-term notes	*29*	**1,254,369**	1,254,915
		5,659,394	6,331,949

William Fung Kwok Lun
Group Chairman

Spencer Theodore Fung
Group Chief Executive Officer

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Consolidated statement of changes in equity of the Group

For the year ended 31 December 2014

	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities US$'000 *(Note 28)*	Non-Controlling Interests US$'000	Total Equity US$'000
	Share Capital US$'000 *(Note 26)*	Share Premium US$'000	Other Reserves US$'000 *(Note 27(a))*	Retained Earnings US$'000	Total US$'000			
Balance at 1 January 2014	13,398	3,699,476	6,503	1,317,260	5,036,637	503,000	10,048	5,549,685
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	441,276	441,276	30,000	(1,630)	469,646
Other Comprehensive (Expense)/ Income								
Currency translation differences	–	–	(92,334)	–	(92,334)	–	176	(92,158)
Net fair value gains on available-for-sale financial assets, net of tax	–	–	40	–	40	–	–	40
Net fair value gains on cash flow hedges, net of tax	–	–	10,302	–	10,302	–	–	10,302
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	(728)	–	(728)	–	–	(728)
Total other comprehensive (expense)/ income	–	–	(82,720)	–	(82,720)	–	176	(82,544)
Total Comprehensive (Expense)/Income	–	–	(82,720)	441,276	358,556	30,000	(1,454)	387,102
Transactions with Owners								
Employee share option scheme:								
– value of employee services	–	–	228	–	228	–	–	228
Distribution to holders of perpetual capital securities	–	–	–	–	–	(30,000)	–	(30,000)
Share premium reduction	–	(3,000,000)	3,000,000	–	–	–	–	–
Transfer to capital reserve	–	–	87	(87)	–	–	–	–
2013 final dividend paid	–	–	–	(366,779)	(366,779)	–	–	(366,779)
2014 interim dividend paid	–	–	–	(140,158)	(140,158)	–	–	(140,158)
Distribution in specie	–	–	(2,290,000)	–	(2,290,000)	–	–	(2,290,000)
Total Transactions with Owners	–	(3,000,000)	710,315	(507,024)	(2,796,709)	(30,000)	–	(2,826,709)
Balance at 31 December 2014	13,398	699,476	634,098	1,251,512	2,598,484	503,000	8,594	3,110,078

	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities US$'000 *(Note 28)*	Non-Controlling Interests US$'000	Total Equity US$'000
	Share Capital US$'000 *(Note 26)*	Share Premium US$'000	Other Reserves US$'000 *(Note 27(a))*	Retained Earnings US$'000	Total US$'000			
Balance at 1 January 2013	13,396	3,697,012	(12,504)	924,288	4,622,192	504,415	10,713	5,137,320
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	725,337	725,337	30,000	(50)	755,287
Other Comprehensive Income/ (Expense)								
Currency translation differences	–	–	11,810	–	11,810	–	(615)	11,195
Net fair value gains on available-for-sale financial assets, net of tax	–	–	71	–	71	–	–	71
Net fair value losses on cash flow hedges, net of tax	–	–	(398)	–	(398)	–	–	(398)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	4,440	–	4,440	–	–	4,440
Total other comprehensive income/ (expense)	–	–	15,923	–	15,923	–	(615)	15,308
Total Comprehensive Income/(Expense)	–	–	15,923	725,337	741,260	30,000	(665)	770,595
Transactions with Owners								
Employee share option scheme:								
– value of employee services	–	–	3,522	–	3,522	–	–	3,522
– proceeds from shares issued	2	1,933	–	–	1,935	–	–	1,935
– transfer to share premium	–	531	(531)	–	–	–	–	–
Distribution to holders of perpetual capital securities	–	–	–	–	–	(31,415)	–	(31,415)
Transfer to capital reserve	–	–	93	(93)	–	–	–	–
2012 final dividend paid	–	–	–	(171,495)	(171,495)	–	–	(171,495)
2013 interim dividend paid	–	–	–	(160,777)	(160,777)	–	–	(160,777)
Total Transactions with Owners	2	2,464	3,084	(332,365)	(326,815)	(31,415)	–	(358,230)
Balance at 31 December 2013	13,398	3,699,476	6,503	1,317,260	5,036,637	503,000	10,048	5,549,685

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Consolidated cash flow statement of the Group

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000 (Restated)
Continuing Operations			
Operating Activities			
Net cash inflow generated from operations	*32(a)*	**692,565**	913,261
Hong Kong profits tax paid		**(12,584)**	(9,691)
Overseas taxation paid		**(42,042)**	(50,401)
Net Cash Inflow from Operating Activities		**637,939**	853,169
Investing Activities			
Purchases of property, plant and equipment	*13*	**(75,299)**	(59,208)
Payments for system development, software, license and other intangible assets		**(11,124)**	(7,369)
Settlement of consideration payable for prior years acquisitions of businesses		**(189,930)**	(150,114)
Acquisitions of businesses		**(34,285)**	(128,079)
Proceeds from disposal of property, plant and equipment		**2,678**	275
Interest income		**6,984**	9,177
Settlement from debt security	*18*	**–**	57,000
Payment on behalf of a related company		**(57,134)**	–
Dividends received from associated companies	*16*	**595**	516
Addition of premium for land leases	*14*	**–**	(71)
Net Cash Outflow from Investing Activities		**(357,515)**	(277,873)
Net Cash Inflow before Financing Activities		**280,424**	575,296
Financing Activities			
Interest paid		**(95,203)**	(94,301)
Net proceeds from issuance of shares upon exercise of Share Options	*32(b)*	**–**	1,935
Distributions made to holders of perpetual capital securities		**(30,000)**	(31,415)
Dividends paid		**(506,937)**	(332,272)
Net repayment of bank loans	*32(b)*	**(28,594)**	(9,075)
Net Cash Outflow from Financing Activities		**(660,734)**	(465,128)
(Decrease)/Increase in Cash and Cash Equivalents from Continuing Operations *(Note)*		**(380,310)**	110,168
Discontinued Operations			
Increase/(decrease) in cash and cash equivalents from Discontinued Operations *(Note 33(d))*		**668,374**	(333,619)
Increase/(Decrease) in Cash and Cash Equivalents		**288,064**	(223,451)

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

	Note	2014 US$'000	2013 US$'000 (Restated)
Cash and Cash Equivalents at 1 January			
Continuing Operations		**344,471**	613,037
Discontinued Operations		**115,088**	67,342
		459,559	680,379
Increase/(Decrease) in Cash and Cash Equivalents		**288,064**	(223,451)
Effect of foreign exchange rate changes		**(4,493)**	2,631
Distribution in specie	*32(c)*	**(204,601)**	–
Cash and Cash Equivalents of Continuing Operations at 31 December		**538,529**	459,559
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	*23*	**538,529**	459,559

Movement of Cash and Cash Equivalents*

		2014 US$'000		2013 US$'000 (Restated)
Cash and Cash Equivalents at 1 January				
Continuing Operations		**344,471**		613,037
Discontinued Operations		**115,088**		67,342
		459,559		680,379
Continuing Operations				
(Decrease)/increase in cash and cash equivalents	**(380,310)**		110,168	
Loan repayment from/(finance to) Discontinued Operations	**593,821**		(225,529)	
Capital injection to Discontinued Operations	**(15,000)**		(155,180)	
Net Cash Inflow/(Outflow) from Continuing Operations		**198,511**		(270,541)
Discontinued Operations				
Increase/(decrease) in cash and cash equivalents	**668,374**		(333,619)	
Loan (repayment to)/finance from Continuing Operations	**(593,821)**		225,529	
Capital injection from Continuing Operations	**15,000**		155,180	
Net Cash Inflow from Discontinued Operations		**89,553**		47,090
Effect of foreign exchange rate changes		**(4,493)**		2,631
Distribution in specie		**(204,601)**		–
Cash and Cash Equivalents of Continuing Operations at 31 December		**538,529**		459,559

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

The notes on pages 129 to 215 are an integral part of these consolidated accounts.

Notes to the accounts

1 Basis of Preparation and Principal Accounting Policies

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

On 8 July 2014, the Group spun-off its licensed brands and controlled brands businesses, named as the Global Brands Group, via a distribution in specie. The financial results of the Global Brands Group for the period ended 8 July 2014 were presented as Discontinued Operations and comparatives for the year ended 31 December 2013 have been restated accordingly.

1.1 Basis of Preparation

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

The consolidated accounts are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

(A) NEW STANDARDS, NEW INTERPRETATION AND AMENDMENTS TO EXISTING STANDARDS ADOPTED BY THE GROUP

The following new standards, new interpretations and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new or revised HKFRSs in the current year has had no material effect on the Group's reported financial performance and position for the current and prior years and/or disclosures set out in these consolidated accounts.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.1 Basis of Preparation (continued)

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

The following new standards, new interpretations and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods, but the Group has not early adopted them:

HKAS 1 Amendment	Disclosure Initiative[2]
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants[2]
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions[1]
HKAS 27 Amendment	Equity Method in Separate Financial Statements[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 9	Financial Instruments[4]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Annual Improvements Project	Annual Improvements 2010-2012 Cycle[1]
Annual Improvements Project	Annual Improvements 2011-2013 Cycle[1]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[2]

NOTES:

1 *Effective for annual periods beginning on or after 1 January 2015*
2 *Effective for annual periods beginning on or after 1 January 2016*
3 *Effective for annual periods beginning on or after 1 January 2017*
4 *Effective for annual periods beginning on or after 1 January 2018*

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

1.2 Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December 2014.

(A) SUBSIDIARIES

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(A) SUBSIDIARIES (continued)

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

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

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

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

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

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

(B) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(C) ASSOCIATED COMPANIES

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

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

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

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

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

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

(D) JOINT VENTURES

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.3 Segment Reporting

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

1.4 Foreign Currency Translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

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

(B) TRANSACTIONS AND BALANCES

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

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

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

(C) GROUP COMPANIES

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

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

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.4 Foreign Currency Translation (continued)

(C) GROUP COMPANIES (continued)

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

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

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

1.5 Property, Plant and Equipment

(A) LAND AND BUILDINGS

Freehold land is stated at cost less impairment.

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

(B) OTHER PROPERTY, PLANT AND EQUIPMENT

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

(C) DEPRECIATION AND IMPAIRMENT

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

Leasehold land	shorter of lease term or useful life
Buildings and leasehold improvements	2% – 20%
Furniture, fixtures and equipment	$6^2/_3$% – $33^1/_3$%
Plant and machinery	10% – 15%
Motor vehicles and company boat	15% – 20%

1 Basis of Preparation and Principal Accounting Policies (continued)

1.5 Property, Plant and Equipment (continued)

(C) DEPRECIATION AND IMPAIRMENT (continued)

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

(D) GAIN OR LOSS ON DISPOSAL

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

1.6 Intangible Assets

(A) GOODWILL

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.6 Intangible Assets (continued)

(B) SYSTEM DEVELOPMENT, SOFTWARE AND OTHER LICENSE COSTS

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

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

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

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

(C) OTHER INTANGIBLE ASSETS

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

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

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

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate accounts exceeds the carrying amount in the consolidated accounts of the investee's net assets including goodwill.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.8 Discontinued Operations

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

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

1.9 Financial Assets

CLASSIFICATION

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

(a) Loans and Receivables

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

(b) Available-for-sale Financial Assets

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.9 Financial Assets (continued)

RECOGNITION AND MEASUREMENT

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

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

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

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

1.10 Impairment of Financial Assets

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

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

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

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.10 Impairment of Financial Assets (continued)

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

The Group first assesses whether objective evidence of impairment exists.

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

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

(B) ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE

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

1.11 Inventories

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.12 Trade and Other Receivables

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

1.13 Share Capital

Ordinary shares are classified as equity.

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

1.14 Cash and Cash Equivalents

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

1.15 Borrowings

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.16 Current and Deferred Tax

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

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

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

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

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

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

1.17 Employee Benefits

(A) EMPLOYEE LEAVE ENTITLEMENTS

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

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

(B) DISCRETIONARY BONUS

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(C) POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(D) SHARE-BASED COMPENSATION

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

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

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

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

1.18 Provisions

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

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

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

1.19 Contingent Liabilities and Contingent Assets

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

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.20 Total Margin

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

1.21 Core Operating Profit

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

1.22 Revenue Recognition

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

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

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

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

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

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

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

1.23 Borrowing Costs

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.24 Operating Leases

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

1.25 Derivative Financial Instruments and Hedging Activities

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

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

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

(A) CASH FLOW HEDGE

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

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

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

(B) DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives financial instruments recognized at fair value through profit or loss include certain derivative instruments that do not qualify for hedge accounting and conversion right embedded in convertible promissory note *(Note 21)*. Both are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair values of derivative financial instruments are recognized immediately in the consolidated profit and loss account.

1 Basis of Preparation and Principal Accounting Policies (continued)

1.26 Trade Payables

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

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

1.27 Dividend Distribution

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

1.28 Treasury Shares

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

1.29 Financial Guarantee Contract

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

2 Critical Accounting Estimates and Judgments

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

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

(a) Estimated Impairment of Intangible Assets Including Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in *Note 1.6*. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates *(Note 12)*.

2 Critical Accounting Estimates and Judgments (continued)

(b) Useful Lives of Intangible Assets

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

(c) Income Taxes

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

(d) Contingent Considerations of Acquisitions

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

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

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

However, if the total actual contingent consideration payables are 10% lower or higher than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables for acquisitions made after 2010 would be US$46 million.

2 Critical Accounting Estimates and Judgments (continued)

(e) Distribution in Specie

Accounting for the distribution in specie of Global Brands Group *(Note 33)*, and in particular the calculation of any gain or loss arising, requires determination of the fair value of the assets distributed, at the effective date of distribution. The fair value of the Global Brands Group at the spin-off date is determined by the valuation result from an independent valuer based on the discounted cash flow method under the income approach.

The valuation result from independent valuer is based on Global Brands Group's projected future cash flows discounted at a rate of return reflecting the inherent risks of its operations. Such a valuation technique involved several significant management estimates and judgements, for example, profitability, cash flows and discount rates adopted.

