

Financial statements

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Consolidated profit and loss account

For the year ended 31 December 2015

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

Consolidated profit and loss account (continued)
For the year ended 31 December 2015

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

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

Consolidated statement of comprehensive income

For the year ended 31 December 2015

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

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

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

Consolidated balance sheet

As at 31 December 2015

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

As at 31 December 2015

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

Spencer Theodore Fung
Group Chief Executive Officer

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

Consolidated statement of changes in equity

For the year ended 31 December 2015

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

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2015

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

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

Consolidated cash flow statement

For the year ended 31 December 2015

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

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

Consolidated cash flow statement (continued)
For the year ended 31 December 2015

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

Consolidated cash flow statement (continued)
For the year ended 31 December 2015

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

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

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

Notes to the financial statements

1 Basis of Preparation and Principal Accounting Policies

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

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

1.1 Basis of Preparation

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

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

(A) AMENDMENTS TO EXISTING STANDARDS ADOPTED BY THE GROUP

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.1 Basis of Preparation (continued)

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

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

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

NOTES:

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

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

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

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

1.2 Consolidation

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

(A) SUBSIDIARIES

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(A) SUBSIDIARIES (continued)

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

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

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

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

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

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

(B) TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.2 Consolidation (continued)

(C) ASSOCIATED COMPANIES

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

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

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

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

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

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

(D) JOINT VENTURES

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

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

1 Basis of Preparation and Principal Accounting Policies *(continued)*

1.3 Segment Reporting

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

1.4 Foreign Currency Translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

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

(B) TRANSACTIONS AND BALANCES

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

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

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

(C) GROUP COMPANIES

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income.

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.4 Foreign Currency Translation (continued)

(C) GROUP COMPANIES (continued)

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

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

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

1.5 Property, Plant and Equipment

(A) LAND AND BUILDINGS

Freehold land is stated at cost less impairment.

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

(B) OTHER PROPERTY, PLANT AND EQUIPMENT

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

(C) DEPRECIATION AND IMPAIRMENT

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

The principal annual rates are as follows:

Leasehold land	shorter of lease term or useful life
Buildings and leasehold improvements	2% – 20%
Furniture, fixtures and equipment	6 $\frac{2}{3}$ % – 33 $\frac{1}{3}$ %
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 companies and joint ventures and is tested annually for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.6 Intangible Assets (continued)

(B) SYSTEM DEVELOPMENT, SOFTWARE AND OTHER LICENSE COSTS

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

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

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

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

(C) OTHER INTANGIBLE ASSETS

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

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.8 Discontinued Operations

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

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

1.9 Financial Assets

CLASSIFICATION

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

(A) Loans and Receivables

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

(B) Available-for-sale financial assets

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.9 Financial Assets (continued)

RECOGNITION AND MEASUREMENT

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

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

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

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

1.10 Impairment of Financial Assets

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

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.10 Impairment of Financial Assets (continued)

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

The Group first assesses whether objective evidence of impairment exists.

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

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

(B) ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE

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

1.11 Inventories

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.12 Trade and Other Receivables

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

1.13 Share Capital

Ordinary shares are classified as equity.

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

1.14 Cash and Cash Equivalents

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

1.15 Borrowings

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.16 Current and Deferred Tax

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

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

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

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

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

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

1.17 Employee Benefits

(A) EMPLOYEE LEAVE ENTITLEMENTS

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

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

(B) DISCRETIONARY BONUS

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(C) POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.17 Employee Benefits (continued)

(D) SHARE-BASED COMPENSATION

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

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

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

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

(E) SHARE-BASED PAYMENT TRANSACTIONS AMONG GROUP ENTITIES

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

1.18 Provisions

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.19 Contingent Liabilities and Contingent Assets

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

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

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

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

1.20 Total Margin

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

1.21 Core Operating Profit

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

1.22 Revenue Recognition

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

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.22 Revenue Recognition (continued)

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

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

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

1.23 Borrowing Costs

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

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

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

1.24 Operating Leases

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

1.25 Derivative Financial Instruments and Hedging Activities

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

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

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

1 Basis of Preparation and Principal Accounting Policies (continued)

1.25 Derivative Financial Instruments and Hedging Activities (continued)

(A) CASH FLOW HEDGE

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

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

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

(B) DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

1.26 Trade Payables

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

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

1.27 Dividend Distribution

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

1.28 Treasury Shares

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

1 Basis of Preparation and Principal Accounting Policies *(continued)*

1.29 Financial Guarantee Contract

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

2 Critical Accounting Estimates and Judgments

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

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

(A) Estimated Impairment of Intangible Assets including Goodwill

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

(B) Useful Lives of Intangible Assets

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

(C) Income Taxes

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

2 Critical Accounting Estimates and Judgments *(continued)*

(D) Contingent Considerations of Acquisitions

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

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

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

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

3 Segment Information

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

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

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

3 Segment Information (continued)

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

3 Segment Information (continued)

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

3 Segment Information (continued)

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

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

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

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

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

4 Operating Profit from Continuing Operations

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

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

* Excluded from the core operating profit

NOTE:

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

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

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

NOTE:

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

5 Interest Expenses from Continuing Operations

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

6 Taxation from Continuing Operations

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

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

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

NOTE:

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

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

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

7 Earnings/(Losses) per Share

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

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

8 Dividends and Distribution in Specie

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

NOTES:

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

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

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

9 Staff Costs including Directors' Emoluments for Continuing Operations

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

NOTE:

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

10 Directors' and Senior Management's Emoluments

(a) Five Highest Paid Individuals

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

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

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

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

(b) Senior Management's Emoluments

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

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

11 Intangible Assets

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

11 Intangible Assets (continued)

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

11 Intangible Assets (continued)

NOTES:

- (i) These are adjustments to purchase consideration payable for acquisitions and net asset values related to certain acquisitions of businesses in the prior year, which were previously determined on a provisional basis. During the measurement period of twelve months following a transaction, the Company recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Save as adjustments to goodwill and other intangible assets arising from business combination stated above, there were corresponding net adjustments to other assets/liabilities of approximately US\$404,000 (2014: US\$16,000) and no adjustment to purchase consideration payable for acquisitions (2014: US\$13,258,000).
- (ii) For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised) "Business Combination" being adopted by the Group, the changes in accrued contingent considerations determined based on post-acquisition performance were made against goodwill.

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

Impairment Test for Goodwill

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

A summary of goodwill by reporting segment is presented below.

