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LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

Announcement of Results for the Year Ended 31 December 2015

- Turnover resilient despite deflationary environment and structural changes at retail
- Reorganized to deliver innovation, product differentiation and focused customer solutions
- Second half operating costs were flat despite long-term investment in infrastructure, Logistics and Vendor Support Services
- Trading unit volume increased overall due to strength of multi-channel sourcing strategy
- Logistics delivered 15% growth and Vendor Support Services remains key growth area
- Focus on building a long-term sustainable business

HIGHLIGHTS

(US\$ million)	2015	2014	Change
Turnover	18,831	19,288	(2.4%)
Total margin	2,189	2,244	(2.5%)
As % of turnover	11.6%	11.6%	

Core operating profit	512	604	(15.2%)
As % of turnover	2.7%	3.1%	

Loss from Discontinued Operations	-	(98)	
Profit attributable to Shareholders	421	441	(4.6%)
Profit attributable to Shareholders			
- excluding loss from Discontinued Operations	421	539	
Earnings per share – Basic	39.1 HK cents	41.1 HK cents	
(equivalent to)	5.04 US cents	5.29 US cents	
Earnings per share – Basic			
- excluding loss from Discontinued Operations	39.1 HK cents	50.3 HK cents	
(equivalent to)	5.04 US cents	6.46 US cents	
Dividend per share			
- Interim	13 HK cents	13 HK cents	
- Final	15 HK cents	21 HK cents	
- Special	-	7 HK cents	
Total dividend per share	28 HK cents	41 HK cents	

A LETTER FROM OUR CEO

Dear Shareholders,

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

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

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

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

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

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

Yours sincerely,

Spencer Fung
Group CEO

MANAGEMENT DISCUSSION AND ANALYSIS

Results Overview

2015 Performance

Results

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

Against a backdrop of one of the most challenging retail environments seen for many years, Li & Fung delivered a resilient performance in 2015. Our Trading Network held up well while our Logistics Network continued to grow. Despite headwinds from currency depreciation and a deflationary environment, our turnover with core trading customers and unit volume grew. Our logistics business maintained its strong profitable growth momentum across its in-country logistics and global freight management services. The growth was even stronger in the e-logistics operations which took advantage of the e-commerce boom. Accordingly, in spite of the economic slowdown in many parts of Asia and the unprecedented drop in ocean freight rates, our Logistics Network finished the year showing both turnover and unit volume growth. Our business continued to be highly cash-generative, allowing us to end the year in a solid financial position. We continue to maintain a high dividend payout ratio. Over the past three years, we have returned over US\$1.2 billion in cash dividends to our shareholders.

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

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

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

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

Turnover

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

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

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

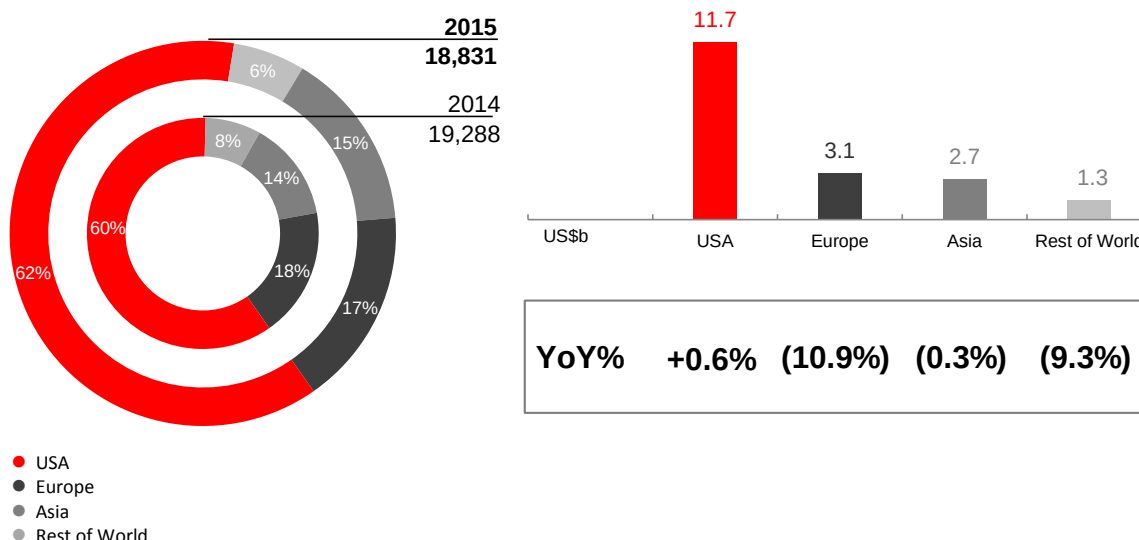
Turnover from Europe decreased by 11% to US\$3.1 billion. The environment in Europe continued to be weak; recovery in the European economies was slow and shadowed by growing concerns over threats of geopolitical instability as well as social and economic repercussions from Europe's migrant crisis. The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