Management has applied judgement in determining a valuation from the range provided by the independent valuer, with consideration to the specific assumptions underlying that valuation and the circumstances existing at the relevant date as well as making reference to the market price of Global Brands Group's shares on the first day of trading.

3 Segment Information

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

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

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

3 Segment Information (continued)

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

3 Segment Information (continued)

	Trading Network US$'000 (Restated)	Logistics Network US$'000 (Restated)	Elimination US$'000 (Restated)	Total US$'000 (Restated)
Year ended 31 December 2013				
Turnover	18,514,259	526,259	(15,006)	19,025,512
Total margin	2,099,751	194,489		2,294,240
Operating costs	(1,398,463)	(158,683)		(1,557,146)
Core operating profit	701,288	35,806		737,094
Gain on remeasurement of contingent consideration payable				112,648
Amortization of other intangible assets				(32,009)
Other non-core operating expenses				(6,007)
Operating profit				811,726
Interest income				9,177
Interest expenses				
Non-cash interest expenses				(13,274)
Cash interest expenses				(94,301)
				(107,575)
Share of profits less losses of associated companies				442
Profit before taxation				713,770
Taxation				(72,011)
Profit for the year from Continuing Operations				641,759
Profit for the year from Discontinued Operations				113,528
Net profit for the year				755,287
Depreciation and amortization	100,019	10,588		110,607
31 December 2013				
Non-current assets (other than available-for-sale financial assets and deferred tax assets) *(Note)*	N/A	N/A		8,088,680

NOTE:
Balance as of 31 December 2013 included non-current assets attributable to the Discontinued Operations which could not be allocated to the Trading Network and the Logistics Network.

3 Segment Information (continued)

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

	Turnover		Non-Current Assets (Other Than Available-For-Sale Financial and Deferred Tax Assets) As at 31 December	
	2014 US$'000	2013 US$'000 (Restated)	**2014 US$'000**	2013 US$'000
United States of America	**11,587,145**	11,572,310	**1,981,767**	4,944,414
Europe	**3,488,136**	3,531,988	**1,264,408**	1,591,060
Asia	**2,744,264**	2,400,867	**1,116,474**	1,218,857
Rest of the world	**1,468,954**	1,520,347	**253,299**	334,349
	19,288,499	19,025,512	**4,615,948**	8,088,680

Turnover of the Continuing Operations consists of sales of softgoods, hardgoods and logistics income as follows:

	2014 US$'000	2013 US$'000 (Restated)
Softgoods	**11,674,826**	11,572,574
Hardgoods	**6,727,997**	6,910,459
Logistics	**885,676**	542,479
	19,288,499	19,025,512

For the year ended 31 December 2014, approximately 14% (2013 (restated): 14%) of the Continuing Operations' total turnover of US$19,288 million is derived from a single external customer, which is wholly attributable to the Trading Network.

Segment information for the Discontinued Operations is set out in *Note 33*.

4 Operating Profit from Continuing Operations

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

	2014 US$'000	2013 US$'000 (Restated)
Crediting		
Gain on remeasurement of contingent consideration payable *(Note)**	**176,007**	112,648
Charging		
Cost of inventories sold	**17,106,990**	16,806,590
Amortization of system development, software and other license costs *(Note 12)*	**14,574**	12,336
Amortization of other intangible assets *(Note 12)**	**35,462**	32,009
Amortization of prepaid premium for land leases *(Note 14)*	**137**	144
Depreciation of property, plant and equipment *(Note 13)*	**64,947**	66,118
Loss on disposal of property, plant and equipment, net	**1,363**	3,959
Operating leases rental in respect of land and building	**146,292**	149,562
Provision for impaired receivables *(Note 22)*	**31,083**	9,512
Staff costs including Directors' emoluments *(Note 10)*	**995,208**	951,476
Business acquisition-related cost*	**1,300**	6,007
Net exchange losses	**4,611**	4,237

* *Excluded from the core operating profit*

NOTE:
During the year, the Group remeasured contingent consideration payable for all acquisitions with outstanding contingent consideration arrangements based on the market outlook and their prevailing business plans and projections. Accordingly, a gain of approximately US$176 million was recognized. Among the total remeasurement gain, approximately US$114 million was adjustments to earn-up consideration. The revised provision for performance-based contingent considerations are calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of these acquired businesses. These gains were recognized as a non-core operating gain on remeasurement of contingent consideration payable.

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

	2014 US$'000	2013 US$'000 (Restated)
Audit services	**4,486**	4,427
Non-audit services		
– due diligence reviews on acquisitions	**211**	1,236
– taxation services	**2,606**	2,036
– others	**110**	238
Total remuneration to auditors charged to consolidated profit and loss account	**7,413**	7,937

NOTE:
Of the above audit and non-audit services fees, US$4,384,000 (2013 (restated): US$4,381,000) and US$2,927,000 (2013 (restated): US$3,510,000) respectively are payable to the Company's auditor.

5 Interest Expenses from Continuing Operations

	2014 US$'000	2013 US$'000 (Restated)
Non-cash interest expenses on purchase consideration payable for acquisitions, brand licenses payable and long-term notes		
– wholly repayable within five years	**9,763**	12,806
– not wholly repayable within five years	**213**	468
Cash interest on bank loans and overdrafts, long-term notes		
– wholly repayable within five years	**55,828**	54,926
– not wholly repayable within five years	**39,375**	39,375
	105,179	107,575

6 Taxation from Continuing Operations

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2014 US$'000	2013 US$'000 (Restated)
Current taxation		
– Hong Kong profits tax	**11,394**	12,220
– Overseas taxation	**51,463**	85,342
(Over)/underprovision in prior years	**(9,251)**	11,839
Deferred taxation *(Note 31)*	**5,429**	(37,390)
	59,035	72,011

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

	2014 %	2013 % (Restated)
Calculated at a taxation rate of	**16.5**	16.5
Effect of different taxation rates in other countries	**(3.8)**	(5.4)
Income net of expenses not subject to taxation	**(1.9)**	(1.4)
(Over)/underprovision in prior years	**(1.5)**	1.7
Utilization of previously unrecognized tax losses	**(0.1)**	(2.4)
Unrecognized tax losses	**0.2**	1.1
Effective tax rate	**9.4**	10.1

6 Taxation from Continuing Operations (continued)

In December 2014, the Group reached a settlement with the Hong Kong Inland Revenue ("HKIR") in relation to disputes involving additional tax assessments amounting to approximately US$251 million on both the non-taxable claim of certain non-Hong Kong sourced income ("Offshore Claim") and the deduction claim of marketing expenses ("Deduction Claim") for the years of assessment from 1992/93 to 2012/13.

Under the terms of the settlement, the appeal by one of the subsidiaries of the Group, Li & Fung (Trading) Limited, on the Deduction Claim for the years of assessment from 1992/93 to 2001/02 before the Court of First Instance and the Board of Review was settled and discontinued. The Group's dispute with the HKIR regarding the additional tax assessments in respect of certain other subsidiaries for the years of assessment from 1992/93 to 2001/02, and in respect of the Group for the period from 2002/03 to 2012/13 were also resolved as part of this settlement.

Having taken into account the assessment of the Group's professional advisors and the impact and ramifications of the judicial rulings, the Directors consider that the settlement reached with the HKIR is in the interest and benefit of the Group, and brings certainty and finality to the tax affairs of the Group for the years of assessment from 1992/93 to 2012/13. The Directors consider that the settlement does not have any material impact on the Group's financial position.

7 Profit Attributable to Shareholders of the Company

Profit attributable to Shareholders of the Company is dealt with in the accounts of the Company to the extent of US$2,124,700,000 (2013: US$601,460,000) *(Note 27)*.

8 Earnings/(Losses) per Share

The calculation of basic earnings/(losses) per share is based on the Group's profit attributable to Shareholders arising from the Continuing Operations of US$539,398,000 (2013 (restated): US$611,809,000) and the Group's losses attributable to Shareholders arising from the Discontinued Operations of US$98,122,000 (2013 (restated): profit of US$113,528,000) and on the weighted average number of 8,356,317,000 (2013: 8,356,237,000) shares in issue during the year.

The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share for the year ended 31 December 2014 as the potential ordinary shares in respect of outstanding Share Options are anti-dilutive. The diluted earnings per share for the year ended 31 December 2013 was calculated by adjusting the weighted average number of 8,356,237,000 ordinary shares in issue by 34,000 to assume conversion or all dilutive potential ordinary shares granted under the Company's Option Scheme. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Share Options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Share Options.

9 Distribution in Specie and Dividends

	2014 US$'000	2013 US$'000 *(Note (b))*
Interim, paid, of HK$0.13 (equivalent to US$0.017) (2013: HK$0.15 (equivalent to US$0.019)) per ordinary share	**140,158**	160,777
Final, proposed, of HK$0.21 (equivalent to US$0.027) (2013: HK$0.34 (equivalent to US$0.044)) per ordinary share *(Note (a))*	**225,088**	364,428
Full year	**365,246**	525,205
Special, proposed, of HK$0.07 (equivalent to US$0.009) (2013: Nil) per ordinary share *(Note (a))*	**75,029**	–
	440,275	525,205
Distribution in specie *(Note (c))*	**2,290,000**	–

NOTES:

(a) At a meeting held on 19 March 2015, the Directors proposed final dividend and special dividend of HK$0.21 (equivalent to US$0.027) and HK$0.07 (equivalent to US$0.009) per share, respectively. The proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as appropriation of retained earnings for the year ending 31 December 2015 (Note 27).

(b) Dividend for 2013 has not been restated to exclude contribution from Global Brands Group.

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

The transaction was recognized and measured in accordance with "HK(IFRIC) 17 – Distribution of Non-cash Assets to Owners", which resulted in a non-cash gain of approximately US$1,003,000 (Note 33).

10 Staff Costs Including Directors' Emoluments for Continuing Operations

	2014 US$'000	2013 US$'000 (Restated)
Salaries and bonuses	**891,751**	849,596
Staff benefits	**42,214**	40,954
Pension costs of defined contribution plans *(Note)*	**58,559**	55,619
Employee share option expenses	**228**	2,963
Pension costs of defined benefits plans *(Note 30)*	**1,711**	2,332
Long-service payments	**745**	12
	995,208	951,476

NOTE:

Forfeited contributions totalling US$2,033,000 (2013: US$2,412,000) were utilized during the year and no remaining amount was available at the year-end to reduce future contributions.

11 Directors' and Senior Management's Emoluments

(a) Directors' and Senior Management's Emoluments

The remuneration of every Director for the year ended 31 December 2014 is set out below:

	2014					
Name of Director	**Fees US$'000**	**Salary & Allowance US$'000**	**Discretionary Bonuses US$'000 *(Note(i))***	**Other Benefits US$'000 *(Note(ii))***	**Employer's Contribution to Pension Scheme US$'000**	**Total US$'000**
Executive Directors						
William Fung Kwok Lun	39	616	2,512	–	2	3,169
Bruce Philip Rockowitz *(Note(iii))*	20	282	5,557	14	1	5,874
Spencer Theodore Fung	39	648	1,058	–	2	1,747
Marc Robert Compagnon *(Note(iv))*	20	600	4,045	46	2	4,713
Non-executive Directors						
Victor Fung Kwok King	65	–	–	–	–	65
Paul Edward Selway-Swift	69	–	–	–	–	69
Allan Wong Chi Yun	68	–	–	–	–	68
Franklin Warren McFarlan	64	–	–	–	–	64
Martin Tang Yue Nien	64	–	–	–	–	64
Benedict Chang Yew Teck *(Note(v))*	16	–	–	–	–	16
Fu Yuning *(Note(vi))*	58	–	–	–	–	58
Margaret Leung Ko May Yee	59	–	–	–	–	59

NOTES:

(i) The discretionary bonuses paid in 2014 were in relation to performance and services for 2013.

(ii) Other benefits include leave pay, insurance premium and club membership.

(iii) Resigned as Executive Director of the Company with effect from 1 July 2014.

(iv) Appointed as Executive Director of the Company with effect from 1 July 2014.

(v) Retired as Non-executive Director of the Company with effect from 15 May 2014.

(vi) Resigned as Independent Non-executive Director of the Company with effect from 31 December 2014.

11 Directors' and Senior Management's Emoluments (continued)

(a) Directors' and Senior Management's Emoluments (continued)

The remuneration of every Director for the year ended 31 December 2013 is set out below:

	2013					
Name of Director	Fees US$'000	Salary & Allowance US$'000	Discretionary Bonuses US$'000 *(Note (i))*	Other Benefits US$'000 *(Note (ii))*	Employer's Contribution to Pension Scheme US$'000	Total US$'000
Executive Directors						
William Fung Kwok Lun	39	615	1,878	–	2	2,534
Bruce Philip Rockowitz	21	572	2,458	32	2	3,085
Spencer Theodore Fung	21	592	426	–	2	1,041
Non-executive Directors						
Victor Fung Kwok King	47	–	–	–	–	47
Paul Edward Selway-Swift	59	–	–	–	–	59
Allan Wong Chi Yun	46	–	–	–	–	46
Franklin Warren McFarlan	46	–	–	–	–	46
Martin Tang Yue Nien	46	–	–	–	–	46
Benedict Chang Yew Teck	20	–	–	–	–	20
Fu Yuning	40	–	–	–	–	40
Margaret Leung Ko May Yee	25	–	–	–	–	25

NOTES:

(i) *The discretionary bonuses paid in 2013 were in relation to performance and services for 2012.*

(ii) *Other benefits include leave pay, insurance premium and club membership.*

During the year, no Share (2013: Nil) was issued to any Directors under the Option Scheme.

As at 31 December 2014, certain Directors held the following Share Options to acquire Shares of the Company:

No. of Share Options	Exercise Price	Exercisable Period
960,000 (2013: 1,440,000)	HK$16.90[1]	01/5/2012–30/4/2015
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2013–30/4/2015
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2014–30/4/2016
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2015–30/4/2017
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2016–30/4/2018
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2017–30/4/2019
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2018–30/4/2020
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2019–30/4/2021
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2020–30/4/2022
2,000,000 (2013: 1,000,000)	HK$12.12[1]	01/5/2021–30/4/2023

NOTE:

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

The closing market price of the Shares as at 31 December 2014 was HK$7.26.