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

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

12 Property, Plant and Equipment

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

12 Property, Plant and Equipment (continued)

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

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

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

13 Prepaid Premium for Land Leases

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

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

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

14 Associated Companies

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

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

15 Joint Venture

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

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

16 Available-for-sale Financial Assets

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

Available-for-sale financial assets include the following:

	2015 US\$'000	2014 US\$'000
Unlisted investments (<i>Note 38</i>)	3,854	3,709

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

17 Inventories

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

18 Due from/(to) Related Companies

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

NOTES:

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

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

19 Derivative Financial Instruments

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

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

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

20 Trade and Other Receivables

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

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

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

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

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

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

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

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

20 Trade and Other Receivables (continued)

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

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

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

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

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

20 Trade and Other Receivables (continued)

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

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

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

21 Cash and Cash Equivalents

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

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

22 Trade and Other Payables

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

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

22 Trade and Other Payables (continued)

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

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

23 Bank Borrowings

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

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

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

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

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

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

23 Bank Borrowings (continued)

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

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

24 Share Capital, Options and Award Shares

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

NOTE:

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

24 Share Capital, Options and Award Shares (continued)

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

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

NOTE:

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

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

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

24 Share Capital, Options and Award Shares (continued)

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

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

NOTES:

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

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

24 Share Capital, Options and Award Shares (continued)

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

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

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

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

25 Reserves

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

25 Reserves (continued)

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

NOTES:

- (i) Capital reserve represents amount set aside from the profit of certain overseas subsidiaries of the Group in accordance with local statutory requirements.
- (ii) During 2014, US\$3,000,000,000 contributed surplus was created by reduction of the share premium of the Company and US\$2,290,000,000 was distributed due to spin-off of Global Brands Group.
- (iii) Treasury share represents the excess share issued for settlement of consideration for certain prior year acquisitions held by the escrow agent and shares issued and purchased for Share Award Scheme held by the trustee.

26 Perpetual Capital Securities

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

27 Long-term Liabilities

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

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

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

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

27 Long-term Liabilities (continued)

The maturity of the financial liabilities is as follows:

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

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

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

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

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

28 Post-employment Benefit Obligations

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

NOTE:

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

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

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

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

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

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

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

28 Post-employment Benefit Obligations (continued)

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

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

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

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

28 Post-employment Benefit Obligations (continued)

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

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

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

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

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

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

(vii) Plan assets comprised:

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

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

28 Post-employment Benefit Obligations (continued)

(viii) Expected maturity analysis of benefit payments:

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

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

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

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

29 Deferred Taxation

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

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

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

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

29 Deferred Taxation (continued)

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

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

29 Deferred Taxation (continued)

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

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

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

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

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

30 Notes to the Consolidated Cash Flow Statement

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

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

30 Notes to the Consolidated Cash Flow Statement (continued)**(b) Analysis of Changes in Financing Activities During the Year**

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

30 Notes to the Consolidated Cash Flow Statement (continued)**(c) Distribution in Specie**

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

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

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

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

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

Analysis of net gain on distribution in specie:

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

31 Discontinued Operations

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

31 Discontinued Operations (continued)

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

	For the Period from 1 January 2014 to 8 July 2014 US\$'000
Turnover	1,393,940
Cost of sales*	(981,285)
Gross profit	412,655
Other income	32
Total margin	412,687
Selling and distribution expenses	(235,439)
Merchandising and administrative expenses	(240,469)
Core operating loss	(63,221)
Gain on remeasurement of contingent consideration payable	19,667
Amortization of other intangible assets	(25,801)
Professional fees for Spin-off	(11,860)
One-off reorganization costs for Spin-off	(16,880)
Other non-core operating expenses	(2,001)
Operating loss	(100,096)
Interest income	29
Interest expenses	
Non-cash interest expenses	(9,736)
Cash interest expenses	(6,852)
	(16,588)
Share of profits less losses of joint ventures	324
Loss before taxation	(116,331)
Taxation	17,206
Loss for the period	(99,125)
Net gain on distribution in specie (Note 8(b))	1,003
Net loss attributable to Shareholders of the Company	(98,122)

* Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of US\$782,598,000.

Details of other financial information of the Discontinued Operations for the period from 1 January 2014 to 8 July 2014 were set out in 2014 Annual Report.

32 Contingent Liabilities

	2015 US\$'000	2014 US\$'000
Guarantees in respect of banking facilities granted to:		
Associated companies	750	750

33 Commitments from Continuing Operations

(a) Operating Lease Commitments

The Continuing Operations leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 26 years. At 31 December 2015, the Continuing Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 US\$'000	2014 US\$'000
Within one year	139,170	157,535
In the second to fifth year inclusive	209,399	294,639
After the fifth year	119,010	128,321
	467,579	580,495

(b) Capital Commitments

	2015 US\$'000	2014 US\$'000
Contracted but not provided for:		
Property, plant and equipment	1,945	17,046
System development, software and other license costs	1,170	–
	3,115	17,046

34 Charges on Assets

Save as disclosed in *Note 12*, there were no charges on the assets and undertakings of the Group as at 31 December 2015 and 2014.

35 Related Party Transactions

The Continuing Operations had the following material transactions with its related parties during the year ended 31 December 2015 and 2014:

	<i>Note</i>	2015 US\$'000	2014 US\$'000
Distribution and sales of goods	<i>(i)</i>	28,128	11,612
Operating leases rental paid	<i>(ii)</i>	26,018	24,549
Turnover on buying agency services provided	<i>(iii)</i>	1,627,351	891,587
Rental and license fee paid	<i>(iv)</i>	2,287	3,190
Rental and license fee received	<i>(iv)</i>	3,464	2,027
Logistics-related services income	<i>(v)</i>	10,894	10,342

- (i) Pursuant to the master distribution and sales of goods agreement entered into on 5 December 2014 with FH (1937) for a term of three years ending 31 December 2017, certain distribution and sales of goods was made on mutually agreed normal commercial terms with FH (1937) and its associates.
- (ii) Pursuant to the master agreement for leasing of properties dated 6 December 2013 entered into with FH (1937) for a term of three years ending 31 December 2016, the Continuing Operations had rental charge for certain properties leased from FH (1937) and its associates during the period based on mutually agreed normal commercial terms.
- (iii) Pursuant to the buying agency agreement entered into with Global Brands Group on 24 June 2014, the Continuing Operations provided buying agency services to Global Brands Group and its associates for a term of three years from the listing date of Global Brands Group. For the year ended 31 December 2015, the Continuing Operations provided buying agency services to Global Brands Group with an aggregate turnover of approximately US\$1,627,351,000 (for the period from 9 July 2014 to 31 December 2014: US\$891,587,000).
- (iv) Pursuant to the master property agreement entered into with Global Brands Group on 24 June 2014, the Continuing Operations and Global Brands Group had rental and license fee to and from one another for certain properties and license offices, showroom and warehouse premises on mutually agreed terms from the listing date of Global Brands Group to 31 December 2016. For the year ended 31 December 2015, aggregate rental and license fee paid to and from one another approximated to US\$5,751,000 (for the period from 9 July 2014 to 31 December 2014: US\$5,217,000).
- (v) Pursuant to the master agreement for provision of logistics-related services entered into on 20 August 2015, the Continuing Operations provided certain logistics-related services to FH (1937) and its associates during the year. The aggregate service income, excluding the passed-through costs for direct freight forwarding, approximated to US\$10,894,000 (2014: US\$10,342,000).

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

During 2014, there were certain expenses incurred by FH (1937) and recharged to the Continuing Operations amounting to approximately US\$1,000,000.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in *Notes 10* and *40*.