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

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

Group Geographical Market Turnover

US\$m



Total Margin

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

Operating Costs

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

Core Operating Profit

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

Profit Attributable to Shareholders

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

Segment Analysis

Trading Network

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

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

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

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

Trading Network Results

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

Turnover

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

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

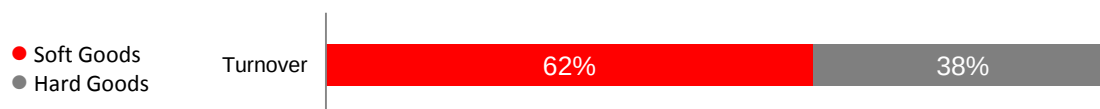
Our European business declined by 11% year-on-year to US\$3.1 billion due largely to the unfavorable foreign exchange translation and the uncertain macroeconomic conditions in Europe. Our European business is primarily comprised of our principal trading business, which transacts in the respective local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

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

Across our Trading Network, we serve a diversified group of customers globally, ranging from brands, department stores, specialty stores, clubs, hypermarkets and pure-play e-commerce players. Our top 5 customers, some of which we serve across both our Trading and Logistics Networks, accounted for 36% of our total Group turnover in 2015. Our customer base has been evolving, as we overtime increase the proportion of brands, specialty retailers, off-price discount stores, and an emerging group of pure-play e-commerce players. Our core customers form the foundation of our business, many of whom we serve on both agency and principal-trading terms. Our relationships with core customers are strategic and long term in nature, with our sourcing teams fully aligned to our customers' procurement needs, and working with their teams closely on a daily basis.

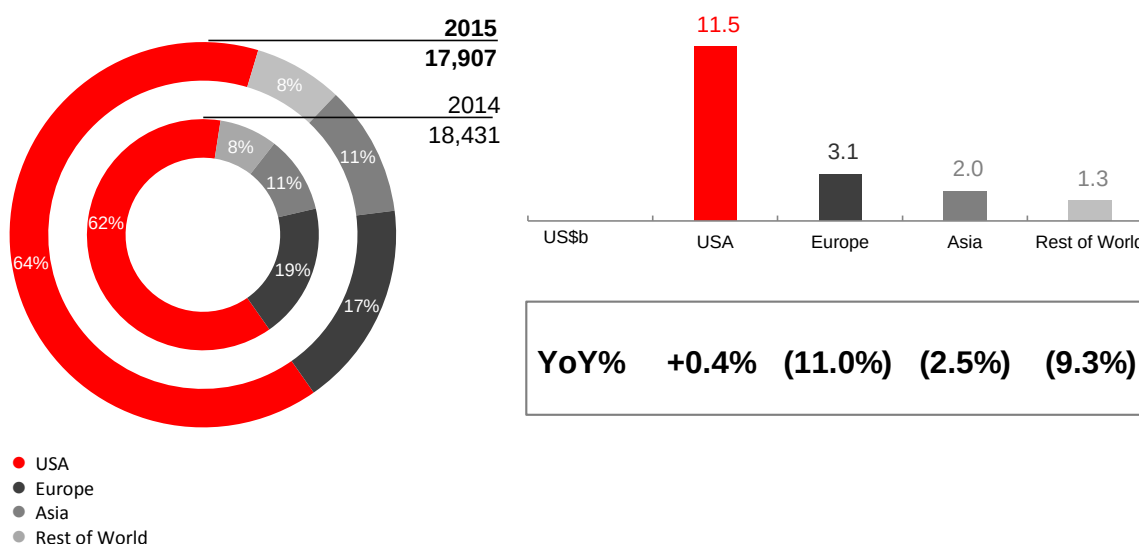
While focusing on our core customers, we are always seeking new business opportunities and have built a strong prospective customer pipeline. In 2015, we signed a number of significant contracts for our agency-based services. On the e-commerce sourcing front, we continue to increase our share of Internet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