11 Directors' and Senior Management's Emoluments (continued)

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2013: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (2013: three senior management) during the year are as follows:

	2014 US$'000	2013 US$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,915**	4,189
Discretionary bonuses	**5,796**	8,095
Contributions to pension scheme	**1**	5
	7,712	12,289

	Number of Individuals	
Emolument Bands	**2014**	2013
HK$21,000,001 – HK$21,500,000 (approximately US$2,692,001 – US$2,756,000)	**–**	1
HK$26,500,001 – HK$27,000,000 (approximately US$3,397,001 – US$3,462,000)	**1**	–
HK$29,000,001 – HK$29,500,000 (approximately US$3,718,001 – US$3,782,000)	**–**	1
HK$33,000,001 – HK$33,500,000 (approximately US$4,231,001 – US$4,295,000)	**1**	–
HK$44,500,001 – HK$45,000,000 (approximately US$5,705,001 – US$5,769,000)	**–**	1

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

(c) Senior Management's Emoluments

The emoluments payable to the senior management (2013: remaining senior management) during the year fell within the following bands:

	Number of Individuals	
Emolument Bands	**2014**	2013
Below US$1,000,000	**2**	4
US$1,000,001 – US$1,500,000	**5**	5
US$1,500,001 – US$2,000,000	**2**	–
US$2,500,001 – US$3,000,000	**1**	–

12 Intangible Assets

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

12 Intangible Assets (continued)

	The Group							
		Other Intangible Assets						
	Goodwill US$'000	System Development, Software and Other License Costs US$'000	Buying Agency and License Agreements US$'000	Customer Relationships US$'000	Licensor Relationships US$'000	Patents, Trademarks and Brandnames US$'000	Others US$'000	Total US$'000
At 1 January 2013								
Cost	6,019,569	659,206	93,967	506,902	126,341	181,476	2,200	7,589,661
Accumulated amortization	–	(363,431)	(19,390)	(91,069)	(29,358)	(26,731)	(1,276)	(531,255)
Net Book Amount	6,019,569	295,775	74,577	415,833	96,983	154,745	924	7,058,406
Year ended 31 December 2013								
Opening net book amount	6,019,569	295,775	74,577	415,833	96,983	154,745	924	7,058,406
Continuing Operations								
Exchange differences	17,544	(633)	–	1,396	–	202	–	18,509
Acquisition of businesses	236,805	30	–	60,970	–	2,290	1,334	301,429
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (i))*	(12,005)	270	–	1,237	–	1,797	–	(8,701)
Adjustments to purchase consideration payable for acquisitions completed prior to 1 January 2010 *(Note (ii))*	867	–	–	–	–	–	–	867
Additions	–	16,805	–	–	–	–	–	16,805
Disposals	–	(3,887)	–	–	–	–	–	(3,887)
Amortization	–	(12,336)	(3,175)	(25,708)	–	(3,021)	(105)	(44,345)
Discontinued Operations								
Exchange differences	3,141	1,029	–	25	116	317	–	4,628
Acquisition of businesses	117,189	515	–	6,548	14,937	8,045	–	147,234
Adjustments to purchase consideration payable for acquisitions and net asset value	7,591	–	–	(767)	3,064	5,000	–	14,888
Additions	–	292,620	–	–	–	–	–	292,620
Disposal of businesses/licensing right	–	(11,531)	–	–	–	–	–	(11,531)
Amortization	–	(132,112)	(2,218)	(22,467)	(11,065)	(10,213)	(291)	(178,366)
Closing Net Book Amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556
At 31 December 2013								
Cost	6,390,701	953,683	93,967	576,284	145,032	199,249	3,534	8,362,450
Accumulated amortization	–	(507,138)	(24,783)	(139,217)	(40,997)	(40,087)	(1,672)	(753,894)
Net Book Amount	6,390,701	446,545	69,184	437,067	104,035	159,162	1,862	7,608,556

12 Intangible Assets (continued)

Amortization of system development, software and other license costs of US$4,701,000 (2013 (restated): US$5,728,000) and US$9,873,000 (2013 (restated): US$6,608,000) has been expensed in merchandising and administrative expenses and selling and distribution expenses respectively.

NOTES:

i *These are adjustments to purchase consideration payable for acquisitions and net asset values related to certain acquisitions of businesses in the prior year, which were previously determined on a provisional basis. During the measurement period of twelve months following a transaction, the Company recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Save as adjustments to goodwill and other intangible assets arising from business combination stated above, there were corresponding net adjustments to purchase consideration payable for acquisitions of US$13,258,000 (2013 (restated): US$41,307,000) and other assets/liabilities of approximately US$16,000 (2013 (restated): US$32,606,000).*

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

Impairment Test for Goodwill

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

A summary of goodwill by reporting segment is presented below.

	The Group	
	As at 31 December	
	2014 **US$'000**	2013 US$'000 (Restated)
Trading Network	**3,356,883**	3,400,695
Logistics Network	**553,887**	470,383
Discontinued Operations	**–**	2,519,623
	3,910,770	6,390,701

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

13 Property, Plant and Equipment

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

13 Property, Plant and Equipment (continued)

	The Group					
	Land and buildings US$'000	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Plant and machinery US$'000	Motor vehicles and company boat US$'000	Total US$'000
At 1 January 2013						
Cost	20,056	278,386	269,951	145,392	7,166	720,951
Accumulated depreciation	(2,003)	(112,272)	(149,327)	(35,808)	(2,917)	(302,327)
Net book amount	18,053	166,114	120,624	109,584	4,249	418,624
Year ended 31 December 2013						
Opening net book amount	18,053	166,114	120,624	109,584	4,249	418,624
Continuing Operations						
Exchange differences	(507)	(540)	(234)	(2,192)	(69)	(3,542)
Acquisition of businesses	–	169	273	418	3,861	4,721
Adjustment to purchase consideration payable for acquisitions and net asset value *(Note)*	–	–	(750)	29	–	(721)
Additions	2,544	16,372	18,068	21,128	1,096	59,208
Disposals	(1,414)	(1,523)	(1,210)	–	(87)	(4,234)
Depreciation	(1,472)	(25,638)	(22,334)	(13,753)	(2,921)	(66,118)
Discontinued Operations						
Exchange differences	–	116	2	1	3	122
Acquisition of businesses	–	310	283	31	52	676
Additions	–	51,153	12,152	68	2,057	65,430
Disposals of businesses	–	–	(1,452)	(3,111)	(7)	(4,570)
Depreciation	–	(9,869)	(15,860)	(4,133)	(135)	(29,997)
Closing Net Book Amount	17,204	196,664	109,562	108,070	8,099	439,599
At 31 December 2013						
Cost	19,179	339,070	280,932	155,695	12,457	807,333
Accumulated depreciation	(1,975)	(142,406)	(171,370)	(47,625)	(4,358)	(367,734)
Net Book Amount	17,204	196,664	109,562	108,070	8,099	439,599

Depreciation of US$36,436,000 (2013 (restated): US$38,754,000), US$19,568,000 (2013 (restated): US$17,003,000) and US$8,943,000 (2013 (restated): US$10,361,000) has been expensed in merchandising and administrative expenses, selling and distribution expenses and cost of sales respectively.

At 31 December 2014, land and buildings of US$3,248,000 (2013: US$3,589,000) were pledged as security for the Group's short-term bank loans *(Note 25)*.

NOTE:

Adjustments to net asset values related to certain acquisitions of businesses in prior years, which were previously determined on a provisional basis. During the measurement period, the Company recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the date of acquisition.

14 Prepaid Premium for Land Leases

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

	The Group	
	2014 **US$'000**	2013 US$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**1,978**	2,375
Leases of over 50 years	**520**	414
	2,498	2,789

	The Group	
	2014 **US$'000**	2013 US$'000
Beginning of the year	**2,789**	3,073
Addition	**–**	71
Amortization	**(137)**	(144)
Exchange differences	**(154)**	(211)
End of the year	**2,498**	2,789

Amortization of US$135,000 (2013: US$144,000) and US$2,000 (2013: nil) has been expensed in selling and distribution expenses and merchandising and administrative expenses respectively.

15 Interests in Subsidiaries

	The Company	
	2014 **US$'000**	2013 US$'000
Unlisted shares, at cost	**1,089,285**	1,089,285
Loan to a subsidiary	**250,319**	250,319
	1,339,604	1,339,604

The loan to a subsidiary is interest free and unsecured. The Company does not have any intention to seek repayment from the subsidiary.

Details of principal subsidiaries are set out in *Note 43*.

16 Associated Companies

	The Group	
	2014 **US$'000**	2013 US$'000
Beginning of the year	**7,598**	7,571
Acquisition of businesses	**3,735**	–
Share of profits less losses of associated companies	**1,373**	442
Dividend received	**(595)**	(516)
Exchange differences	**(221)**	101
Total interests in associated companies	**11,890**	7,598

Details of principal associated companies are set out in *Note 43*.

17 Joint Ventures

	The Group	
	2014 **US$'000**	2013 US$'000
Beginning of the year	**14,515**	–
Discontinued Operations		
Acquisition of businesses	**5,622**	–
Additions	**–**	14,106
Share of profits less losses of joint ventures	**324**	409
Distribution in specie	**(20,461)**	–
Total interests in joint ventures	**–**	14,515

18 Available-for-Sale Financial Assets

	The Group	
	2014 **US$'000**	2013 US$'000
Beginning of the year	**3,669**	60,598
Settlement from debt security	**–**	(57,000)
Fair value gains on available-for-sale financial assets *(Note 27)*	**40**	71
End of the year	**3,709**	3,669

Available-for-sale financial assets include the following:

	The Group	
	2014 **US$'000**	2013 US$'000
Unlisted securities	**3,709**	3,669

18 Available-for-Sale Financial Assets (continued)

Available-for-sale financial assets are denominated in the following currency:

	The Group	
	2014 US$'000	2013 US$'000
HK dollar	**3,709**	3,669

19 Inventories

	The Group	
	2014 US$'000	2013 US$'000
Finished goods	**482,326**	976,797
Raw materials	**82,965**	123,689
	565,291	1,100,486

20 Due from/(to) Related Companies

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Trade				
Due from:				
Other related companies	**426,919**	–	**–**	–
Non-trade				
Due from:				
Subsidiaries	**–**	–	**4,327,309**	5,001,637
Associated companies	**9,640**	9,615	**–**	–
Other related companies *(Note)*	**75,406**	58,055	**–**	–
	511,965	67,670	**4,327,309**	5,001,637
Due to:				
Associated companies	**–**	27	**–**	–
Other related companies	**48**	14,655	**–**	–
	48	14,682	**–**	–

The amounts are unsecured, interest free and repayable on demand, except for the trade balance with other related companies which are subject to certain trade terms and an amount due from an associated company amounting to US$9,314,000 (2013: US$9,371,000) which are unsecured but interest bearing at approximately 5% per annum. The fair values of amounts due from related companies are approximately the same as the carrying values.

NOTE:

During the year, the Group made certain transitional payments on behalf of Global Brands Group with balance of US$57,134,000 outstanding as at 31 December 2014.

21 Derivative Financial Instruments

	The Group	
	2014 US$'000	2013 US$'000
Conversion right embedded in convertible promissory note *(Note 41)*	**–**	2,664
Forward foreign exchange contracts – assets/(liabilities) *(Note 41)*	**11,323**	(8,275)

The conversion right embedded in convertible promissory note referred to the Discontinued Operations' investment in an unlisted convertible promissory note issued by British Heritage Brands, Inc. ("BHB") as set out in *Note 33(f)*.

Gain in equity of US$8,889,000 (2013: loss of US$1,413,000) on forward foreign exchange contracts as of 31 December 2014 will be released to the consolidated profit and loss account at various dates between one month to one year from the balance sheet date *(Note 27)*.

For the years ended 31 December 2014 and 2013, no material amounts were recognized in the consolidated profit and loss account arising from ineffective cash flow hedges.

22 Trade and Other Receivables

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Trade and bills receivable – net	**1,864,021**	2,220,841	**–**	–
Other receivables, prepayments and deposits	**341,313**	462,143	**499**	313
	2,205,334	2,682,984	**499**	313
Less: non-current portion other receivables *(Note)*	**–**	(7,326)	**–**	–
Deposits	**(7,570)**	(8,297)	**–**	–
	2,197,764	2,667,361	**499**	313

NOTE:

The balance represents the Discontinued Operations' investment in an unlisted convertible promissory note issued by BHB as set out in Note 33(f).

The convertible promissory note is denominated in US dollars.

The effective interest rate of the convertible promissory note at 31 December 2013 was 5.38%.

The fair values of the Group's and the Company's trade and other receivables were approximately the same as their carrying values as at 31 December 2014.

22 Trade and Other Receivables (continued)

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

	The Group	
	2014 US$'000	2013 US$'000
Current to 90 days	**1,783,736**	2,112,726
91 to 180 days	**69,773**	93,213
181 to 360 days	**8,580**	9,569
Over 360 days	**1,932**	5,333
	1,864,021	2,220,841

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

As of 31 December 2014, trade receivables of US$1,849,501,000 (2013: US$2,203,876,000) that are current or less than 90 days past due are not considered impaired. Trade receivables of US$14,520,000 (2013: US$16,965,000) were past due over 90 days but not considered to be impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing of these trade receivables is as follows:

	The Group	
	2014 US$'000	2013 US$'000
91 to 180 days	**10,093**	7,202
Over 180 days	**4,427**	9,763
	14,520	16,965

As of 31 December 2014, outstanding trade receivables of US$40,097,000 (2013: US$41,765,000) and other receivables of US$11,860,000 (2013: US$12,658,000) were considered impaired and were fully provided. The individually impaired receivables mainly relate to transactions in disputes.

22 Trade and Other Receivables (continued)

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

	The Group	
	2014 **US$'000**	2013 US$'000
At 1 January	**54,423**	55,748
Continuing Operations		
Provision for receivable impairment *(Note 4)*	**31,984**	10,075
Receivables written off during the year as uncollectible	**(31,793)**	(12,076)
Unused amounts reversed *(Note 4)*	**(901)**	(563)
Exchange difference	**–**	(7)
Discontinued Operations		
Provision for receivable impairment	**1,967**	1,806
Receivables written off during the year as uncollectible	**(526)**	(170)
Unused amounts reversed	**(48)**	(397)
Exchange difference	**–**	7
Distribution in specie	**(3,149)**	–
At 31 December	**51,957**	54,423

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

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

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

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$33,834,000 (2013: US$38,190,000) to banks in exchange for cash as at 31 December 2014. The transactions have been accounted for as collateralized bank advances.