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

36 Financial Risk Management

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

(a) Market Risk

(I) FOREIGN EXCHANGE RISK

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

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

At 31 December 2015, if the major foreign currencies, such as Euro dollar and Sterling Pound, to which the Group had exposure had strengthened/weakened by 10% (2014: 10%) against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 2.2% (2014: 2.0%) and 3.5% (2014: 3.7%) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables, borrowings and intangible assets.

(II) PRICE RISK

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

At 31 December 2015 and up to the report date of the financial statements, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies. At 31 December 2015, the fair value of foreign exchange forward contracts entered into by the Group amounted to US\$4,272,000 (2014: US\$11,323,000), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments assets.

(III) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

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

At 31 December 2015, if the variable interest rates on the bank borrowings had been 0.1% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US\$1,273,000 (2014: US\$811,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

36 Financial Risk Management (continued)

(b) Credit Risk

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

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

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

- (i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing at the trade terms with individual customers. It is not uncommon that the Group requires securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers that fall short of the required minimum score under its Risk Assessment System;
- (ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;
- (iii) It has in place a close monitoring system with a dedicated team to ensure on-time recoveries from its trade debtors; and
- (iv) Internally it has set up rigid policies on provision made for both inventories and receivables to motivate its business managers to step up efforts in these two areas so as to avoid any significant impact on their financial performance.

The Group's five largest customers of the Continuing Operations, in aggregate, account for 36% of the Continuing Operation's business. Transactions with these customers are entered into within the credit limits designated by the Group.

Except for trade receivables of US\$35,252,000 (2014: US\$22,556,000) and other receivables of US\$11,316,000 (2014: US\$29,401,000), which were considered impaired and fully provided, none of the other financial assets including available-for-sale financial assets (*Note 16*), due from related companies (*Note 18*) and other receivables and deposits (*Note 20*) are considered impaired as there is no recent history of default of the counterparties. The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

36 Financial Risk Management (continued)

(c) Liquidity Risk

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

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents (*Note 21*)) on the basis of expected cash flow.

The table below analyzes the liquidity impact of the Group's non-derivative financial liabilities (including annual coupons payable for the long-term notes) into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. These amounts will not reconcile to the amounts disclosed on the consolidated balance sheet and in *Note 27* for long-term liabilities.

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000
At 31 December 2015				
Long-term bank loans	–	100,000	–	–
Purchase consideration payable for acquisitions	87,433	70,271	94,538	–
Long-term notes – unsecured	66,875	553,125	848,438	–
Trade and bills payable	2,464,785	–	–	–
Accrued charges and sundry payables	601,129	–	–	–
Financial guarantee contract	750	–	–	–
Due to related companies	1,038	–	–	–
Bank advances for discounted bills	33,681	–	–	–
Short-term bank loans	95,819	–	–	–
At 31 December 2014				
Long-term bank loans	–	17,000	–	–
Purchase consideration payable for acquisitions	134,661	89,145	250,177	–
Long-term notes – unsecured	66,875	66,875	631,875	769,688
Trade and bills payable	2,561,172	–	–	–
Accrued charges and sundry payables	692,427	–	–	–
Financial guarantee contract	750	–	–	–
Due to related companies	48	–	–	–
Bank advances for discounted bills	33,834	–	–	–
Short-term bank loans	162,850	–	–	–

All of the Group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of US\$212,734,000 (2014: US\$205,935,000) and undiscounted contractual cash outflows of US\$208,742,000 (2014: US\$194,893,000).

37 Capital Risk Management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term bank loans (*Note 23*), long-term bank loans (*Note 23*) and long-term notes (*Note 27*) less cash and cash equivalents (*Note 21*)). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

The Group's strategy is to maintain a gearing ratio not exceeding 35%. The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 US\$'000	2014 US\$'000
Long-term bank loans (<i>Note 23</i>)	100,000	17,000
Short-term bank loans (<i>Note 23</i>)	95,819	162,850
Long-term notes (<i>Note 27</i>)	1,253,823	1,254,369
	1,449,642	1,434,219
Less: Cash and cash equivalents (<i>Note 21</i>)	(342,243)	(538,529)
Net debt	1,107,399	895,690
Total equity	3,010,166	3,110,078
Total capital	4,117,565	4,005,768
Gearing ratio	27%	22%

38 Fair Value Estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets				
Available-for-sale financial assets (<i>Note 16</i>)				
– Club debentures	–	–	3,854	3,854
Derivative financial instrument used for hedging (<i>Note 19</i>)	–	4,272	–	4,272
Total Assets	–	4,272	3,854	8,126
Liabilities				
Purchase consideration payable for acquisitions	–	–	242,502	242,502
Total Liabilities	–	–	242,502	242,502

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

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets				
Available-for-sale financial assets (<i>Note 16</i>)				
– Club debentures	–	–	3,709	3,709
Derivative financial instrument used for hedging (<i>Note 19</i>)	–	11,323	–	11,323
Total Assets	–	11,323	3,709	15,032
Liabilities				
Purchase consideration payable for acquisitions	–	–	458,080	458,080
Total Liabilities	–	–	458,080	458,080

38 Fair Value Estimation (continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING

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

PURCHASE CONSIDERATION PAYABLE FOR ACQUISITIONS

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

38 Fair Value Estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2015 and 2014.

	2015		2014	
	Purchase Consideration Payable for Acquisitions US\$'000	Others US\$'000	Purchase Consideration Payable for Acquisitions US\$'000	Others US\$'000
Opening balance	458,080	3,709	1,397,999	6,333
Continuing Operations				
Fair value gains	-	126	-	40
Additions	-	-	76,609	-
Settlement	(102,268)	-	(210,766)	-
Remeasurement of contingent consideration payable	(116,973)	-	(176,007)	-
Others	3,663	19	9,372	-
Discontinued Operations				
Additions	-	-	60,227	-
Settlement	-	-	(69,306)	-
Remeasurement of contingent consideration payable	-	-	(19,667)	-
Others	-	-	18,464	-
Distribution in specie	-	-	(628,845)	(2,664)
Closing balance	242,502	3,854	458,080	3,709
Total gain for the year included in profit or loss of Continuing Operations	(116,973)	-	(176,007)	-

39 Balance Sheet and Reserve Movement of the Company

Balance Sheet of the Company

	Note	As at 31 December	
		2015 US\$'000	2014 US\$'000
Non-current Assets			
Interests in subsidiaries		1,339,604	1,339,604
Current Assets			
Due from subsidiaries		4,182,044	4,327,309
Other receivables, prepayments and deposits		139	499
Cash and bank balances		5,808	1,439
		4,187,991	4,329,247
Current Liabilities			
Accrued charges and sundry payables		9,464	9,457
		9,464	9,457
Net Current Assets		4,178,527	4,319,790
Total Assets Less Current Liabilities		5,518,131	5,659,394
Financed by:			
Share capital		13,487	13,398
Reserves	(a)	3,747,821	3,888,627
Shareholders' funds		3,761,308	3,902,025
Holders of perpetual capital securities		503,000	503,000
Total Equity		4,264,308	4,405,025
Non-current Liabilities			
Long-term notes		1,253,823	1,254,369
		5,518,131	5,659,394