Product Mix



Trading Network Geographical Market Turnover

US\$m



Total Margin

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

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

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

Operating Costs

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

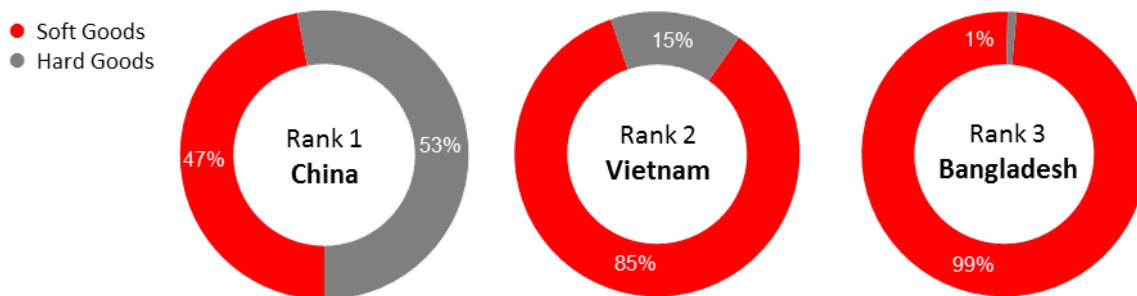
In 2015, we continued to optimize our operating expenses and deploy resources to support our growth in new customer accounts, increased unit volumes and enhancement of our product expertise. At the same time, we continued to streamline our operations and look for process efficiency and productivity gain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

Core Operating Profit

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

Top Sourcing Countries

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



Vendor Support Services

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

Logistics Network

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

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

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

Logistics Network Results

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

Turnover

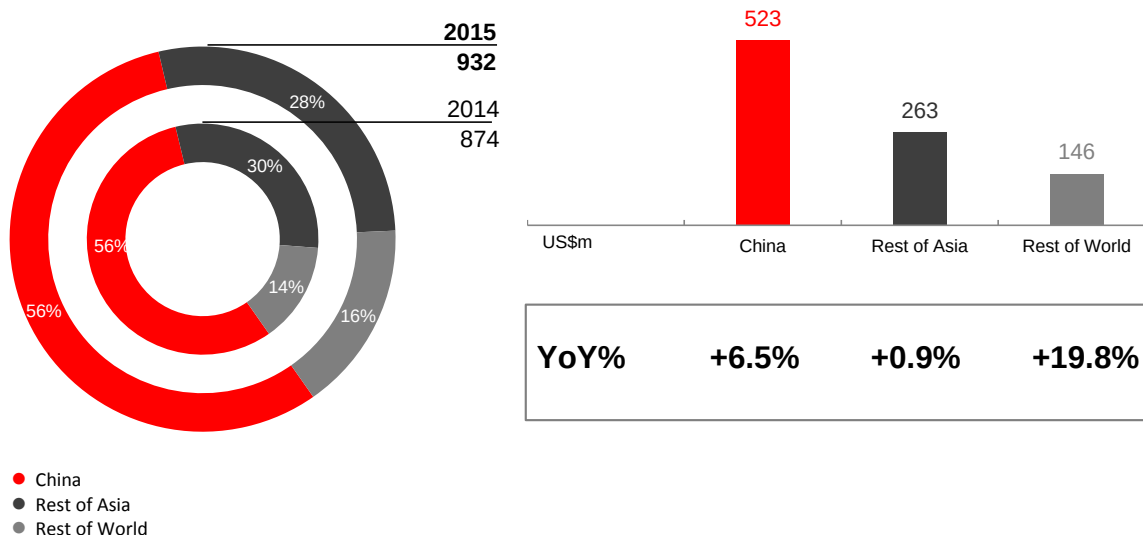
Turnover increased 7% year-on-year to US\$932 million, largely driven by new business wins, geographical expansion and increased market share. This was offset by the substantial drop in global freight rates especially in the second half of the year, continued softness in global trade and the devaluation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

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

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

Logistics Network Geographical Market Turnover

US\$m



Core Operating Profit

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

Balance Sheet and Capital Structure

Strong Cash Position

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

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

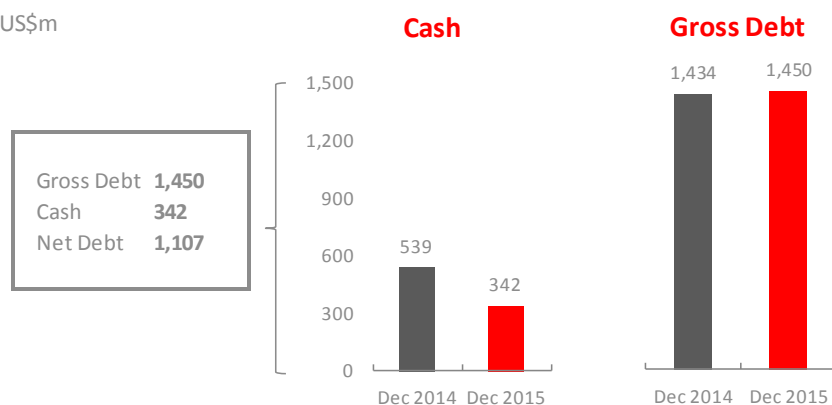
In terms of future commitments, the remaining balance of total purchase consideration payable for acquisitions was reduced to US\$243 million by the end of 2015, of which US\$181 million are earn-out payments to be paid over the course of next three years. Our on-going total capital expenditures are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