22 Trade and Other Receivables (continued)

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

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
US dollar	**1,331,239**	1,588,874	**–**	–
HK dollar	**146,643**	292,324	**499**	313
Euro dollar	**225,328**	318,857	**–**	–
Pound sterling	**87,657**	90,518	**–**	–
Renminbi	**140,810**	169,764	**–**	–
Malaysia Ringgit	**46,785**	50,004	**–**	–
Thailand Baht	**57,468**	54,724	**–**	–
Others	**161,834**	102,296	**–**	–
	2,197,764	2,667,361	**499**	313

23 Cash and Cash Equivalents

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Cash and bank balances	**538,529**	459,559	**1,439**	110

The effective interest rate at the balance sheet date on bank balances was 0.5% (2013: 0.4%) per annum; these deposits have an average maturity period of 6 days (2013: 10 days).

24 Trade and Other Payables

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Trade and bills payable	**2,561,172**	2,552,495	**–**	–
Other accrued charges and sundry payables	**692,427**	837,790	**9,457**	9,715
	3,253,599	3,390,285	**9,457**	9,715

The fair values of the Group's and the Company's trade and other payables were approximately the same as their carrying values as at 31 December 2014.

24 Trade and Other Payables (continued)

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

	The Group	
	2014 US$'000	2013 US$'000
Current to 90 days	**2,491,454**	2,452,932
91 to 180 days	**55,420**	66,220
181 to 360 days	**12,241**	6,725
Over 360 days	**2,057**	26,618
	2,561,172	2,552,495

25 Bank Borrowings

	The Group	
	2014 US$'000	2013 US$'000
Long-term bank loans		
– Unsecured *(Note 29)*	**17,000**	116,640
Short-term bank loans		
– Secured	**4,106**	4,845
– Unsecured	**158,744**	89,300
	162,850	94,145
Total bank borrowings	**179,850**	210,785

The fair values of the Group's borrowings were approximately the same as their carrying values as at 31 December 2014.

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

	2014				2013			
	USD	**EUR**	**RMB**	**Others**	USD	EUR	RMB	Others
Long-term bank loans	**1.2%**	**–**	**–**	**–**	2.3%	–	–	–
Short-term bank loans	**2.5%**	**–**	**5.5%**	**6.2%**	–	3.8%	5.7%	6.0%

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

25 Bank Borrowings (continued)

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

	The Group	
	2014 US$'000	2013 US$'000
US dollar	**116,880**	116,640
Euro dollar	**–**	2,341
Renminbi	**36,554**	64,926
Others	**26,416**	26,878
	179,850	210,785

26 Share Capital and Options

	No. of shares (in thousand)	HK$'000	Equivalent US$'000
Authorized			
At 1 January 2013, ordinary shares of HK$0.0125 each	12,000,000	150,000	19,231
At 31 December 2013, ordinary shares of HK$0.0125 each	12,000,000	150,000	19,231
At 1 January 2014, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 31 December 2014, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and Fully Paid			
At 1 January 2013, ordinary shares of HK$0.0125 each	8,359,048	104,488	13,396
Exercise of Share Options	1,350	17	2
At 31 December 2013, ordinary shares of HK$0.0125 each	8,360,398	104,505	13,398
At 1 January 2014, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**
At 31 December 2014, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**

26 Share Capital and Options (continued)

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

Grant Date	Exercise Price HK$	Exercisable period	Number of Share Options As at 1/1/2014	Cancelled	Lapsed	As at 31/12/2014
11/4/2011	16.90[1]	1/5/2012–30/4/2015	32,860,000	(10,268,000)	(274,000)	22,318,000
11/4/2011	20.21	1/5/2013–30/4/2015	33,404,000	(33,404,000)	–	–
11/4/2011	20.21	1/5/2014–30/4/2016	83,226,000	(83,226,000)	–	–
21/11/2011	12.71[1]	1/5/2012–30/4/2015	2,033,000	(653,000)	–	1,380,000
21/11/2011	15.20	1/5/2013–30/4/2015	4,228,000	(4,228,000)	–	–
21/11/2011	15.20	1/5/2014–30/4/2016	9,457,000	(9,457,000)	–	–
22/12/2011	12.12[1]	1/5/2013–30/4/2015	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2014–30/4/2016	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2015–30/4/2017	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2016–30/4/2018	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2017–30/4/2019	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2018–30/4/2020	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2019–30/4/2021	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2020–30/4/2022	3,000,000	–	(1,000,000)	2,000,000
22/12/2011	12.12[1]	1/5/2021–30/4/2023	3,000,000	–	(1,000,000)	2,000,000
26/6/2012	15.09	1/5/2013–30/4/2015	3,742,000	(3,742,000)	–	–
26/6/2012	15.09	1/5/2014–30/4/2016	8,357,000	(8,357,000)	–	–
12/11/2012	13.04	1/5/2013–30/4/2015	813,000	(813,000)	–	–
12/11/2012	13.04	1/5/2014–30/4/2016	3,014,000	(3,014,000)	–	–
		Total	208,134,000	(157,162,000)	(9,274,000)	41,698,000

NOTE:

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

Subsequent to 31 December 2014, no Shares have been allotted and issued under the Option Scheme.

The Share Options outstanding at 31 December 2014 had a weighted average remaining contractual life of 2.06 years (2013: 2.35 years).

26 Share Capital and Options (continued)

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

Date of Grant	11/4/2011	21/11/2011	22/12/2011	26/6/2012	12/11/2012
Option value *(Note (i))*	US$0.45 – US$0.57	US$0.42 – US$0.53	US$0.45 – US$0.77	US$0.33 – US$0.40	US$0.29 – US$0.34
Share price at date of grant *(Note (i))*	HK$20.21	HK$14.24	HK$14.14	HK$14.38	HK$12.52
Exercisable price *(Note (i))*	HK$16.90 *(Note (ii))*	HK$12.71 *(Note (ii))*	HK$12.12 *(Note (ii))*	HK$15.09	HK$13.04
Standard deviation	33%	48%	49%	43%	42%
Annual risk-free interest rate	0.29%-1.80%	0.14%-0.84%	0.15%-1.35%	0.17%-0.37%	0.21%-0.26%
Life of options	4–5 years	4–5 years	4–12 years	3–4 years	3–4 years
Dividend yield	2.39%	2.39%	2.39%	3.09%	3.09%

NOTES:

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

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

27 Reserves

(a) The Group

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

27 Reserves (continued)

(a) The Group (continued)

	Treasury Share US$'000 *(Note (iii))*	Capital Reserve US$'000 *(Note (i))*	Employee Share-Based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2013	(6,739)	3,742	33,830	2,608	(1,015)	(14,778)	(30,152)	(12,504)
Comprehensive Income/(Expense)								
Currency translation differences	–	–	–	–	–	–	11,810	11,810
Net fair value gains on available-for-sale financial assets, net of tax *(Note 18)*	–	–	–	71	–	–	–	71
Net fair value losses on cash flow hedges, net of tax	–	–	–	–	(398)	–	–	(398)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	4,440	–	4,440
Transactions with Owners								
Employee share option scheme:								
– value of employee services	–	–	3,522	–	–	–	–	3,522
– transfer to share premium	–	–	(531)	–	–	–	–	(531)
Transfer to capital reserve	–	93	–	–	–	–	–	93
Balance at 31 December 2013	(6,739)	3,835	36,821	2,679	(1,413)	(10,338)	(18,342)	6,503

27 Reserves (continued)

(b) The Company

	Share Premium US$'000	Treasury Share US$'000 *(Note (iii))*	Contribution Surplus US$'000 *(Note (ii))*	Employee Share-Based Compensation Reserve US$'000	Retained Earnings US$'000	Total US$'000
Balance at 1 January 2014	**3,699,476**	**(6,739)**	**264,189**	**36,821**	**566,889**	**4,560,636**
Profit for the year	**–**	**–**	**–**	**–**	**2,124,700**	**2,124,700**
Employee share option scheme:						
– value of employee services	**–**	**–**	**–**	**228**	**–**	**228**
Share premium reduction	**(3,000,000)**	**–**	**3,000,000**	**–**	**–**	**–**
2013 final dividend paid	**–**	**–**	**–**	**–**	**(366,779)**	**(366,779)**
2014 interim dividend paid	**–**	**–**	**–**	**–**	**(140,158)**	**(140,158)**
Distribution in specie	**–**	**–**	**(2,290,000)**	**–**	**–**	**(2,290,000)**
Reserves	**699,476**	**(6,739)**	**974,189**	**37,049**	**1,884,535**	**3,588,510**
Proposed dividend	**–**	**–**	**–**	**–**	**300,117**	**300,117**
Balance at 31 December 2014	**699,476**	**(6,739)**	**974,189**	**37,049**	**2,184,652**	**3,888,627**
Balance at 1 January 2013	3,697,012	(6,739)	264,189	33,830	297,701	4,285,993
Profit for the year	–	–	–	–	601,460	601,460
Employee share option scheme:						
– value of employee services	–	–	–	3,522	–	3,522
– proceeds from shares issued	1,933	–	–	–	–	1,933
– transfer to share premium	531	–	–	(531)	–	–
2012 final dividend paid	–	–	–	–	(171,495)	(171,495)
2013 interim dividend paid	–	–	–	–	(160,777)	(160,777)
Reserves	3,699,476	(6,739)	264,189	36,821	202,461	4,196,208
Proposed dividend	–	–	–	–	364,428	364,428
Balance at 31 December 2013	3,699,476	(6,739)	264,189	36,821	566,889	4,560,636

NOTES:

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

(ii) The contribution surplus of the Company represents:

(1) The difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Li & Fung (B.V.I.) Limited and the value of net assets of the underlying subsidiaries acquired as at 2 June 1992 amounting to US$14,232,000. At Group level, the amount is reclassified into its components of reserves of the underlying subsidiaries.

(2) The difference between the issue price and the nominal value of the Company's shares issued in connection with the acquisition of Colby in 2000 amounting to US$249,957,000. At Group level, the amount is set off against goodwill arising from the acquisition.

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

(iii) Treasury share represents the excess share issued for settlement of consideration for certain prior year acquisitions held by the escrow agent.

28 Perpetual Capital Securities

On 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$500 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2014 and 2013 included the accrued distribution payments.

29 Long-term Liabilities

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Long-term bank loans – unsecured *(Note 25)*	**17,000**	116,640	**–**	–
Long-term notes – unsecured	**1,254,369**	1,254,915	**1,254,369**	1,254,915
Purchase consideration payable for acquisitions	**458,080**	1,397,999	**–**	–
Brand license payable	**–**	266,541	**–**	–
Other non-current liability (non-financial liability)	**8,375**	88,598	**–**	–
	1,737,824	3,124,693	**1,254,369**	1,254,915
Current portion of purchase consideration payable for acquisitions	**(134,468)**	(409,512)	**–**	–
	1,603,356	2,715,181	**1,254,369**	1,254,915

Purchase consideration payable for acquisitions and long-term loans from non-controlling shareholders are unsecured, interest-free and not repayable within twelve months. Unsecured long-term notes issued to independent third parties in 2007 of US$498,857,000 will mature in 2017 and bear annual coupon of 5.5%. Unsecured long-term notes issued to independent third parties in 2010 of US$755,512,000 will mature in 2020 and bear annual coupon of 5.25%.

Balance of purchase consideration payable for acquisitions as at 31 December 2014 amounted to US$458,080,000 (2013: US$1,397,999,000), of which US$304,440,000 (2013: US$693,549,000) was primarily earn-out and US$153,640,000 (2013: US$704,450,000) was earn-up. Earn-out is a contingent consideration that will be realized if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated periods of time. Earn-up is contingent consideration that will be realized if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated period of time.

Earn-out and earn-up of certain acquisitions were remeasured during the year, details are set out in *Note 4* and *Note 12*.