William Fung Kwok Lun
Group Chairman

Spencer Theodore Fung
Group Chief Executive Officer

39 Balance Sheet and Reserve Movement of the Company (continued)**(a) Reserve Movement of the Company**

	Share Premium US\$'000	Treasury Share US\$'000 (Note 25 (iii))	Contribution Surplus US\$'000 (Note (i))	Employee Share-based Compensation Reserve US\$'000	Retained Earnings US\$'000	Total US\$'000
Balance at 1 January 2015	699,476	(6,739)	974,189	37,049	2,184,652	3,888,627
Profit for the year	-	-	-	-	287,309	287,309
Issue of shares for Share Award Scheme	-	(89)	-	-	-	(89)
Purchase of shares for Share Award Scheme	-	(7,300)	-	-	-	(7,300)
Employee Share Option and Share Award Scheme:						
– value of employee services	-	-	-	23,583	-	23,583
– vesting of shares for Share Award Scheme	5,142	828	-	(5,970)	-	-
2014 final and special dividend paid	-	-	-	-	(303,388)	(303,388)
2015 interim dividend paid	-	-	-	-	(140,921)	(140,921)
Balance at 31 December 2015	704,618	(13,300)	974,189	54,662	2,027,652	3,747,821
Balance at 1 January 2014	3,699,476	(6,739)	264,189	36,821	566,889	4,560,636
Profit for the year	-	-	-	-	2,124,700	2,124,700
Employee Share Option Scheme:						
– value of employee services	-	-	-	228	-	228
Share premium reduction	(3,000,000)	-	3,000,000	-	-	-
2013 final dividend paid	-	-	-	-	(366,779)	(366,779)
2014 interim dividend paid	-	-	-	-	(140,158)	(140,158)
Distribution in specie	-	-	(2,290,000)	-	-	(2,290,000)
Balance at 31 December 2014	699,476	(6,739)	974,189	37,049	2,184,652	3,888,627

NOTE:

(i) The contribution surplus of the Company represents:

- (1) The difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Li & Fung (B.V.I.) Limited and the value of net assets of the underlying subsidiaries acquired as at 2 June 1992 amounting to US\$14,232,000. At Group level, the amount is reclassified into its components of reserves of the underlying subsidiaries.
- (2) The difference between the issue price and the nominal value of the Company's shares issued in connection with the acquisition of Colby in 2000 amounting to US\$249,957,000. At Group level, the amount is set off against goodwill arising from the acquisition.
- (3) During 2014, US\$3,000,000,000 contributed surplus was created by reduction of the share premium of the Company. Contributed surplus of US\$2,290,000,000 was then distributed as a result of the spin-off of Global Brands Group.

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' and Chief Executive's Emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Name of Director	Emoluments Paid or Receivable in Respect of a Person's Services as a Director, Whether of the Company or its Subsidiary Undertaking:									Total US\$'000
	Fees US\$'000	Salary US\$'000	Discretionary Bonuses US\$'000 (Note (i))	Housing Allowance US\$'000	Share Options/ Award Shares Gain US\$'000 (Note (v))	Estimated Money Value of Other Benefits US\$'000 (Note (iii))	Employer's Contribution to a Retirement Benefit Scheme US\$'000	Remunerations Paid or Receivable in respect of Accepting Office as Director US\$'000	Emoluments Paid or Receivable in respect of Director's Other Services in Connection with the Management of the Affairs of the Company or its Subsidiary Undertaking US\$'000	
Executive Directors										
William Fung Kwok Lun	39	618	2,358	-	-	-	-	-	-	3,015
Spencer Theodore Fung	39	703	2,331	-	61	-	2	-	-	3,136
Marc Robert Compagnon	39	639	3,143	-	52	43	2	-	-	3,918
Non-executive Directors										
Victor Fung Kwok King	61	-	-	-	-	-	-	-	-	61
Paul Edward Selway-Swift	64	-	-	-	-	-	-	-	-	64
Allan Wong Chi Yun	71	-	-	-	-	-	-	-	-	71
Franklin Warren McFarlan (Note (iv))	27	-	-	-	-	-	-	-	-	27
Martin Tang Yue Nien	64	-	-	-	-	-	-	-	-	64
Margaret Leung Ko May Yee	64	-	-	-	-	-	-	-	-	64

NOTES:

(i) The discretionary bonuses paid in 2015 were in relation to performance and services for 2014.

(ii) Other benefits include mortgage interest subsidy and club membership.

(iii) During the year, no Share (2014: Nil) was issued to any directors of the Company under the 2003 Option Scheme and 2014 Option Scheme.

(iv) Retired as Independent Non-executive Director of the Company with effect from 21 May 2015.

(v) Share Options/Award Shares gain is determined based on the market price at the exercise/vesting date.

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(a) Directors' and Chief Executive's Emoluments (continued)

For the year ended 31 December 2014:

Name of Director	Emoluments Paid or Receivable in Respect of a Person's Services as a Director, Whether of the Company or its Subsidiary Undertaking:										Total US\$'000
	Fees US\$'000	Salary US\$'000	Discretionary Bonuses US \$'000 (Note (i))	Housing Allowance US\$'000	Share Options/ Award Shares Gain US\$'000	Estimated Money Value of Other Benefits US\$'000 (Note (ii))	Employer's Contribution to a Retirement Benefit Scheme US\$'000	Remunerations Paid or Receivable in respect of Accepting Office as Director US\$'000	Emoluments Paid or Receivable in respect of Director's Other Services in Connection with the Management of the Affairs of the Company or its Subsidiary Undertaking US\$'000		
Executive Directors											
William Fung Kwok Lun	39	616	2,512	-	-	-	2	-	-	-	3,169
Bruce Philip Rockowitz (Note (iii))	20	282	5,557	-	-	14	1	-	-	-	5,874
Spencer Theodore Fung	39	648	1,058	-	-	-	2	-	-	-	1,747
Marc Robert Compagnon (Note (iv))	20	600	4,045	-	-	46	2	-	-	-	4,713
Non-executive Directors											
Victor Fung Kwok King	65	-	-	-	-	-	-	-	-	-	65
Paul Edward Selway-Swift	69	-	-	-	-	-	-	-	-	-	69
Allan Wong Chi Yun	68	-	-	-	-	-	-	-	-	-	68
Franklin Warren McFarlan	64	-	-	-	-	-	-	-	-	-	64
Martin Tang Yue Nien	64	-	-	-	-	-	-	-	-	-	64
Benedict Chang Yew Teck (Note (v))	16	-	-	-	-	-	-	-	-	-	16
Fu Yuning (Note (vi))	58	-	-	-	-	-	-	-	-	-	58
Margaret Leung Ko May Yee	59	-	-	-	-	-	-	-	-	-	59

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(a) Directors' and Chief Executive's Emoluments (continued)

For the year ended 31 December 2014: (continued)

NOTES:

- (i) The discretionary bonuses paid in 2014 were in relation to performance and services for 2013.
- (ii) Other benefits include mortgage interest subsidy and club membership.
- (iii) Resigned as Executive Director of the Company with effect from 1 July 2014.
- (iv) Appointed as Executive Director of the Company with effect from 1 July 2014.
- (v) Retired as Non-executive Director of the Company with effect from 15 May 2014.
- (vi) Resigned as Independent Non-executive Director of the Company with effect from 31 December 2014.

