

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015.

Principal Activities, Analysis of Operations and Business Review

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

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

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

Shares Issued in the Year

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

Results and Appropriations

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

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

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

Distributable Reserves

At 31 December 2015, the reserves of the Company available for distribution as dividends amounted to US\$3,001,841,000, comprising retained earnings of US\$2,027,652,000 and contribution surplus of US\$974,189,000 arising from: (i) the exchange of shares for the acquisition of Li & Fung (B.V.I.) Limited; (ii) the issuance of shares for the acquisition of Colby Group Holdings Limited; (iii) the transfer from share premium of US\$3,000,000,000 offset by the distribution in specie of US\$2,290,000,000 (*Note 25*).

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

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Donations

Charitable and other donations made by the Group during the year amounted to US\$611,000.

Ten-year Financial Summary

A summary of the results for the year ended and of the assets and liabilities of the Group as at 31 December 2015 and for the previous nine financial years are set out in the Ten-year financial summary section on pages 224 to 225.

Pre-emptive Rights

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

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

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

Long-term Incentive Schemes

(A) Share Option Schemes

2003 OPTION SCHEME

Pursuant to the terms of the 2003 Option Scheme, the 2003 Option Scheme is valid and effective for a period of 10 years commencing on the adoption date and expiring on the tenth anniversary of the adoption date. Accordingly, the 2003 Option Scheme expired on 11 May 2013 and no further options could thereafter be granted under the 2003 Option Scheme. However, all remaining provisions remain in full force and effect to govern the exercise of all the Share Options granted under the 2003 Option Scheme prior to its expiration.

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

2014 OPTION SCHEME

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

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

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

NOTES:

- (1) Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK\$20.21 to HK\$16.90, from HK\$15.20 to HK\$12.71 and from HK\$14.50 to HK\$12.12 with effect from 31 August 2014.
- (2) The closing market price per Share as at the date preceding the date on which the Share Options were granted and stated in the Stock Exchange's daily quotation sheet on 20 May 2015 was HK\$7.29.
- (3) The closing market price per Share as at the date preceding the date on which the Share Options were granted was HK\$5.58.
- (4) The above Share Options granted are recognized as expenses in the financial statements in accordance with the Company's accounting policy as set out in Note 1 to the financial statements. Other details of Share Options granted by the Company are set out in Note 24 to the financial statements.

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

(i) Purpose

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

(ii) Qualifying Participants

Any employee including any Executive or Non-executive Director of the Company or any affiliate, any consultant, agent, representative, advisor, customer, contractor, business ally or joint venture partner of the Group or any affiliate under the Share Option Schemes.

(iii) Maximum Number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the 2003 Option Scheme and the 2014 Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the respective date of approval of each of the Share Option Schemes. Following the expiration of the 2003 Option Scheme, no further share options can be granted under the 2003 Option Scheme.

The number of Shares available for issue under the 2014 Option Scheme is 746,855,830 Shares, representing 8.87% of the issued Shares as at the date of this Report.

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

(iv) Limit for Each Participant

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

(v) Option Period

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

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

(vi) Acceptance and Payment on Acceptance

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

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

(vii) Subscription Price

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

(viii) Remaining Life of the Share Option Schemes

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

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

(B) Share Award Scheme

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

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

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

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

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

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

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

(i) Purpose

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

(ii) Eligible Persons

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

(iii) Awards

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

(iv) Granting of Awards

The Board may, from time to time, grant awards to any eligible person who the Board considers to have contributed or will contribute to the Group.

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

(v) Maximum Number of Shares to be Awarded

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

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

(vi) Limit for Each Participant

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

(vii) Termination

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

Subsidiaries

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

Associated Companies

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

Joint Venture

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

Major Customers and Suppliers

During 2015 and 2014, the Continuing Operations of the Group purchased less than 30% of its goods and services from its five largest suppliers. The percentage of sales attributable to the largest customer and the five largest customers combined for the Continuing Operations of the Group were 13% (2014: 14%) and 36% (2014: 35%) respectively.

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

Save as disclosed above, during 2015, none of the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had a material interest in the Group's five largest customers.

Connected Transactions and Continuing Connected Transactions

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

- (i) The Company entered into a distribution and sale of goods agreement with FH (1937) and its associates on 5 December 2014 for a term of three years commencing on 1 January 2015 and ending on 31 December 2017. FH (1937) and its associates are connected persons of the Company and the transactions contemplated under the distribution and sale of goods agreement constituted continuing connected transactions of the Company under the Main Board Listing Rules. In such respect, the Group recorded sales of US\$28,128,000 for the year ended 31 December 2015 which did not exceed the annual cap for 2015 of US\$80 million.
- (ii) Pursuant to the master agreement for the leasing of properties that the Company entered into with FH (1937) on 6 December 2013, the Group leased certain properties from FH (1937) and its associates for a term of three years from 1 January 2014 to 31 December 2016. The transactions contemplated under the master lease agreement for the leasing of properties constituted continuing connected transactions of the Company under the Main Board Listing Rules. In such respect, the Group paid rental expenses of US\$26,018,000 for the year ended 31 December 2015 which did not exceed the annual cap for 2015 of US\$50 million.
- (iii) On 24 June 2014, a subsidiary of the Company entered into the buying agency agreement with a subsidiary of Global Brands, an associate of FH (1937), for the sourcing and supply chain management services for a term of three years from the listing date of Global Brands. Global Brands Group is a connected person of the Company after its spin-off from the Group on 8 July 2014 and the transactions contemplated under the buying agency agreement constituted continuing connected transactions of the Company under the Main Board Listing Rules. For the year ended 31 December 2015, the Group provided buying agency services to Global Brands Group with an aggregate turnover of approximately US\$1,627,351,000. The aggregate commission payable to the Group under the buying agency agreement did not exceed the annual cap for 2015 of US\$150 million and 7% of the FOB price on all products and components sourced through the Group.