29 Long-term Liabilities (continued)

The maturity of the financial liabilities is as follows:

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Within 1 year	**134,468**	409,512	**–**	–
Between 1 and 2 years	**102,886**	362,617	**–**	–
Between 2 and 5 years	**736,583**	1,343,700	**498,857**	498,376
Wholly repayable within 5 years	**973,937**	2,115,829	**498,857**	498,376
Over 5 years	**755,512**	920,266	**755,512**	756,539
	1,729,449	3,036,095	**1,254,369**	1,254,915

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

	The Group	
	2014 US$'000	2013 US$'000
Long-term bank loans – unsecured	**17,000**	116,640
Long-term notes – unsecured	**1,353,418**	1,331,675
Purchase consideration payable for acquisitions	**323,612**	988,487
Brand license payable	**–**	266,541
	1,694,030	2,703,343

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

	The Group	
	2014 US$'000	2013 US$'000
US dollar	**1,606,959**	2,658,395
Pound sterling	**25,679**	107,276
Euro dollar	**5,485**	206,442
Hong Kong dollar	**–**	2,675
Others	**91,326**	61,307
	1,729,449	3,036,095

30 Post-employment Benefit Obligations

	The Group 2014 US$'000	2013 US$'000
Pension obligations *(Note)*	**16,949**	16,154
Long-service payment liabilities	**5,350**	8,176
	22,299	24,330

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

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

	The Group 2014 US$'000	2013 US$'000
Present value of funded obligations	**40,922**	44,838
Fair value of plan assets	**(23,973)**	(28,684)
Net liabilities in the consolidated balance sheet	**16,949**	16,154

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

	The Group 2014 US$'000	2013 US$'000
Current service cost	**1,975**	2,271
Past service cost and (gain)/loss on settlements	**(931)**	606
Administrative expenses paid	**131**	131
Net interest expense/(income)	**536**	(676)
Total, included in staff costs *(Note 10)*	**1,711**	2,332

30 Post-employment Benefit Obligations (continued)

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

	The Group	
	2014 US$'000	2013 US$'000
At 1 January	**28,684**	30,274
Interest income	**959**	1,824
Exchange differences	**(1,321)**	(257)
Administrative expenses paid	**(131)**	(131)
Contributions	**1,343**	1,454
Benefits paid	**(9,134)**	(3,132)
Actuarial gain/(loss) on plan assets	**3,573**	(1,348)
At 31 December	**23,973**	28,684

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

	The Group	
	2014 US$'000	2013 US$'000
At 1 January	**44,838**	50,772
Current service cost	**1,975**	2,271
Interest cost	**1,495**	1,148
Past service cost and (gain)/loss on settlements	**(931)**	606
Actuarial gain from changes in experiences	**(1,575)**	(188)
Actuarial loss/(gain) from changes in financial assumptions	**6,632**	(4,983)
Actuarial loss from changes in demographic assumptions	**1**	275
Exchange differences	**(2,121)**	(1,185)
Benefits paid	**(9,392)**	(3,878)
At 31 December	**40,922**	44,838

30 Post-employment Benefit Obligations (continued)

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

	The Group	
	2014 US$'000	2013 US$'000
At 1 January	**16,154**	20,498
Exchange differences	**(800)**	(928)
Total expense charged in the consolidated profit and loss account	**1,711**	2,332
Remeasurements losses/(gains) recognized in other comprehensive income	**1,485**	(3,548)
Contributions paid	**(1,343)**	(1,454)
Benefits paid	**(258)**	(746)
At 31 December	**16,949**	16,154

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

	2014 %	2013 %
Discount rate	**1.6-8.1**	1.9-9.0
Inflation	**1.5-4.5**	2.5-4.5
Salary growth rate	**3.0-8.0**	3.0-8.0
Pension growth rate	**3.1**	3.3

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

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**±0.25%**	**–8.07%**	**8.49%**

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

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

30 Post-employment Benefit Obligations (continued)

(vii) Plan assets comprised:

	2014 **%**	2013 %
Equity instruments	**28**	61
Debt instruments	**15**	10
Others	**57**	29
	100	100

As at 31 December 2014, planned assets were mainly invested in (1) financial services, consumer goods & services and industrial sectors of equity instruments; (2) government bonds; and (3) bank deposits.

The weighted average duration of the defined benefit obligation ranges from 8.8 to 24.4 years.

(viii) Expected maturity analysis of benefit payments:

	The Group		
At 31 December 2014	**Within 10 years US$'000**	**Between 10-20 years US$'000**	**Beyond 20 years US$'000**
Expected benefit payments	**27,227**	**45,764**	**46,767**

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

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

30 Post-employment Benefit Obligations (continued)

(viii) Expected maturity analysis of benefit payments (continued):

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

31 Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2013: 16.5%).

The movements in the net deferred tax liabilities are as follows:

	The Group	
	2014 **US$'000**	2013 US$'000
At 1 January	**18,769**	1,345
Continuing Operations		
Charged/(credited) to consolidated profit and loss account *(Note 6)*	**5,429**	(37,390)
Acquisition of businesses	**2,925**	5,308
Adjustments to purchase consideration payable for acquisitions and net asset value	**–**	7,893
Charged to other comprehensive income	**(359)**	–
(Credited)/charged to hedging reserve	**(186)**	8
Exchange differences	**671**	110
Discontinued Operations		
(Credited)/charged to consolidated profit and loss account	**(20,106)**	36,732
Acquisition of businesses	**1,515**	4,762
Exchange differences	**–**	1
Distribution in specie	**(1,380)**	–
At 31 December	**7,278**	18,769

31 Deferred Taxation (continued)

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The Group has unrecognized tax losses of US$162,084,000 (2013: US$733,660,000) to carry forward against future taxable income, out of which US$10,480,000 will expire during 2015–2024. Deferred tax assets for these tax losses are not recognized as it is not probable that related tax assets will be utilized in the foreseeable future.

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

	The Group									
	Provisions		Decelerated Tax Depreciation Allowances		Tax Losses		Others		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Deferred Tax Assets	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
As at 1 January	**111,898**	102,365	**7,799**	4,623	**57,976**	37,544	**9,864**	4,887	**187,537**	149,419
Continuing Operations										
(Charged)/credited to consolidated profit and loss account	**(3,689)**	(6,997)	**1,395**	3,147	**(4,912)**	31,008	**(1,886)**	4,838	**(9,092)**	31,996
Acquisitions of businesses	**–**	55	**–**	(126)	**–**	–	**–**	(368)	**–**	(439)
Charged to other comprehensive income	**–**	–	**–**	–	**–**	–	**359**	–	**359**	–
Charged/(credited) to hedging reserve	**–**	–	**–**	–	**–**	–	**186**	(8)	**186**	(8)
Exchange differences	**40**	(513)	**(451)**	29	**(202)**	31	**(350)**	147	**(963)**	(306)
Discontinued Operations										
Credited/(charged) to consolidated profit and loss account	**11,670**	14,756	**–**	–	**35,549**	(10,607)	**–**	–	**47,219**	4,149
Acquisitions of businesses	**–**	2,232	**–**	126	**–**	–	**–**	368	**–**	2,726
Distribution in specie	**(95,629)**	–	**(126)**	–	**(81,245)**	–	**(368)**	–	**(177,368)**	–
As at 31 December	**24,290**	111,898	**8,617**	7,799	**7,166**	57,976	**7,805**	9,864	**47,878**	187,537

31 Deferred Taxation (continued)

	The Group							
	Accelerated Tax Depreciation Allowances		Intangible Assets Arising from Business Combinations		Others		Total	
Deferred Tax Liabilities	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000
As at 1 January	**25,866**	41,173	**177,506**	106,679	**2,934**	2,912	**206,306**	150,764
Continuing Operations								
(Credited)/charged to consolidated profit and loss account	**(7,211)**	(2,365)	**4,382**	(3,186)	**(834)**	157	**(3,663)**	(5,394)
Acquisition of businesses	**–**	–	**2,925**	4,864	**–**	5	**2,925**	4,869
Adjustments to purchase consideration payable for acquisitions and net asset value	**–**	–	**–**	7,893	**–**	–	**–**	7,893
Exchange differences	**(188)**	(56)	**(35)**	–	**(69)**	(140)	**(292)**	(196)
Discontinued Operations								
Charged/(credited) to consolidated profit and loss account	**6,266**	(12,887)	**20,847**	53,768	**–**	–	**27,113**	40,881
Acquisition of businesses	**–**	–	**1,515**	7,488	**–**	–	**1,515**	7,488
Exchange differences	**–**	1	**–**	–	**–**	–	**–**	1
Distribution in specie	**(16,262)**	–	**(162,486)**	–	**–**	–	**(178,748)**	–
As at 31 December	**8,471**	25,866	**44,654**	177,506	**2,031**	2,934	**55,156**	206,306

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

	The Group	
	2014 US$'000	2013 US$'000
Deferred tax assets	**32,493**	75,364
Deferred tax liabilities	**(39,771)**	(94,133)
	(7,278)	(18,769)

	The Group	
	2014 US$'000	2013 US$'000
The amounts shown in the consolidated balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	**30,073**	52,284
Deferred tax assets to be recovered within 12 months	**2,420**	23,080
Deferred tax liabilities to be settled after more than 12 months	**31,635**	83,336
Deferred tax liabilities to be settled within 12 months	**8,136**	10,797

32 Notes to the Consolidated Cash Flow Statement

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

	2014 **US$'000**	2013 US$'000 (Restated)
Profit before taxation	**626,803**	713,770
Interest income	**(6,984)**	(9,177)
Interest expenses	**105,179**	107,575
Depreciation	**64,947**	66,118
Amortization of system development, software and other license costs	**14,574**	12,336
Amortization of other intangible assets	**35,462**	32,009
Amortization of prepaid premium for land leases	**137**	144
Share of profits less losses of associated companies	**(1,373)**	(442)
Employee share option expenses	**228**	2,963
Loss on disposal of property, plant and equipment, net	**1,363**	3,959
Gain on remeasurement of contingent consideration payable	**(176,007)**	(112,648)
Operating profit before working capital changes	**664,329**	816,607
Decrease/(increase) in inventories	**31,434**	(63,060)
(Increase)/decrease in trade and bills receivable, other receivables, prepayments, deposits and amount due from related companies	**(60,690)**	174,889
Increase/(decrease) in trade and bills payable, accrued charges and sundry payables and amount due to related companies	**57,492**	(15,175)
Net cash inflow generated from operations	**692,565**	913,261

32 Notes to the Consolidated Cash Flow Statement (continued)

(b) Analysis of Changes in Financing During the Year

	2014		2013	
	Share capital including share premium US$'000 *(Note 26 & 27)*	**Bank loans US$'000**	Share capital including share premium US$'000 *(Note 26 & 27)*	Bank loans US$'000
At 1 January	**3,712,874**	**210,785**	3,710,408	217,519
Non-cash movement				
Transfer from employee share-based compensation reserve	**–**	**–**	531	–
Share premium reduction	**(3,000,000)**	**–**	–	–
	712,874	**210,785**	3,710,939	217,519
Continuing Operations				
Net proceeds from issue of shares upon exercise of Share Options	**–**	**–**	1,935	–
Net repayment of bank loans	**–**	**(28,594)**	–	(9,075)
Discontinued Operations				
Net drawdown of bank loans	**–**	**725,113**	–	2,341
Distribution in specie	**–**	**(727,454)**	–	–
At 31 December	**712,874**	**179,850**	3,712,874	210,785

32 Notes to the Consolidated Cash Flow Statement (continued)

(c) Distribution in Specie

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

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

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

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

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

Analysis of net gain on distribution in specie:

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

33 Discontinued Operations

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

(a) Results of the Discontinued Operations have been included in the Consolidated Profit and Loss Account as Follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Turnover	**1,393,940**	3,288,132
Cost of sales*	**(981,285)**	(2,292,597)
Gross profit	**412,655**	995,535
Other income	**32**	14,263
Total margin	**412,687**	1,009,798
Selling and distribution expenses	**(235,439)**	(400,448)
Merchandising and administrative expenses	**(240,469)**	(475,653)
Core operating (loss)/profit	**(63,221)**	133,697
Gain on remeasurement of contingent consideration payable	**19,667**	74,752
Amortization of other intangible assets	**(25,801)**	(46,254)
Gain on disposal of businesses/licensing rights	**–**	5,317
Professional fees for Spin-off	**(11,860)**	–
One-off reorganisation costs for Spin-off	**(16,880)**	–
Other non-core operating expenses	**(2,001)**	(3,414)
Operating (loss)/profit	**(100,096)**	164,098
Interest income	**29**	334
Interest expenses		
Non-cash interest expenses	**(9,736)**	(15,844)
Cash interest expenses	**(6,852)**	(9,118)
	(16,588)	(24,962)
Share of profits less losses of joint ventures	**324**	409
(Loss)/profit before taxation	**(116,331)**	139,879
Taxation	**17,206**	(26,351)
(Loss for the period)/profit for the year	**(99,125)**	113,528
Net gain on distribution in specie *(Note 9)*	**1,003**	–
Net (loss)/profit attributable to Shareholders of the Company	**(98,122)**	113,528

* *Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of US$782,598,000 (2013: US$1,568,234,000).*

33 Discontinued Operations (continued)

(a) Results of the Discontinued Operations have been included in the Consolidated Profit and Loss Account as Follows: (continued)

Operating (loss)/profit is stated after crediting and charging the following:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Crediting		
Gain on remeasurement of contingent consideration payable	**19,667**	74,752
Gain on disposal of businesses/licensing right	**–**	5,317
Charging		
Cost of inventories sold	**981,285**	2,292,597
Amortization of system development, software and other license costs	**78,834**	132,112
Amortization of other intangible assets	**25,801**	46,254
Depreciation of property, plant and equipment	**22,118**	29,997
Loss on disposal of property, plant and equipment, net	**1,734**	–
Operating leases rental in respect of land and building	**32,176**	73,529
Provision for impaired receivables	**1,919**	1,409
Staff costs including Directors' emoluments	**181,932**	369,066
Business acquisition-related costs	**2,001**	3,414
Net exchange losses	**1,200**	579

(b) Segment Information

Turnover of the Discontinued Operations consisting of sales of licensed brands and controlled brands are as follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Controlled brands	**205,212**	607,959
Licensed brands	**1,188,728**	2,680,173
	1,393,940	3,288,132

33 Discontinued Operations (continued)

(b) Segment Information (continued)

The geographical analysis of turnover of the Discontinued Operations is as follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
United States of America	**1,128,235**	2,808,141
Europe	**194,155**	350,905
Asia	**71,550**	129,086
	1,393,940	3,288,132

(c) Cumulative Expense Recognized in Other Comprehensive Income Relating to the Discontinued Operations

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Currency translation differences	**1,100**	3,266

(d) An Analysis of the Cash Flows of the Discontinued Operations is as Follows:

	For the Period from 1 January 2014 to 8 July 2014 US$'000	For the Year Ended 31 December 2013 US$'000
Net cash generated from operating activities	**64,689**	89,604
Net cash used in investing activities	**(114,576)**	(416,446)
Net cash generated from/(used in) financing activities*	**718,261**	(6,777)
Total cash flow	**668,374**	(333,619)

* *Amounts adjusted to eliminate impact from financing activities between the Discontinued Operations and the Continuing Operations.*

33 Discontinued Operations (continued)

(e) Commitments

(I) OPERATING LEASE COMMITMENTS

As at 31 December 2013, the Discontinued Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013 US$'000
Within one year	49,101
In the second to fifth year inclusive	185,416
After the fifth year	347,978
	582,495

(II) CAPITAL COMMITMENTS

	2013 US$'000
Contracted but not provided for:	
Property, plant and equipment	14,166
System development, software and other license costs	9,066
Authorized but not contracted for:	
Property, plant and equipment	8,254
System development, software and other license costs	21,034
	52,520

(f) Related Party Transactions

The Discontinued Operations had the following related party transactions during the period from 1 January 2014 to 8 July 2014:

(i) Pursuant to the master distribution and sales of goods agreement entered into on 19 January 2012 with FH (1937) for a term of three years ended 31 December 2014, the Group's Discontinued Operations recognized distribution and sales to FH (1937) and its associates of US$12,480,000 for the period from 1 January 2014 to 8 July 2014. These transactions were made on mutually agreed normal commercial terms.