As at 31 December 2015, certain Directors held the following Share Options to acquire Shares of the Company:

No. of Share Options	Exercise Price	Exercisable Period
16,000,000 (2014: 18,000,000)	HK\$12.12 ¹	Exercisable in eight equal tranches during the period from 1/5/2014 to 30/4/2023 with each tranche having an exercisable period of two years
16,023,000 (2014: Nil)	HK\$7.49	Exercisable in three equal tranches during the period from 1/1/2016 to 31/12/2019 with each tranche having an exercisable period of two years

NOTE:

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

The closing market price of the Shares as at 31 December 2015 was HK\$5.27.

40 Benefits and Interests of Directors (Disclosures Required by Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(b) Directors' Termination Benefits

No termination benefits was provided to or receivable by any director during the year as compensation for the early termination of appointment (2014: None).

(c) Consideration Provided to Third Parties for Making Available Directors' Services

No consideration was provided to or receivable by third parties for making available directors' services (2014: None).

(d) Information about Loans, Quasi-loans and Other Dealings in Favour of Directors, Controlled Bodies Corporate by and Connected Entities with Such Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2014: None).

(e) Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

41 Approval of Financial Statements

The financial statements were approved by the Board of Directors on 17 March 2016.

42 Principal Subsidiaries, Associated Companies and Joint Venture

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Held Directly				
(2)	Integrated Distribution Services Group Limited	Bermuda	Ordinary US\$12,000	100	Investment holding
(2)	LF Centennial Limited	British Virgin Islands	Ordinary US\$50,000	100	Investment holding
(2)	LF Credit Limited	Bermuda	Ordinary US\$12,000	100	Investment holding
(1)	Li & Fung (B.V.I.) Limited	British Virgin Islands	Ordinary US\$400,010	100	Marketing services and investment holding
	Held Indirectly				
	888 UK Limited	England	Ordinary GBP100	100	Service company
(2)	AGI Logistics Foreign Holdings LLC	U.S.A.	Capital contribution US\$1	100	Investment holding
	Algretha Solutions Limited	England	Ordinary GBP10,527	100	Sale and distribution of security products
(2)	Appleton Holdings Ltd.	British Virgin Islands	Ordinary US\$1	100	Investment holding
	B.G.S. Limited	Thailand	Ordinary Baht 288,000 Preference Baht 712,000	100	Marketing and distribution of healthcare products
	Black Cat Fireworks Limited	England	Ordinary GBP15,500,000	100	Wholesaling
(2)	Bond Medical Company Limited	Macau	MOP\$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Bossini Fashion GmbH	Germany	EUR468,000	100	Importer
	BS Direct Limited	Hong Kong	Ordinary HK\$2	100	Export trading
	C Group US LLC	U.S.A.	Capital contribution US\$1,000	100	Marketing services
	Camberley Enterprises Limited	Hong Kong	Ordinary HK\$250,000	100	Manufacturing and trading
	Camberley Trading Service (Shenzhen) Limited	The People's Republic of China	RMB1,500,000	100	Export trading services
				foreign-owned enterprise	
(2)	Catalyst Direct Sarl	France	Ordinary EUR10,000	100	Wholesaling
(2)	Catalyst Tags Inc.	U.S.A.	Common stock US\$10,000	100	Distribution
(2)	Centennial (Luxembourg) S.a.r.l.	Luxembourg	EUR8,931,250	100	Investment holding
	Character Direct Limited	Hong Kong	Ordinary HK\$2	100	Design and marketing
	Chuan Jui Chuan Logistics Co., Ltd.	Taiwan	NT\$25,000,000	100	Transportation
	Chuan Jui Fu Logistics Co., Ltd.	Taiwan	NT\$25,000,000	100	Transportation
(2)	Colby Group Holdings Limited	British Virgin Islands	Ordinary US\$45,000	100	Investment holding
(2)	Colby Property Holdings Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
	Comet Feuerwerk GmbH	Germany	EUR1,000,000	100	Fireworks wholesaling
	Concept 3 Limited	Hong Kong	Ordinary HK\$2	100	Investment holding
(2)	Covo Design (Dongguan) Co., Ltd.	The People's Republic of China	US\$4,000,000	100	Sample production and export trading services
				foreign-owned enterprise	

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	Crimzon Rose Accessories (Shenzhen) Co. Ltd.	The People's Republic of China	HK\$1,500,000	100 foreign-owned enterprise	Wholesaling
	Definitive Sourcing (India) Private Limited	India	Rs100,000	100	Buying services for sourcing goods
(2)	Direct Sourcing Group Holdings Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
(2)	Direct Sourcing Group Investment Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
	Direct Sourcing Group Pte. Ltd.	Singapore	Ordinary S\$10,000	100	Export trading
	Dodwell (Mauritius) Limited	Hong Kong	Ordinary "A" HK\$300,000 Ordinary "B" HK\$200,000	60	Export trading
	Dodwell (Singapore) Pte. Ltd.	Singapore	Ordinary S\$200,000	100	Export trading
(2)	Dongguan LF Beauty Manufacturing Services Limited	The People's Republic of China	HK\$11,220,000	100 foreign-owned enterprise	Trading and manufacturing
(2)	Dongguan LF Products Trading Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Sample design and export trading services
(2)	DSG (Bangladesh) Limited	Bangladesh	Ordinary TK\$3,750,000	100	Export trading services
	DSG (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Export trading services
	DSG (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
(2)	DSG (US) Inc.	U.S.A.	Common stock US\$1	100	Sourcing service
	DSG Services Pte. Ltd.	Singapore	Ordinary S\$10,000	100	Export trading services
(2)	Empire Knight Group Limited	British Virgin Islands	Ordinary US\$1	100	Property investment
(2)	Far East Logistics (Shenzhen) Co. Ltd.	The People's Republic of China	HK\$1,500,000	100 foreign-owned enterprise	Wholesaling
	Fenix Fashion Limited	Hong Kong	Ordinary HK\$1	100	General trading of merchandise
(2)	Fleet Company Limited	Macau	MOP\$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Four Star Company Limited	Macau	MOP\$100,000	100	Distribution of medical and pharmaceutical products and medical equipment