- (iv) On 24 June 2014, the Company entered into the master property agreement with Global Brands, for the sub-lease and licensing of offices to and from Global Brands Group from the listing date of Global Brands to 31 December 2016. The transactions contemplated under the master property agreement constituted continuing connected transactions of the Company under the Main Board Listing Rules. For the year ended 31 December 2015, aggregate rental and license fees paid to and from one another approximated US\$5,751,000, which did not exceed the annual cap for 2015 of US\$14 million.
- (v) On 20 August 2015, the Company entered into a master agreement with FH (1937) for provision of logistics-related services to FH (1937) and its associates for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. The transactions contemplated under the master agreement constituted continuing connected transactions of the Company under the Main Board Listing Rules. In such respect, the Group recorded logistics-related services income of US\$10,894,000 for the year ended 31 December 2015 which did not exceed the annual cap for 2015 of US\$20 million.

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with the Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Pension Scheme Arrangements

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

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

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

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

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

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

Contributions to the various arrangements of 2015 were:

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

Directors

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

Non-executive Directors:

Victor Fung Kwok King (*Honorary Chairman*)
 Paul Edward Selway-Swift*
 Allan Wong Chi Yun*
 Franklin Warren McFarlan* (*retired on 21 May 2015*)
 Martin Tang Yue Nien*
 Margaret Leung Ko May Yee*

Executive Directors:

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

* *Independent Non-executive Directors*

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

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

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

The Board has received from each Independent Non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee, therefore, is of the view that they meet the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that each Independent Non-executive Director is independent to the Company.

The biographical details of the Directors as at the date of this Report are set out in Our board and management team section on pages 60 to 69.

Permitted Indemnity Provision

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

Directors' Service Contracts

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

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

Directors' Material Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year save as disclosed under the Connected Transactions and Continuing Connected Transactions section stated above and *Note 35 "Related Party Transactions"* to the financial statements.

Directors' Interests

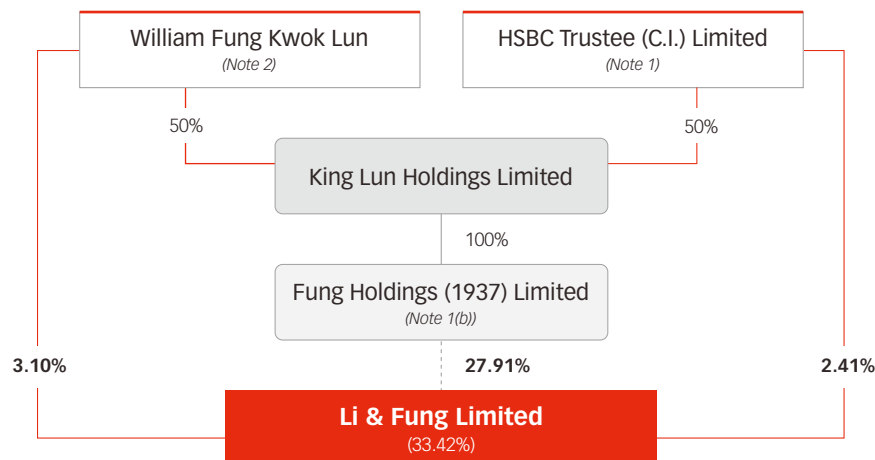
As at 31 December 2015, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying shares and debentures of the Company and its associated corporations (as defined under Part XV of the SFO) as recorded in the register required to be kept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

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

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

* Son of Victor Fung Kwok King

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

**NOTES:**

As at 31 December 2015,

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

(a) 203,012,308 Shares were indirectly held by HSBC Trustee (C.I.) Limited ("HSBC Trustee") through its wholly-owned subsidiary, First Island Developments Limited. HSBC Trustee is the trustee of a trust established for the benefit of the family members of Victor Fung Kwok King (the "Trust"); and

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

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

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

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

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

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

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

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

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

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

As at 31 December 2015, none of the Directors and chief executives of the Company or their associates had any short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(C) Share Options and Award Shares

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

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

Substantial Shareholders' Interests

As at 31 December 2015, other than the interests of the Directors or chief executives of the Company as disclosed in the previous section, the following entities had interests in the Shares of the Company which are required to be disclosed to the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Percentage of Issued Share Capital
Long Positions			
King Lun Holdings Limited	Interest of controlled corporation	2,348,953,872 ¹	27.91%
HSBC Trustee (C.I.) Limited	Trustee	2,551,966,180 ²	30.32%
The Capital Group Companies, Inc.	Interest of controlled corporation	673,623,000	8.00%
Commonwealth Bank of Australia	Interest of controlled corporation	1,015,463,529	12.06%

NOTES:

As at 31 December 2015,

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

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

Save as disclosed above, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying shares of the Company as at 31 December 2015.

Public Float

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

Senior Management

The biographical details of the senior management as at the date of this Report are set out in Our board and management team section on pages 60 to 69.

Management Contracts

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

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in Our commitment to good governance section on pages 32 to 49.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

William FUNG Kwok Lun

Group Chairman

Hong Kong, 17 March 2016