(ii) On 21 August 2013, a subsidiary of the Group's Discontinued Operations formed a business co-operation arrangement based on mutually agreed terms with Heritage Global Partners, LLC ("Heritage") and Trinity International Brands Limited, an associate of FH (1937), for launching the Kent & Curwen brand in the United States, which is conducted under BHB, a wholly-owned subsidiary of Heritage. Pursuant to the arrangement, the subsidiary entered into a convertible promissory note purchase agreement with BHB to contribute a maximum aggregate amount of US$32,000,000 in 6 tranches over three years.

The convertible promissory note carries interest at 5% per annum maturing on 31 December 2027 with a right of conversion up to 51.1% equity interest of BHB. The interest income recognized by the Group for the period from 1 January 2014 to 8 July 2014 amounted to US$315,000.

(iii) On 26 December 2013, the Group entered into a sale & purchase agreement with Fung Retailing Limited for the sale of the Roots License Rights at the consideration of US$18 million. The Group's Discontinued Operations may entitle contingent payments over the seven financial years ending 31 December 2020 of up to US$13.6 million in aggregate if certain turnover targets for the underlying business of the License Rights are achieved.

34 Business Combinations

During the year, the Group completed a series of acquisitions to expand the Group's existing scale of operation and enlarge the Group's market presence. Details of principal acquisitions were listed as below.

In April 2014, the Group's Continuing Operations acquired China Container Line Limited, a global sea freight forwarders based in China.

In January 2014, the Group's Discontinued Operations acquired The Licensing Company Limited, a global licensing agent based in UK.

In June 2014, the Group's Discontinued Operations acquired the business and assets of Cocaban Co. Ltd., a licensing brand management specialist in Korea.

The Group was not required to make any announcement in accordance with Chapter 14 of the Listing Rules for any individual acquisition completed during the year since none of the acquisitions, on a standalone basis, would be of sufficient material to be recognized as a notifiable transaction, and, accordingly no disclosure is provided for the details and impact of any individual acquisition.

35 Contingent Liabilities

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Guarantees in respect of banking facilities granted to:				
Subsidiaries	**–**	–	**4,533,536**	4,644,267
Associated companies	**750**	750	**–**	–
	750	750	**4,533,536**	4,644,267

36 Commitments from Continuing Operations

(a) Operating Lease Commitments

The Continuing Operations leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 15 years. At 31 December 2014, the Continuing Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Within one year	**157,535**	115,186
In the second to fifth year inclusive	**294,639**	238,809
After the fifth year	**128,321**	89,482
	580,495	443,477

36 Commitments from Continuing Operations (continued)

(b) Capital Commitments

	The Group	
	2014 US$'000	2013 US$'000 (Restated)
Contracted but not provided for:		
Property, plant and equipment	**17,046**	5,445
System development, software and other license costs	**–**	102
Authorized but not contracted for:		
Property, plant and equipment	**22,738**	4,640
	39,784	10,187

37 Charges on Assets

Save as disclosed in *Note 13*, at 31 December 2014 and 2013 there were no charges on the assets and undertakings of the Company and the Group.

38 Related Party Transactions

The Continuing Operations had the following material transactions with its related parties during the year ended 31 December 2014 and 2013:

	Note	**2014 US$'000**	2013 US$'000 (Restated)
Distribution and sales of goods	*(i)*	**11,612**	3,236
Operating leases rental paid	*(ii)*	**24,549**	26,934
Turnover on buying agency services provided	*(iii)*	**891,587**	–
Rental and license fee paid	*(iv)*	**3,190**	–
Rental and license fee received	*(iv)*	**2,027**	–

(i) Pursuant to the master distribution and sales of goods agreement entered into on 19 January 2012 with FH (1937) for a term of three years ended 31 December 2014, certain distribution and sales of goods was made on mutually agreed normal commercial terms with FH (1937) and its associates.

(ii) Pursuant to the master agreement for leasing of properties dated 6 December 2013 entered into with FH (1937) for a term of three years ending 31 December 2016, the Continuing Operations had rental charge for certain properties leased from FH (1937) and its associates during the period based on mutually agreed terms.

(iii) Pursuant to the buying agency agreement the Continuing Operations entered into with Global Brands Group on 24 June 2014, the Continuing Operations provided buying agency services to Global Brands Group and its associates for a term of three years from the listing date of Global Brands. For the period from 9 July 2014 to 31 December 2014, the Continuing Operations provided buying agency services to Global Brands Group with an aggregate turnover of approximately US$891,587,000.

38 Related Party Transactions (continued)

(iv) Pursuant to the master property agreement the Continuing Operations entered into with Global Brands Group on 24 June 2014, the Continuing Operations and Global Brands Group had rental and license fee to and from one another for certain properties and license offices, showroom and warehouse premises on mutually agreed terms from the listing date of Global Brands to 31 December 2016. For the period from 9 July 2014 to 31 December 2014, aggregate rental and license fee paid to and from one another approximated to US$5,217,000.

The foregoing related party transactions also fall under the definition of continuing connected transactions of the Company as stipulated in the Listing Rules on the Stock Exchange.

During the year, there were certain expenses incurred by FH (1937) and recharged to the Continuing Operations amounting to approximately US$1,000,000 (2013: US$5,000,000).

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in *Note 11*.

Save as above, the Continuing Operations had no material related party transactions during the year.

39 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market Risk

(I) FOREIGN EXCHANGE RISK

Most of the Group's cash balances were deposits in HK$ and US$ with major global financial institutions, and the Group's revenues and payments were transacted predominantly in US$. Therefore, it considers there is no significant risk exposure in relation to foreign exchange rate fluctuations.

There are small portion of sales and purchases transacted in different currencies, for which the Group arranges hedging by means of foreign exchange forward contracts. Other than this, the Group strictly prohibits any financial derivative arrangement merely for speculation.

At 31 December 2014, if the major foreign currencies, such as Euro dollar and Sterling Pound, to which the Group had exposure had strengthened/weakened by 10% (2013: 10%) against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 2.0% (2013: 2.1%) and 3.7% (2013: 1.9%) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables, borrowings and intangible assets.

39 Financial Risk Management (continued)

(a) Market Risk (continued)

(II) PRICE RISK

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets. The Group maintains these equity securities investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 31 December 2014 and up to the Report date of the accounts, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies. At 31 December 2014, the fair value of foreign exchange forward contracts entered into by the Group amounted to US$11,323,000 (2013: liabilities of US$8,275,000), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments assets.

(III) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from US dollar denominated bank borrowings and the US dollar denominated long-term notes issued. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

At 31 December 2014, if the variable interest rates on the bank borrowings had been 0.1% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US$811,000 (2013: US$1,190,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings. At 31 December 2013, if the prevailing market interest rate on the available-for-sale debt security had been 0.1% higher/lower with all other variables held constant, the Group's profit and equity would have increased or decreased by approximately US$92,000.

39 Financial Risk Management (continued)

(b) Credit Risk

Credit risk mainly arises from trade and other receivables as well as cash and bank balances of the Group.

Most of the Group's cash and bank balances are held in major global financial institutions.

The Group has stringent policies in place to manage its credit risk with trade and other receivables, which include but are not limited to the measures set out below:

(i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing at the trade terms with individual customers. It is not uncommon that the Group requires securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers that fall short of the required minimum score under its Risk Assessment System;

(ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;

(iii) It has in place a close monitoring system with a dedicated team to ensure on-time recoveries from its trade debtors; and

(iv) Internally it has set up rigid policies on provision made for both inventories and receivables to motivate its business managers to step up efforts in these two areas so as to avoid any significant impact on their financial performance.

The Group's five largest customers of the Continuing Operations, in aggregate, account for 35% of the Continuing Operation's business. Transactions with these customers are entered into within the credit limits designated by the Group.

Except for trade receivables of US$40,097,000 (2013: US$41,765,000) and other receivables of US$11,860,000 (2013: US$12,658,000), which were considered impaired and fully provided, none of the other financial assets including available-for-sale financial assets *(Note 18)*, due from related companies *(Note 20)* and other receivables and deposits *(Note 22)* are considered impaired as there is no recent history of default of the counterparties. The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

39 Financial Risk Management (continued)

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities from the Group's bankers.

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents *(Note 23)*) on the basis of expected cash flow.

The table below analyzes the liquidity impact of the Group's non-derivative financial liabilities (including annual coupons payable for the long-term notes) into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. These amounts will not reconcile to the amounts disclosed on the consolidated balance sheet and in *Note 29* for long-term liabilities.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
The Group				
At 31 December 2014				
Long-term bank loans	**–**	**17,000**	**–**	**–**
Purchase consideration payable for acquisitions	**134,661**	**89,145**	**250,177**	**–**
Long-term notes – unsecured	**66,875**	**66,875**	**631,875**	**769,688**
Trade and bills payable	**2,561,172**	**–**	**–**	**–**
Accrued charges and sundry payables	**692,427**	**–**	**–**	**–**
Financial guarantee contract	**750**	**–**	**–**	**–**
Due to related companies	**48**	**–**	**–**	**–**
Bank advances for discounted bills	**33,834**	**–**	**–**	**–**
Short-term bank loans	**162,850**	**–**	**–**	**–**
At 31 December 2013				
Long-term bank loans	–	99,640	17,000	–
Purchase consideration payable for acquisitions	411,976	249,875	753,235	23,880
Long-term notes – unsecured	66,875	66,875	659,375	809,063
Brand license payable	41,746	23,242	107,283	163,954
Trade and bills payable	2,552,495	–	–	–
Accrued charges and sundry payables	837,790	–	–	–
Financial guarantee contract	750	–	–	–
Due to related companies	14,682	–	–	–
Bank advances for discounted bills	38,190	–	–	–
Short-term bank loans	94,145	–	–	–

All of the Group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of US$205,935,000 (2013: US$259,531,000) and undiscounted contractual cash outflows of US$194,893,000 (2013: US$267,167,000).

39 Financial Risk Management (continued)

(c) Liquidity Risk (continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
The Company				
At 31 December 2014				
Long-term notes – unsecured	**66,875**	**66,875**	**631,875**	**769,688**
Financial guarantee contract	**4,533,536**	**–**	**–**	**–**
Accrued charges and sundry payables	**9,457**	**–**	**–**	**–**
At 31 December 2013				
Long-term notes – unsecured	66,875	66,875	659,375	809,063
Financial guarantee contract	4,644,267	–	–	–
Accrued charges and sundry payables	9,715	–	–	–

40 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term bank loans *(Note 25)*, long-term bank loans *(Note 25)* and long-term notes *(Note 29)* less cash and cash equivalents *(Note 23)*). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

The Group's strategy is to maintain a gearing ratio not exceeding 35%. The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 US$'000	2013 US$'000
Long-term bank loans *(Note 25)*	**17,000**	116,640
Short-term bank loans *(Note 25)*	**162,850**	94,145
Long-term notes *(Note 29)*	**1,254,369**	1,254,915
	1,434,219	1,465,700
Less: Cash and cash equivalents *(Note 23)*	**(538,529)**	(459,559)
Net debt	**895,690**	1,006,141
Total equity	**3,110,078**	5,549,685
Total capital	**4,005,768**	6,555,826
Gearing ratio	**22%**	15%

41 Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets *(Note 18)*				
– Club debentures	**–**	**–**	**3,709**	**3,709**
Derivative financial instrument used for hedging *(Note 21)*	**–**	**11,323**	**–**	**11,323**
Total Assets	**–**	**11,323**	**3,709**	**15,032**
Liabilities				
Purchase consideration payable for acquisitions	**–**	**–**	**458,080**	**458,080**
Total Liabilities	**–**	**–**	**458,080**	**458,080**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets *(Note 18)*				
– Club debentures	–	–	3,669	3,669
Derivative financial instrument *(Note 21)*	–	–	2,664	2,664
Total Assets	–	–	6,333	6,333
Liabilities				
Derivative financial instruments used for hedging *(Note 21)*	–	8,275	–	8,275
Purchase consideration payable for acquisitions	–	–	1,397,999	1,397,999
Total Liabilities	–	8,275	1,397,999	1,406,274

41 Fair Value Estimation (continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfer of assets between level 1, level 2 and level 3 fair value hierarchy classifications during the year.

The following summarizes the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING

The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using discounted cash flow analysis. These valuations maximize the use of observable market data. Foreign currency exchange prices are the key observable inputs in the valuation.

PURCHASE CONSIDERATION PAYABLE FOR ACQUISITIONS

The Group recognizes the fair value of those purchase considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgment on time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 2.5%.

41 Fair Value Estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2014 and 2013.

	2014		2013	
	Purchase Consideration Payable for Acquisitions US$'000	**Others US$'000**	Purchase Consideration Payable for Acquisitions US$'000	Others US$'000
Opening balance	**1,397,999**	**6,333**	1,648,275	3,598
Continuing Operations				
Fair value gains	**–**	**40**	–	71
Additions	**76,609**	**–**	226,699	–
Settlement	**(210,766)**	**–**	(150,114)	–
Remeasurement of acquisitions payable	**(176,007)**	**–**	(112,648)	–
Others	**9,372**	**–**	(28,258)	–
Discontinued Operations				
Additions	**60,227**	**–**	128,262	2,664
Settlement	**(69,306)**	**–**	(258,739)	–
Remeasurement of acquisitions payable	**(19,667)**	**–**	(74,752)	–
Others	**18,464**	**–**	19,274	–
Distribution in specie	**(628,845)**	**(2,664)**	–	–
Closing balance	**458,080**	**3,709**	1,397,999	6,333
Total gain for the year included in profit or loss of Continuing Operations	**(176,007)**	**–**	(112,648)	–

42 Approval of Accounts

The accounts were approved by the Board of Directors on 19 March 2015.