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	Four Star Construction and Engineering Company Limited	Macau	MOP\$25,000	100	Distribution of medical and pharmaceutical products and medical equipment
(2)	GB Apparel Limited	England	Ordinary GBP1,000	100	Investment holding
	GMR (Hong Kong) Limited	Hong Kong	Ordinary HK\$2	100	Export trading
(2)	Golden Gate Fireworks Inc.	U.S.A.	Common stock US\$600,000	100	Commission agent and investment holding
	Golden Horn N.V.	Curacao	US\$6,100	100	Investment holding
	Goodwest Enterprises Limited	Hong Kong	Ordinary HK\$2	100	Export trading
	GSCM (HK) Limited	Hong Kong	Ordinary HK\$140,000	100	Export trading
	GSCM LLC	U.S.A.	Capital contribution US\$1	100	Trading of apparel
	Hanson Im-und Export GmbH	Germany	EUR26,000	100	Wholesaling
(2)	Homeworks (Europe) B.V.	The Netherlands	Ordinary EUR18,000	100	Export trading
	Homeworks Asia Limited	Hong Kong	Ordinary HK\$2	100	Export trading
	HTL Fashion (UK) Limited	England	Ordinary GBP1	100	Design and export trading
	HTL Fashion Hazir Giyim Sanayi ve Ticaret Limited Sirketi	Turkey	YTL25,000	100	Manufacturing
	HTP Fashion Limited	Hong Kong	Ordinary HK\$1	100	Manufacturing and trading
(2)	Icare Health Care Company Ltd.	Macau	MOP\$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	IDS Corporate Services (S) Pte. Ltd.	Singapore	Ordinary S\$24,700	100	Investment holding, distribution and provision of services including management services
(2)	IDS Group Limited	British Virgin Islands	Ordinary US\$949,165	100	Investment holding
(2)	IDS International (Shanghai) Co., Ltd.	The People's Republic of China	RMB5,500,000	100	Freight forwarders and other logistics services
				foreign-owned enterprise	
(2)	IDS International USA Inc.	U.S.A.	Common stock US\$1	100	Logistics and supply chain management
	IDS Manufacturing Sdn. Bhd.	Malaysia	Ordinary RM23,000,000	100	Manufacturing of pharmaceutical, foods and toiletries products
	Imagine POS Limited	Hong Kong	Ordinary "A" HK\$2,000,000 Ordinary "B" HK\$757,471	100	Export trading

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	Imagine POS UK Limited	England	Ordinary GBP100	100	Cosmetic estate management services
	International Sources Trading Limited	Hong Kong	Ordinary HK\$2	100	Export trading
	Jackel Cosmetics Limited	Hong Kong	Class "A" HK\$9,950,645 Class "B" non-voting HK\$13,890	100	Export trading
(2)	Jackel France SAS	France	Ordinary EUR37,500	100	Export trading
	Jackel International (Asia) Limited	Hong Kong	Ordinary "A" HK\$346,500 Ordinary "B" HK\$86,850	100	Export trading
(2)	Jackel International Europe SAS	France	Ordinary EUR105,000	100	Export trading
	Jackel, Inc.	U.S.A.	Class "A" voting common stock US\$1 Class "B" non-voting common stock US\$99	100	Export trading
	JDH Marketing (Thailand) Limited	Thailand	Ordinary Baht 210,000,000	100	Marketing and distribution of healthcare products
	JV Cosmetics Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	Export trading
	Kariya Industries Limited	Hong Kong	Ordinary HK\$1,000,000	100	Manufacturing and trading
	Lenci Calzature SpA	Italy	Equity shares EUR206,400	100	Design, marketing and sourcing
	LF (Philippines), Inc.	The Philippines	Common shares Pesos 21,000,000	100	Distribution of consumer products and provision of logistics services
(2)	LF Asia (Borneo) Sdn Bhd	Brunei Darussalam	Ordinary B\$3,000,000	70	General merchandising, shipping and insurance agency
	LF Asia (Hong Kong) Limited	Hong Kong	Ordinary HK\$146,000,000	100	Distribution of consumer and pharmaceutical products
	LF Asia (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM14,231,002	100	Distribution of consumer and pharmaceutical products
(2)	LF Asia (Philippines), Inc.	The Philippines	Common shares Peso 11,983,140	100	Distribution and logistics
	LF Asia (Singapore) Pte. Ltd.	Singapore	Ordinary S\$300,000 Preference S\$68,000	100	Distribution of healthcare products
	LF Asia (Thailand) Limited	Thailand	Ordinary Baht 16,000,000 Preference Baht 5,500,000 25% paid up	100	Distribution of consumer and pharmaceutical products
	LF Asia Distribution (Taiwan) Limited	Hong Kong	Ordinary HK\$1	100	Distribution of consumer products
	LF Asia Management Limited	Hong Kong	Ordinary HK\$10,000	100	Provision of management and consultancy services
	LF Asia Marketing (Malaysia) Sdn. Bhd.	Malaysia	Ordinary RM1,000,000	100	Distribution of consumer products

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	LF Asia Sebor (Sabah) Holdings Sdn. Bhd.	Malaysia	Ordinary RM11,000,000	60	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sabah) Sdn. Bhd.	Malaysia	Ordinary RM9,850,000	60	Distribution of consumer products
(2)	LF Asia Sebor (Sarawak) Holdings Sdn. Bhd.	Malaysia	Ordinary RM9,503,333	67.09	Investment holding, provision of management and warehousing services
(2)	LF Asia Sebor (Sarawak) Sdn. Bhd.	Malaysia	Ordinary RM5,000,000	67.09	Distribution of consumer products
(2)	LF Beauty (Shenzhen) Limited	The People's Republic of China	HK\$8,500,000	100 foreign-owned enterprise	Export trading services
	LF Beauty (Thailand) Ltd. (formerly known as IDS Manufacturing Limited)	Thailand	Ordinary Baht 469,500,000	100	Manufacturing of household, pharmaceutical and personal care products
	LF Beauty (UK) Limited	England	Ordinary GBP100	100	Design, marketing and manufacturing
	LF Beauty Inc.	U.S.A.	Common stock US\$1	100	Investment holding
	LF Beauty Limited	Hong Kong	Ordinary HK\$1	100	Export trading
(2)	LF Beauty Manufacturing China Co. Ltd (formerly known as JV Cosmetics (Dongguan) Co. Ltd.)	The People's Republic of China	HK\$105,000,000	100 foreign-owned enterprise	Manufacturing and trading
	LF Centennial Pte. Ltd.	Singapore	Ordinary S\$100,000	100	Export trading services
	LF Centennial Services (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Export trading services
(2)	LF Corporate Capital (I) Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
	LF Credit Pte. Ltd.	Singapore	Ordinary S\$1,000,000	100	Provision of trade-related credit services
	LF Distribution Holding Inc.	U.S.A.	Common stock US\$1	100	Investment holding
(2)	LF Distribution Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
	LF Distribution International Holding Limited	Hong Kong	Ordinary US\$1	100	Investment holding
	LF Distribution International Inc.	U.S.A.	Common stock US\$1	100	Investment holding
(2)	LF Distribution Limited	Bermuda	Ordinary US\$100	100	Investment holding
	LF Europe (Germany) Services GmbH	Germany	EUR25,000	100	Provision of accounting services
	LF Europe Limited	England	Ordinary GBP26,788,000	100	Investment holding
	LF Fashion (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Export trading services
	LF Fashion Pte. Ltd.	Singapore	Ordinary S\$10,000	100	Export trading