Solid Balance Sheet

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

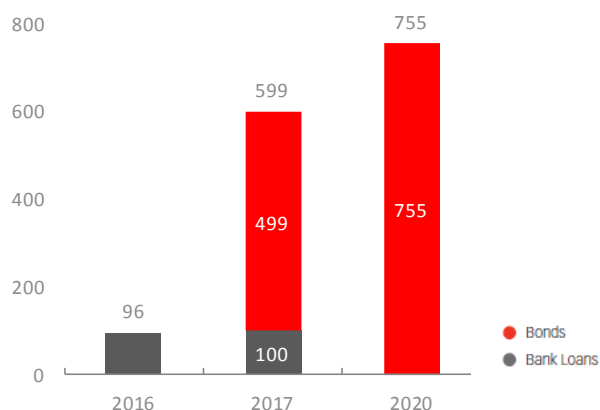
Cash and Gross Debt

US\$m



Debt Maturity Schedule

US\$m



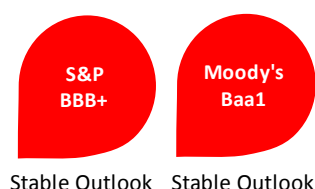
Net Gearing and Net Current Assets

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

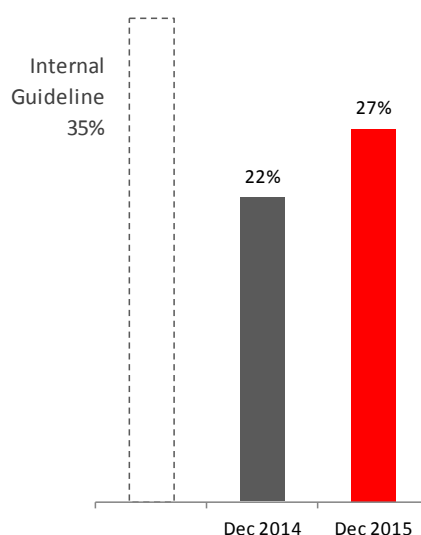
We continued to adopt a conservative approach in managing our balance sheet and capital structure. As at 31 December 2015, our credit ratings from Moody's is Baa1 (stable outlook) and Standard & Poor's is BBB+ (stable outlook). We are committed to maintaining a solid balance sheet, healthy cash flow and strong credit ratios, with the overall long-term target of retaining an investment grade rating to support our growth.

Our current ratio as stated in the audited consolidated balance sheet was 1.0 as at 31 December 2015.

Credit Rating



Net Gearing Ratio



Banking Facilities

Bank Loans and Overdrafts

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

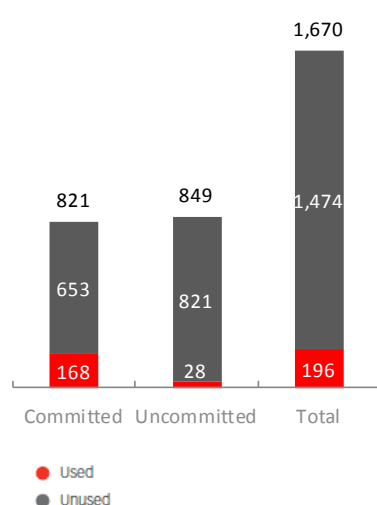
In early 2016, we successfully secured additional committed facilities with extended tenure. At the date of this report, the total committed facilities increased to US\$876 million, of which US\$726 million were revolving facilities with tenure up to three years due in 2019, while the total available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

Trade Finance

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

Unused Bank Loans

US\$m



Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

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

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

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

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

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

While many of our acquired businesses remain profitable and are growing, we may still be required to make a downward fair value adjustment to certain consideration payable should the acquired businesses be unable to achieve the predetermined performance threshold within the specific timeframe as stipulated in the sale & purchase agreement. Given that the contingent consideration entitlement is usually contractual in nature and is based on a specific formula linking to a particular threshold, the underlying business performance of the acquired businesses could continue to perform and grow, yet we may still be required to adjust the consideration payable, especially if the high performance thresholds of earn-ups are not reached. For the year ended 31 December 2015, there are approximately US\$117 million of write-back of contingent considerations, the majority of which are in the form of earn-ups.