43 Principal Subsidiaries and Associated Companies

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	Held Directly				
(2)	Integrated Distribution Services Group Limited	Bermuda	Ordinary US$12,000	100	Investment holding
(2)	LF Centennial Limited	British Virgin Islands	Ordinary US$50,000	100	Investment holding
(2)	LF Credit Limited	Bermuda	Ordinary US$12,000	100	Investment holding
(1)	Li & Fung (B.V.I.) Limited	British Virgin Islands	Ordinary US$400,010	100	Marketing services and investment holding
	Held Indirectly				
	888 UK Limited	England	Ordinary GBP100	100	Service company
	AGI Logistics (S) Pte Ltd	Singapore	Ordinary S$500,000	100	Freight forwarders and other logistics services
(2)	AGI Logistics Foreign Holdings LLC	U.S.A.	Capital contribution US$1	100	Investment holding
	Algreta Solutions Limited	England	Ordinary GBP10,527	100	Sale and distribution of security products
	Alster International Trading Company Pte. Ltd.	Singapore	Ordinary S$5,000,000	100	Provision of inspection services and export trading
(2)	Appleton Holdings Ltd.	British Virgin Islands	Ordinary US$1	100	Investment holding
	B.G.S. Limited	Thailand	Ordinary Baht 288,000 Preference Baht 712,000	100	Marketing and distribution of healthcare products
	Black Cat Fireworks Limited	England	Ordinary GBP15,500,000	100	Wholesaling
(2)	Bond Medical Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Bossini Fashion GmbH	Germany	EUR468,000	100	Importer
	BS Direct Limited	Hong Kong	Ordinary HK$2	100	Export trading
	C Group US LLC	U.S.A.	Capital contribution US$1,000	100	Marketing services
	Camberley Enterprises Limited	Hong Kong	Ordinary HK$250,000	100	Manufacturing and trading
	Camberley Trading Service (Shenzhen) Limited	The People's Republic of China	RMB1,500,000	100 foreign-owned enterprise	Export trading services
(2)	Catalyst Direct Sarl	France	Ordinary EUR10,000	100	Wholesaling
(2)	Catalyst Tags Inc.	U.S.A.	Common stock US$10,000	100	Distribution
(2)	Centennial (Luxembourg) S.a.r.l.	Luxembourg	EUR8,931,250	100	Investment holding
	CGroup HK Limited	Hong Kong	Ordinary HK$2,970,000 Class "B" Non-voting HK$330,000	100	Export trading
	Character Direct Limited	Hong Kong	Ordinary HK$2	100	Design and marketing
	Chuan Jui Chuan Logistics Co., Ltd.	Taiwan	NT$25,000,000	100	Transportation
	Chuan Jui Fu Logistics Co., Ltd.	Taiwan	NT$25,000,000	100	Transportation
(2)	Colby Group Holdings Limited	British Virgin Islands	Ordinary US$45,000	100	Investment holding

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	Colby Property Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Colourful Express Trading Pte. Ltd.	Singapore	Ordinary S$2	100	Investment holding
	Comet Feuerwerk GmbH	Germany	EUR1,000,000	100	Fireworks wholesaling
	Concept 3 Limited	Hong Kong	Ordinary HK$2	100	Investment holding
(2)	Covo Design (Dongguan) Co., Ltd.	The People's Republic of China	US$4,000,000	100 foreign-owned enterprise	Sample production and exporting trading services
(2)	Crimzon Rose Accessories (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,500,000	100 foreign-owned enterprise	Wholesaling
	Crimzon Rose Asia Limited	Hong Kong	Ordinary HK$3	100	Wholesaling
	Dana International Limited	Hong Kong	Ordinary HK$2	100	Investment holding
	Definitive Sourcing (India) Private Limited	India	Rs100,000	100	Buying services for sourcing goods
(2)	Direct SG Mexico Ltd	Mexico	Common nominative shares MXP150,000	100	Service and import trading
(2)	Direct Sourcing Group Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Direct Sourcing Group Investment Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Direct Sourcing Group Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	Dodwell (Mauritius) Limited	Hong Kong	Ordinary "A" HK$300,000 Ordinary "B" HK$200,000	60	Export trading
	Dodwell (Singapore) Pte. Ltd.	Singapore	Ordinary S$200,000	100	Export trading
(2)	Dongguan LF Beauty Manufacturing Services Limited	The People's Republic of China	HK$11,220,000	100 foreign-owned enterprise	Trading and manufacturing
(2)	DSG (Bangladesh) Limited	Bangladesh	Ordinary TK$3,750,000	100	Export trading services
	DSG (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
	DSG (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
(2)	DSG (US) Inc.	U.S.A.	Common stock US$1	100	Sourcing service
	DSG Services Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading services
(2)	Eclat Properties Inc.	British Virgin Islands	Ordinary US$100	100	Property investment
(2)	Empire Knight Group Limited	British Virgin Islands	Ordinary US$1	100	Property investment
(2)	Far East Logistics (Shenzhen) Co. Ltd.	The People's Republic of China	HK$1,500,000	100 foreign-owned enterprise	Wholesaling

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	Fashion Design (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Design
	Fashion Design NY LLC	U.S.A.	Capital contribution US$1	100	Design
	Fenix Fashion Limited	Hong Kong	Ordinary HK$1	100	General trading of merchandise
(2)	Fleet Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Forrestgrove Limited	Hong Kong	Ordinary HK$20	100	Export trading
	Four Star Company Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
(2)	Four Star Construction and Engineering Company Limited	Macau	MOP$25,000	100	Distribution of medical and pharmaceutical products and medical equipment
(2)	GB Apparel Limited	England	Ordinary GBP1,000	100	Investment holding
	GMR (Hong Kong) Limited	Hong Kong	Ordinary HK$2	100	Export trading
(2)	Golden Gate Fireworks Inc.	U.S.A.	Common stock US$600,000	100	Commission agent and investment holding
	Golden Horn N.V.	Curacao	US$6,100	100	Investment holding
	Goodwest Enterprises Limited	Hong Kong	Ordinary HK$2	100	Export trading
	GSCM (HK) Limited	Hong Kong	Ordinary HK$140,000	100	Export trading
	GSCM LLC	U.S.A.	Capital contribution US$1	100	Trading of apparel
	Hanson Im-und Export GmbH	Germany	EUR26,000	100	Wholesaling
	Heusel Textilhandelsgesellschaft mbH	Germany	EUR225,645.94	100	Wholesaling
	Homeworks Asia Limited	Hong Kong	Ordinary HK$2	100	Export trading
	HTL Fashion (UK) Limited	England	Ordinary GBP1	100	Design and export trading
(2)	HTL Fashion Hazir Giyim Sanayi ve Ticaret Limited Sirketi	Turkey	YTL25,000	100	Manufacturing
	HTP Fashion Limited	Hong Kong	Ordinary HK$1	100	Manufacturing and trading
(2)	Icare Health Care Company Ltd.	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	IDS Corporate Services (S) Pte. Ltd.	Singapore	Ordinary S$24,700	100	Investment holding, Distribution and provision of services including Management Services
(2)	IDS Group Limited	British Virgin Islands	Ordinary US$949,165	100	Investment holding
	IDS International (Shanghai) Co., Ltd.	The People's Republic of China	RMB5,500,000	100 foreign-owned enterprise	Freight forwarders and other logistics services

43 Principal Subsidiaries and Associated Companies (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	IDS International USA Inc.	U.S.A.	Common stock US$1	100	Logistics and supply chain management
	IDS Manufacturing Limited	Thailand	Ordinary Baht 469,500,000	100	Manufacturing of household, pharmaceutical and personal care products
	IDS Manufacturing Sdn. Bhd.	Malaysia	Ordinary RM23,000,000	100	Manufacturing of pharmaceutical, foods and toiletries products
	Imagine POS Limited	Hong Kong	Ordinary "A" HK$2,000,000 Ordinary "B" HK$757,471	100	Export trading
	Imagine POS UK Limited	England	Ordinary GBP100	100	Cosmetic estate management services
	International Sources Trading Limited	Hong Kong	Ordinary HK$2	100	Export trading
	JAC TISSOT Solutions GmbH	Germany	EUR520,000	100	Importer
	Jackel Cosmetics Limited	Hong Kong	Class "A" HK$9,950,645 Class "B" non-voting HK$13,890	100	Export trading
(2)	Jackel France SAS	France	Ordinary EUR37,500	100	Export trading
	Jackel International (Asia) Limited	Hong Kong	Ordinary "A" HK$346,500 Ordinary "B" HK$86,850	100	Export trading
(2)	Jackel International Europe SAS	France	Ordinary EUR105,000	100	Export trading
	Jackel, Inc.	U.S.A.	Class "A" voting common stock US$1 Class "B" non-voting common stock US$99	100	Export trading
	JDH Marketing (Thailand) Limited	Thailand	Ordinary Baht 210,000,000	100	Marketing and distribution of healthcare products
	Just Jamie and Paulrich Limited	England	Ordinary GBP439	100	Wholesaling
(2)	JV Cosmetics (Dongguan) Co. Ltd.	The People's Republic of China	HK$105,000,000	100 foreign-owned enterprise	Manufacturing and trading
	JV Cosmetics Company Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
	Kariya Industries Limited	Hong Kong	Ordinary HK$1,000,000	100	Manufacturing and trading
	Kenas Pacific Trading (Pte.) Ltd.	Singapore	Ordinary S$100	100	Export trading services
	Kingsbury International Limited	Hong Kong	Ordinary HK$2	100	Provision of services
	Lenci Calzature SpA	Italy	Equity shares EUR206,400	100	Design, marketing and sourcing
	LF (Philippines), Inc.	The Philippines	Common shares Pesos 21,000,000	100	Distribution of consumer products and provision of logistics services
(2)	LF Asia (Borneo) Sdn Bhd	Brunei Darussalam	Ordinary B$3,000,000	70	General merchandising, shipping and insurance agency

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	LF Asia (Hong Kong) Limited	Hong Kong	Ordinary HK$146,000,000	100	Distribution of consumer and pharmaceutical products
	LF Asia (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM14,231,002	100	Distribution of consumer and pharmaceutical products
	LF Asia (Singapore) Pte. Ltd.	Singapore	Ordinary S$300,000 Preference S$68,000	100	Distribution of healthcare products
	LF Asia (Thailand) Limited	Thailand	Ordinary Baht 16,000,000 Preference Baht 5,500,000 25% paid up	100	Distribution of consumer and pharmaceutical products
	LF Asia Distribution (Taiwan) Limited	Hong Kong	Ordinary HK$1	100	Distribution of consumer products
	LF Asia Management Limited	Hong Kong	Ordinary HK$10,000	100	Provision of management and consultancy services
	LF Asia Marketing (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM1,000,000	100	Distribution of consumer products
(2)	LF Asia Sebor (Sabah) Holdings Sdn. Bhd.	Malaysia	Ordinary RM11,000,000	60	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sabah) Sdn. Bhd.	Malaysia	Ordinary RM9,850,000	60	Distribution of consumer products
(2)	LF Asia Sebor (Sarawak) Holdings Sdn. Bhd.	Malaysia	Ordinary RM9,503,333	67.09	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sarawak) Sdn. Bhd.	Malaysia	Ordinary RM5,000,000	67.09	Distribution of consumer products
(2)	LF Beauty (Shenzhen) Limited	The People's Republic of China	HK$8,500,000	100 foreign-owned enterprise	Export trading services
	LF Beauty (UK) Limited	England	Ordinary GBP100	100	Design, marketing and manufacturing
	LF Beauty Inc.	U.S.A.	Common stock US$1	100	Investment holding
	LF Beauty Limited	Hong Kong	Ordinary HK$1	100	Export trading
	LF Centennial Pte. Ltd.	Singapore	Ordinary S$100,000	100	Export trading services
	LF Centennial Service (Singapore) Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading services
	LF Centennial Services (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
(2)	LF Corporate Capital (I) Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Credit Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of trade-related credit services
	LF Distribution Holding Inc.	U.S.A.	Common stock US$1	100	Investment holding

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	LF Distribution Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Distribution International Holding Limited	Hong Kong	Ordinary US$1	100	Investment holding
	LF Distribution International Inc.	U.S.A.	Common stock US$1	100	Investment holding
(2)	LF Distribution Limited	Bermuda	Ordinary US$100	100	Investment holding
	LF Europe (Germany) Services GmbH	Germany	EUR25,000	100	Provision of accounting services
	LF Europe Limited	England	Ordinary GBP26,788,000	100	Investment holding
	LF Fashion (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading services
	LF Fashion Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	LF Freight (Hong Kong) Limited	Hong Kong	Ordinary HK$2	100	Provision of supply chain management services
	LF Freight (Singapore) Pte. Limited	Singapore	Ordinary S$2	100	Provision of supply chain management services
(2)	LF Freight (USA) LLC	U.S.A.	Capital contribution US$1	100	Freight forwarders and other logistics services
(2)	LF Freight (West) LLC	U.S.A.	Capital contribution US$1	100	Freight forwarders and other logistics services
	LF Home Limited	Hong Kong	Ordinary HK$2	100	Export trading
(2)	LF International Inc.	U.S.A.	Common stock US$30,002	100	Investment management
	LF Logistics (Bangladesh) Limited	Bangladesh	Ordinary TK$10,000,000	100	Freight forwarding
	LF Logistics (Cambodia) Limited	Cambodia	Ordinary Riels 20,000,000	100	Freight forwarding and other logistics services
	LF Logistics (China) Co., Ltd.	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
(2)	LF Logistics (Guangzhou) Co., Ltd.	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
	LF Logistics (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100	Provision of logistics services
(2)	LF Logistics (India) Private Limited	India	Ordinary Rs15,000,000	100	Logistics, supply chain management and freight forwarding
	LF Logistics (Taiwan) Limited	Hong Kong	Ordinary HK$200	100	Provision of logistics and packaging services
	LF Logistics (Thailand) Limited	Thailand	Ordinary Baht 307,750,000	100	Provision of logistics services
	LF Logistics (UK) Limited	England	Ordinary GBP50,000	100	Provision of logistics services
(2)	LF Logistics Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LF Logistics Holdings (UK) Limited	England	Ordinary GBP1	100	Investment holding