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	LF Fashion Service Pte. Ltd.	Singapore	Ordinary S\$10,000	100	Export trading
	LF Freight (Hong Kong) Limited	Hong Kong	Ordinary HK\$2	100	Provision of supply chain management services
	LF Home Limited	Hong Kong	Ordinary HK\$2	100	Export trading
(2)	LF International Inc.	U.S.A.	Common stock US\$30,002	100	Investment management
	LF Logistics (Bangladesh) Limited	Bangladesh	Ordinary TK\$10,000,000	100	Freight forwarding
	LF Logistics (Cambodia) Limited	Cambodia	Ordinary Riels 20,000,000	100	Freight forwarding and other logistics services
	LF Logistics (China) Co., Ltd.	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
(2)	LF Logistics (Guangzhou) Co., Ltd.	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Provision of Freight forwarders and other logistics services
	LF Logistics (Hong Kong) Limited	Hong Kong	Ordinary HK\$10,000	100	Provision of logistics services
(2)	LF Logistics (India) Private Limited	India	Ordinary Rs15,000,000	100	Logistics, supply chain management and freight forwarding
	LF Logistics (Taiwan) Limited	Hong Kong	Ordinary HK\$200	100	Provision of logistics and packaging services
	LF Logistics (Thailand) Limited	Thailand	Ordinary Baht 307,750,000	100	Provision of logistics services
	LF Logistics (UK) Limited	England	Ordinary GBP50,000	100	Provision of logistics services
(2)	LF Logistics Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
	LF Logistics Holdings (UK) Limited	England	Ordinary GBP1	100	Investment holding
(2)	LF Logistics Korea Limited	Korea	Common stock KRW300,000,000	100	Provision of logistics services
(2)	LF Logistics Limited	Bermuda	Ordinary US\$100	100	Investment holding
	LF Logistics Management Limited	Hong Kong	Ordinary HK\$2	100	Provision of management and consultancy services
(2)	LF Logistics Pakistan (Private) Limited	Pakistan	Ordinary Rs5,000,000	100	Freight forwarders and other logistics services
	LF Logistics Services (M) Sdn. Bhd.	Malaysia	Ordinary RM2,000,000	100	Provision of logistics services
	LF Logistics Services Pte. Ltd.	Singapore	Ordinary S\$28,296,962	100	Provision of logistics services
(2)	LF Logistics USA LLC (formerly known as LF Freight (USA) LLC)	U.S.A.	Capital contribution US\$1	100	Freight forwarders and other logistics services
	LF Men's Group LLC	U.S.A.	Capital contribution US\$1	100	Wholesaling
	LF Performance Services Sdn. Bhd.	Malaysia	Ordinary RM250,000	70	House Royal Custom's bonded warehouse licence
	LF Products (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Provision of management support services

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
	LF Products (Shanghai) Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Export, import and domestics trading
	LF Products Pte. Ltd.	Singapore	Ordinary S\$10,000	100	Export trading
	LF Sourcing (Millwork) LLC	U.S.A.	Capital contribution US\$1	100	Sourcing and export trading
	LF Sourcing Sportswear LLC	U.S.A.	Capital contribution US\$1	100	Wholesaling
(2)	Li & Fung (Australia) Proprietary Limited	Australia	Ordinary AUD1	100	Marketing liaison
	Li & Fung (Bangladesh) Limited	Bangladesh	Ordinary TK\$9,500,000	100	Export trading services
(2)	Li & Fung (Brasil) Trading, Importacao E Exportacao Ltda	Brazil	Common shares R\$333,559	100	Service provider
	Li & Fung (Cambodia) Limited	Cambodia	Ordinary Riels 120,000,000	100	Export trading services
(2)	Li & Fung (Chile) Limitada	Chile	Chilean Pesos \$5,500,000	100	Export trading
	Li & Fung (Europe) Holding Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Exports) Limited	Hong Kong	Ordinary HK\$10,000 Non-voting deferred HK\$8,600,000	100	Investment holding
(2)	Li & Fung (Guatemala) S.A.	Guatemala	Nominative shares Q5,000	100	Export trading services
(2)	Li & Fung (Honduras) Limited	Honduras	Nominative common shares Lps25,000	100	Export trading services
	Li & Fung (India) Private Limited	India	Equity shares Rs64,000,200	100	Export trading services
	Li & Fung (Korea) Limited	Korea	Common stock KRW200,000,000	100	Export trading services
(2)	Li & Fung (Mauritius) Limited	Mauritius	"A" Shares Rs750,000 "B" Shares Rs500,000	60	Export trading services
(2)	Li & Fung (Morocco) SARL	Morocco	Ordinary Dirhams10,000	100	Export trading services
(2)	Li & Fung (Nicaragua), Sociedad Anonima	Nicaragua	Nominative shares C\$50,000	100	Export trading
	Li & Fung (Philippines) Inc.	The Philippines	Common shares Peso 1,000,000	100	Export trading services
(2)	Li & Fung (Portugal) Limited	England	Ordinary GBP100	100	Investment holding
	Li & Fung (Singapore) Private Limited	Singapore	Ordinary S\$25,000	100	Export trading services
	Li & Fung (Taiwan) Limited	Taiwan	NT\$63,000,000	100	Sourcing and inspection
	Li & Fung (Thailand) Limited	Thailand	Ordinary Baht 20,000,000	100	Export trading services
	Li & Fung (Trading) Limited	Hong Kong	Ordinary HK\$200 Non-voting deferred HK\$10,000,000	100	Export trading services and investment holding
	Li & Fung (Vietnam) Limited	Vietnam	Charter capital US\$800,000	100	Export trading services
	Li & Fung Agencia de Compras em Portugal, Limitada	Portugal	EUR99,759.58	100	Export trading services

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	Li & Fung Mexico S.A. de C.V. (formerly known as Direct SG Mexico Limited S.A. de C.V.)	Mexico	Nominative common shares MXP150,000	100	Service and import trading
	Li & Fung Mumessillik Pazarlama Limited Sirketi	Turkey	YTL45,356,100	100	Export trading services
	Li & Fung Pakistan (Private) Limited	Pakistan	Ordinary Rs10,000,000	100	Export trading services
	Li & Fung South Africa (Proprietary) Limited	South Africa	Ordinary Rand 100	100	Export trading services
	Li & Fung Taiwan Holdings Limited	Taiwan	NT\$287,996,000	100	Investment holding
	Li & Fung Trading (China) Holding Limited (formerly known as Dana International Limited)	Hong Kong	Ordinary HK\$2	100	Investment holding
(2)	Li & Fung Trading (Italia) S.r.l.	Italy	EUR100,000	100	Export trading services
	Li & Fung Trading (Shanghai) Limited	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Export trading
(2)	Li & Fung Trading Service (Guangzhou) Limited	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shanghai) Company Limited	The People's Republic of China	US\$6,000,000	100 foreign-owned enterprise	Export trading services
	Li & Fung Trading Service (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services
	Lighthouse Asia Limited	Hong Kong	Ordinary HK\$10,000	100	Investment holding
	Lion Rock (Hong Kong) Limited	Hong Kong	Ordinary HK\$10,000	100	Investment holding
	Lion Rock Far East (1972) Limited	Hong Kong	Ordinary HK\$20	100	Investment holding
	Lion Rock International Trading & Co.	Hong Kong	Capital contribution HK\$3,000,000	100	Provision of management services
	Lion Rock Services (Far East) & Co.	Hong Kong	Capital contribution HK\$17,000,000	100	Merchandising agent
	Lion Rock Services (Switzerland) AG	Switzerland	CHF3,400,000	100	Export trading services
	Lloyd Textile Trading Limited	Hong Kong	Ordinary HK\$1,000,000	100	Manufacturing and trading
	Lornamead Acquisitions Limited	England	Ordinary GBP1,000	100	Investment holding
	Lornamead GmbH	Germany	EUR25,000	100	Manufacturing of perfumes and toilet preparations
	Lornamead Group Limited	England	Ordinary GBP1,000	100	Investment holding
	Lornamead Inc.	U.S.A.	Common stock US\$26,824.8975	100	Wholesaling
	Lornamead UK Limited	England	Ordinary GBP100	100	Manufacture of perfumes and toilet preparations
	Material Sourcing (HK) Limited	Hong Kong	Ordinary HK\$1	100	Export trading

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	Mercury (BVI) Holdings Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
	Meredith Associates Limited	Hong Kong	Ordinary US\$1,327,932	100	Investment holding
	Mighty Hurricane Holdings Inc.	U.S.A.	Common stock of US\$100	100	Wholesaling
	Miles Fashion Asia Pte. Ltd.	Singapore	Ordinary S\$1	100	Export trading
	Miles GmbH (formerly known as Miles Fashion GmbH)	Germany	EUR11,000,000	100	Importer
	Miles Fashion Group France EURL	France	EUR10,000	100	Wholesaling
(2)	Miles Fashion USA, Inc.	U.S.A.	Common stock US\$1,000	100	Importer
	Millwork Holdings Co., Inc.	U.S.A.	Common stock US\$1	100	Investment holding
	Modium Konfeksiyon Sanayi ve Ticaret Anonim Sirketi	Turkey	A Shares YTL2,249,975 B Shares YTL25	100	Manufacturing
	Nanjing LF Asia Company Limited	The People's Republic of China	US\$5,000,000	100 foreign-owned enterprise	Importer, export trading and distribution of general merchandise
(2)	New Star Instruments Limited	Macau	MOP\$100,000	100	Distribution of medical and pharmaceutical products and medical equipment
	Ningbo Zhicheng Customs Brokerage Co., Ltd.	The People's Republic of China	RMB1,500,000	100 foreign-owned enterprise	Provision of customs brokerage services
	P.T. Lifung Indonesia	Indonesia	Ordinary US\$500,000	100	Export trading services
	Paco Trading (International) Limited	Hong Kong	Ordinary HK\$2	100	Export trading
	PATCH Licensing LLC	U.S.A.	Capital contribution US\$1	66.67	Export trading services
	Perfect Trading Inc.	Egypt	LE2,480,000	60	Export trading services
	Peter Black Footwear & Accessories Limited	England	Ordinary GBP202,000	100	Design, marketing and sourcing
	Peter Black Holdings Limited	England	Ordinary GBP0.25	100	Investment holding
	Peter Black International Limited	England	Ordinary GBP0.01	100	Investment holding
	Peter Black Overseas Holdings Limited	England	Ordinary GBP2	100	Investment holding
	Phil Henson GmbH	Germany	EUR50,000	100	Importer
	Product Development Partners Limited	Hong Kong	Ordinary HK\$2	100	Export trading
	PromOcean France SAS	France	EUR8,530,303	100	Wholesaling
	PromOcean GmbH	Germany	EUR25,570	100	Wholesaling
	PromOcean No 1 Limited	England	Ordinary GBP1	100	Investment holding
	PromOcean Spain SL	Spain	EUR3,005.06	100	Wholesaling
	PromOcean The Netherlands B.V.	The Netherlands	EUR39,379.5	100	Wholesaling
	PromOcean UK Limited	England	Ordinary GBP1	100	Wholesaling

42 Principal Subsidiaries, Associated Companies and Joint Venture (continued)

Note	Principal Subsidiaries	Place of Incorporation and Operation	Issued and Fully Paid Share Capital	Percentage of Equity Held by the Company	Principal Activities
(2)	PT Direct Sourcing Indonesia	Indonesia	Ordinary US\$250,000	100	Export trading services
(2)	PT. IDS Logistics Indonesia	Indonesia	Ordinary Rp1,820,400,000	100	Provision of logistics services
(2)	PF. LF Asia Marketing Indonesia	Indonesia	Ordinary US\$300,000	100	Import and distribution of cosmetics and personal care products
	PT. LF Beauty Manufacturing Indonesia (formerly known as PT. LF Asia Manufacturing Indonesia)	Indonesia	Ordinary Rp453,600,000	100	Manufacturing of personal care and household products
(2)	PT. LF Services Indonesia	Indonesia	Ordinary Rp5,000,000,000	100	Logistics, transport and other services
	Ralsey Group Ltd.	U.S.A.	Common stock US\$1	100	Wholesaling
(2)	Ratners Enterprises Ltd.	British Virgin Islands	Ordinary US\$1	100	Investment holding
(2)	Region Giant Holdings Limited	British Virgin Islands	Ordinary US\$31	100	Investment holding
	RMS Trading GmbH	Germany	Registered capital EUR25,000	100	General trading of merchandise
	RT Sourcing (Shenzhen) Co. Ltd.	The People's Republic of China	HK\$1,000,000	100 foreign-owned enterprise	Export trading services
	RT Sourcing Asia Limited	Hong Kong	Ordinary HK\$102,000	100	Investment holding
	Shanghai IDS Distribution Co., Ltd.	The People's Republic of China	US\$3,100,000	100 foreign-owned enterprise	Storage and logistic transportation management
(2)	Shanghai IDS Logistics Co., Ltd.	The People's Republic of China	RMB1,000,000	100 foreign-owned enterprise	Provision of logistics services
	Shanghai LF Asia Healthcare Co., Ltd.	The People's Republic of China	RMB6,000,000	100 foreign-owned enterprise	Distribution of pharmaceutical products
(2)	Shenzhen Catalyst Trading Co., Ltd.	The People's Republic of China	US\$120,000	100 foreign-owned enterprise	Security tag trading
	Shiu Fung Fireworks Company Limited	Hong Kong	Ordinary "A" HK\$1,100,000 Ordinary "B" HK\$1,100,000	100	Export trading
	Shiu Fung Fireworks Trading (Changsha) Limited	The People's Republic of China	RMB4,000,000	100 foreign-owned enterprise	Export trading
	Silverreed (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