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
(2)	LF Logistics Korea Limited	Korea	Common stock KRW300,000,000	100	Provision of logistics services
	LF Logistics Limited	Bermuda	Ordinary US$100	100	Investment holding
	LF Logistics Management Limited	Hong Kong	Ordinary HK$2	100	Provision of management and consultancy services
(2)	LF Logistics Pakistan (Private) Limited	Pakistan	Ordinary Rs5,000,000	100	Freight forwarders and other logistics services
	LF Logistics Services (M) Sdn. Bhd.	Malaysia	Ordinary RM2,000,000	100	Provision of logistics services
	LF Logistics Services Pte. Ltd.	Singapore	Ordinary S$28,296,962	100	Provision of logistics services
	LF Men's Group LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	LF Performance Services Sdn. Bhd.	Malaysia	Ordinary RM250,000	70	House Royal Custom's bonded warehouse licence
	LF Products (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Provision of management support services
	LF Products (Shanghai) Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Export, import and domestics trading
	LF Products Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading
	LF Sourcing (Millwork) LLC	U.S.A.	Capital contribution US$1	100	Sourcing and export trading
	LF Sourcing Sportswear LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
(2)	LFCF Investment I (Europe) Limited	British Virgin Islands	Ordinary US$1	100	Investment management
(2)	LFCF Investment I (USA) Limited	British Virgin Islands	Ordinary US$1	100	Investment management
	Li & Fung (Bangladesh) Limited	Bangladesh	Ordinary TK$9,500,000	100	Export trading services
(2)	Li & Fung (Brasil) Trading, Importacao E Exportacao Ltda	Brazil	Common shares R$333,559	100	Service provider
	Li & Fung (Cambodia) Limited	Cambodia	Ordinary Riels 120,000,000	100	Export trading services
(2)	Li & Fung (Chile) Limitada	Chile	Chilean Pesos $5,500,000	100	Export trading
	Li & Fung (Europe) Holding Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Exports) Limited	Hong Kong	Ordinary HK$10,000 Non-voting deferred HK$8,600,000	100	Investment holding
(2)	Li & Fung (Guatemala) S.A.	Guatemala	Nominative shares Q5,000	100	Export trading services
(2)	Li & Fung (Honduras) Limited	Honduras	Nominative common shares Lps25,000	100	Export trading services
	Li & Fung (India) Private Limited	India	Equity shares Rs64,000,200	100	Export trading services
	Li & Fung (Korea) Limited	Korea	Common stock KRW 200,000,000	100	Export trading services
(2)	Li & Fung (Mauritius) Limited	Mauritius	"A" Shares Rs750,000 "B" Shares Rs500,000	60	Export trading services
(2)	Li & Fung (Morocco) SARL	Morocco	Ordinary Dirhams10,000	100	Export trading services
(2)	Li & Fung (Nicaragua), Sociedad Anonima	Nicaragua	Nominative shares C$50,000	100	Export trading

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Principal Subsidiaries				
	Li & Fung (Philippines) Inc.	The Philippines	Common shares Peso 1,000,000	100	Export trading services
(2)	Li & Fung (Portugal) Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Singapore) Private Limited	Singapore	Ordinary S$25,000	100	Export trading services
	Li & Fung (Taiwan) Limited	Taiwan	NT$63,000,000	100	Sourcing and inspection
	Li & Fung (Thailand) Limited	Thailand	Ordinary Baht 20,000,000	100	Export trading services
	Li & Fung (Trading) Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000	100	Export trading services and investment holding
	Li & Fung (Vietnam) Limited	Vietnam	Charter capital US$800,000	100	Export trading services
	Li & Fung Agencia de Compras em Portugal, Limitada	Portugal	EUR99,759.58	100	Export trading services
	Li & Fung Mumessillik Pazarlama Limited Sirketi	Turkey	YTL45,356,100	100	Export trading services
	Li & Fung Pakistan (Private) Limited	Pakistan	Ordinary Rs10,000,000	100	Export trading services
	Li & Fung South Africa (Proprietary) Limited	South Africa	Ordinary Rand 100	100	Export trading services
	Li & Fung Taiwan Holdings Limited	Taiwan	NT$287,996,000	100	Investment holding
(2)	Li & Fung Trading (Italia) S.r.l.	Italy	EUR100,000	100	Export trading services
	Li & Fung Trading (Shanghai) Limited	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Export trading
(2)	Li & Fung Trading Service (Guangzhou) Limited	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shanghai) Company Limited	The People's Republic of China	US$6,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
	Lighthouse Asia Limited	Hong Kong	Ordinary HK$10,000	100	Investment holding
	Lion Rock (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100	Investment holding
	Lion Rock Far East (1972) Limited	Hong Kong	Ordinary HK$20	100	Investment holding
	Lion Rock International Trading & Co.	Hong Kong	Capital contribution HK$3,000,000	100	Provision of management services
	Lion Rock Services (Far East) & Co.	Hong Kong	Capital contribution HK$17,000,000	100	Merchandising agent
	Lion Rock Services (Switzerland) AG	Switzerland	CHF3,400,000	100	Export trading services
	Lloyd Textile Trading Limited	Hong Kong	Ordinary HK$1,000,000	100	Manufacturing and trading
	Lornamead Acquisitions Limited	England	Ordinary GBP1,000	100	Investment holding

43 Principal Subsidiaries and Associated Companies (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Lornamead GmbH	Germany	EUR25,000	100	Manufacturing of perfumes and toilet preparations
	Lornamead Group Limited	England	Ordinary GBP1,000	100	Investment holding
	Lornamead Inc.	U.S.A.	Common stock US$26,824.8975	100	Wholesaling
	Lornamead UK Limited	England	Ordinary GBP100	100	Manufacture of perfumes and toilet preparations
(2)	Mercury (BVI) Holdings Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Meredith Associates Limited	Hong Kong	Ordinary US$1,327,932	100	Investment holding
	Mighty Hurricane Holdings Inc.	U.S.A.	Common stock of US$100	100	Wholesaling
	Miles Fashion Asia Pte. Ltd.	Singapore	Ordinary S$1	100	Export trading
	Miles Fashion GmbH	Germany	EUR11,000,000	100	Importer
	Miles Fashion Group France EURL	France	EUR10,000	100	Wholesaling
(2)	Miles Fashion USA, Inc.	U.S.A.	Common stock US$1,000	100	Importer
	Millwork Holdings Co., Inc.	U.S.A.	Common stock US$1	100	Investment holding
(2)	Modium Konfeksiyon Sanayi ve Ticaret Anonim Sirketi	Turkey	A Shares YTL2,249,975 B Shares YTL25	100	Manufacturing
	Nanjing LF Asia Company Limited	The People's Republic of China	US$5,000,000	100 foreign-owned enterprise	Importer, export trading and distribution of general merchandise
(2)	New Star Instruments Limited	Macau	MOP$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Ningbo Zhicheng Customs Brokerage Co., Ltd.	The People's Republic of China	RMB1,500,000	100	Provision of customs brokerage services
	On-Tip LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	P.T. Lifung Indonesia	Indonesia	Ordinary US$500,000	100	Export trading services
	Paco Trading (International) Limited	Hong Kong	Ordinary HK$2	100	Export trading
	PATCH Licensing LLC	U.S.A.	Capital contribution US$1	66.67	Export trading services
	Perfect Trading Inc.	Egypt	LE2,480,000	60	Export trading services
	Peter Black Footwear & Accessories Limited	England	Ordinary GBP202,000	100	Design, marketing and sourcing
	Peter Black Holdings Limited	England	Ordinary GBP0.25	100	Investment holding
	Peter Black International Limited	England	Ordinary GBP0.01	100	Investment holding
	Peter Black Overseas Holdings Limited	England	Ordinary GBP2	100	Investment holding
	Phil Henson GmbH	Germany	EUR50,000	100	Importer
	Product Development Partners Limited	Hong Kong	Ordinary HK$2	100	Export trading
	PromOcean France SAS	France	EUR8,530,303	100	Wholesaling

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	PromOcean GmbH	Germany	EUR25,570	100	Wholesaling
	PromOcean No 1 Limited	England	Ordinary GBP1	100	Investment holding
	PromOcean Spain SL	Spain	EUR3,005.06	100	Wholesaling
	PromOcean The Netherlands B.V.	The Netherlands	EUR39,379.5	100	Wholesaling
	PromOcean UK Limited	England	Ordinary GBP1	100	Wholesaling
(2)	PT Direct Sourcing Indonesia	Indonesia	Ordinary US$250,000	100	Export trading services
(2)	PT. IDS Logistics Indonesia	Indonesia	Ordinary Rp1,820,400,000	100	Provision of logistics services
	PT. LF Asia Manufacturing Indonesia	Indonesia	Ordinary Rp453,600,000	100	Manufacturing of personal care and household products
(2)	PT. LF Asia Marketing Indonesia	Indonesia	Ordinary US$300,000	100	Import and distribution of cosmetics and personal care products
(2)	PT. LF Services Indonesia	Indonesia	Ordinary Rp5,000,000,000	100	Logistics, transport and other services
	Ralsey Group Ltd.	U.S.A.	Common stock US$1	100	Wholesaling
(2)	Ratners Enterprises Ltd.	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Region Giant Holdings Limited	British Virgin Islands	Ordinary US$31	100	Investment holding
	RT Sourcing (Shenzhen) Co. Limited	The People's Republic of China	HK$1,000,000	100 foreign-owned enterprise	Export trading services
	RT Sourcing Asia Limited	Hong Kong	Ordinary HK$102,000	100	Investment holding
(2)	RT Sourcing USA Inc.	U.S.A.	Common shares US$6	100	Importer
	Shanghai IDS Distribution Co., Ltd.	The People's Republic of China	US$3,100,000	100 foreign-owned enterprise	Storage and logistic transportation management
	Shanghai IDS Logistics Co., Ltd.	The People's Republic of China	RMB1,000,000	100 foreign-owned enterprise	Provision of logistics services
	Shanghai LF Asia Healthcare Co., Ltd.	The People's Republic of China	RMB6,000,000	100 foreign-owned enterprise	Distribution of pharmaceutical products
(2)	Shenzhen Catalyst Trading Co., Ltd.	The People's Republic of China	US$120,000	100 foreign-owned enterprise	Security tag trading
	Shiu Fung Fireworks Company Limited	Hong Kong	Ordinary "A" HK$1,100,000 Ordinary "B" HK$1,100,000	100	Export trading
	Shiu Fung Fireworks Trading (Changsha) Limited	The People's Republic of China	RMB4,000,000	100 foreign-owned enterprise	Export trading

43 Principal Subsidiaries and Associated Companies (continued)

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
Note	**Principal Subsidiaries**				
	Shubiz Limited	England	Ordinary GBP2	100	Design, marketing and sourcing
	Shutoo Limited	England	Ordinary GBP1	100	Design, marketing and sourcing
	Silvereed (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Export trading
(2)	Simkar 2 Limited	Cayman Islands	Ordinary US$50,000	100	Investment holding
(2)	Simkar Limited	Cayman Islands	Ordinary US$49,999.75	100	Investment holding
	Sky Million International Limited	Hong Kong	Ordinary HK$2	100	Property investment
	Sports Brands Italia Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
(2)	STS Shenzhen Testing Service Limited	The People's Republic of China	US$660,000	100 foreign-owned enterprise	Testing and technology consultation
(2)	Tantallon Enterprises Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
(2)	Texnorte II – Industrias Texteis, Limitada	Portugal	EUR5,000	100	Export trading services
	Texnorte Industrial Limited	Hong Kong	Ordinary HK$2	100	Export trading
	TH Success Limited	Hong Kong	Ordinary HK$1,560,000	100	Export trading
	Toy Island (USA) LLC	U.S.A.	Capital contribution US$100	100	Marketing
	Uncle Sam Online Vertriebs-und Vermarktungsrechte GmbH	Germany	EUR26,000	100	Wholesaling
	Ventana Bekleidungsfabrikation GmbH	Germany	EUR26,000	100	Wholesaling
	Visage (Hong Kong) Limited	Hong Kong	Ordinary HK$100,000	100	Design and marketing
	Visage Group Limited	England	Ordinary GBP100,000	100	Investment holding
	Visage Holdings (2010) Limited	England	Ordinary GBP2	100	Investment holding
	Visage Holdings Limited	England	Ordinary GBP35,163	100	Investment holding
	Visage Limited	England	Ordinary GBP54,100	100	Design, marketing and sourcing
	W S Trading Limited	Hong Kong	Ordinary HK$1,000,000	100	Export trading
(2)	Welmed (Macau) Company Limited	Macau	MOP$25,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Whalen Limited	Hong Kong	Ordinary HK$62,000,000	100	Design and marketing
	Whalen LLC	U.S.A.	Capital contribution US$1	100	Wholesaling
	Wilson Fabric Mart (China) Limited	Hong Kong	Ordinary HK$2,000,000	100	Export trading
	Wilson Textile Limited	Hong Kong	Ordinary HK$1	100	Export trading

NOTES:

(1) *Li & Fung (B.V.I.) Limited provides the subsidiaries with promotional and marketing services outside Hong Kong.*

(2) *Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited/reviewed by PricewaterhouseCoopers amounted to less than 5% of the Group's total net assets.*

43 Principal Subsidiaries and Associated Companies (continued)

The above table lists out the principal subsidiaries of the Company as at 31 December 2014 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note		Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Indirectly Held by the Company	Principal Activities
	Principal Associated Companies				
	Blue Work Trading Company Limited	Hong Kong	Ordinary HK$4,000,000	50	Export trading
#	Fireworks Management, Inc.	U.S.A.	Common stock US$60,000	25	Investment holding
#	Gulf Coast Fireworks Sales, LLC	U.S.A.	Capital contribution US$2,885,933	30	Fireworks distribution
#	Marshall Fireworks, Inc.	U.S.A.	Common stock US$10,000	30	Convenience and store
#	Ningbo Penavico-CCL International Freight Forwarding Co., Ltd.	The People's Republic of China	US$1,000,000	40	Provision of freight forwarding services
#	Upsolut Merchandising GmbH & Co. KG	Germany	EUR5,000	39	Distribution and wholesaling
#	Winco Fireworks International, LLC	U.S.A.	Capital contribution US$10,088,811	30	Wholesaling
#	Winco Fireworks Mississippi, LLC	U.S.A.	Capital contribution US$168,185	30	Wholesaling
#	Winco of Tennessee, LLC	U.S.A.	Capital contribution US$514,142	30	Fireworks wholesaling and retailing

The associated companies are not audited by PricewaterhouseCoopers.

The above table lists out the principal associated companies of the Company as at 31 December 2014 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.