Goodwill Impairment Tests

We performed goodwill impairment tests based on the cash generating units (CGU) which manage the acquired businesses in accordance with HKAS 36. Based on our assessment of all of the CGUs under the current operating structure, we have determined that there is no goodwill impairment as of 31 December 2015, as the recoverable amount of each CGU was in excess of its respective carrying value of the goodwill. We will continue to perform goodwill impairment tests on an on-going basis.

Risk Management

We have strict policies governing accounting control, credit and foreign exchange risk and treasury management.

Credit Risk management

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

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

Foreign Exchange Risk Management

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

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

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

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

People

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

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

Outlook

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

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

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

We announce the audited consolidated profit and loss account, audited consolidated statement of comprehensive income and audited consolidated cash flow statement of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 and the audited consolidated balance sheet of the Group as at 31 December 2015 together with the comparative figures in 2014. The annual results have been reviewed by the Company's audit committee and agreed by the Company's auditor.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2015 US\$'000	2014 US\$'000
<u>Continuing Operations</u>			
Turnover	2	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		512,424	604,143
Gain on remeasurement of contingent consideration payable	3	116,973	176,007
Amortization of other intangible assets		(34,412)	(35,462)
One-off reorganization costs		-	(19,763)
Other non-core operating expenses		-	(1,300)
Operating profit	2&3	594,985	723,625
Interest income		9,761	6,984
Interest expenses			
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		1,570	1,373
Profit before taxation		506,775	626,803
Taxation	4	(57,890)	(59,035)
Profit for the year from Continuing Operations		448,885	567,768
<u>Discontinued Operations</u>			
Loss for the period from Discontinued Operations	11	-	(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)

	<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	5		
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
Dividends	6	303,591	440,275

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	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.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	US\$'000	US\$'000
Non-current assets			
Intangible assets		4,266,863	4,349,083
Property, plant and equipment		241,626	244,907
Prepaid premium for land leases		1,942	2,498
Associated companies		10,070	11,890
Joint venture		313	-
Available-for-sale financial assets		3,854	3,709
Other receivables, prepayments and deposits		26,217	7,570
Deferred tax assets		36,527	32,493
		4,587,412	4,652,150
Current assets			
Inventories		566,002	565,291
Due from related companies		486,939	511,965
Trade and bills receivable	7	1,689,413	1,864,021
Other receivables, prepayments and deposits		256,818	333,743
Derivative financial instruments		4,272	11,323
Cash and bank balances		342,243	538,529
		3,345,687	3,824,872
Current liabilities			
Due to related companies		1,038	48
Trade and bills payable	8	2,464,785	2,561,172
Accrued charges and sundry payables		601,129	692,427
Purchase consideration payable for acquisitions	9	86,266	134,468
Taxation		56,463	116,719
Bank advances for discounted bills	7	33,681	33,834
Short-term bank loans		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

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
	Note	2015 US\$'000	2014 US\$'000
Financed by:			
Share capital		13,487	13,398
Reserves		2,489,386	2,585,086
Shareholders' funds attributable to the Company's shareholders			
		2,502,873	2,598,484
Holders of perpetual capital securities		503,000	503,000
Non-controlling interests		4,293	8,594
Total equity		3,010,166	3,110,078
Non-current liabilities			
Long-term notes	9	1,253,823	1,254,369
Purchase consideration payable for acquisitions	9	156,236	323,612
Other long-term liabilities	9	116,420	25,375
Post-employment benefit obligations		21,909	22,299
Deferred tax liabilities		35,364	39,771
		1,583,752	1,665,426
		4,593,918	4,775,504

CONSOLIDATED CASH FLOW STATEMENT

	Note	2015 US\$'000	2014 US\$'000
<u>Continuing Operations</u>			
Operating activities			
Net cash inflow generated from operations	10	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		(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		1,436	595
Investing in a joint venture		(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		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)
<u>Discontinued Operations</u>			
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)

	<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		-	(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		342,243	538,529

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

<u>Movement of cash and cash equivalents*</u>			
	2015		2014
	US\$'000		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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Shareholders of the Company					Holders of		Total equity US\$'000
	Share capital	Share premium	Other reserves	Retained earnings	Total	perpetual capital securities	Non-controlling interests	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	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	-	-	(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)

	Attributable to Shareholders of the Company					Holders of		Total equity US\$'000
	Share capital	Share premium	Other reserves	Retained earnings	Total	perpetual capital securities	Non-controlling interests	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Balance at 1 January 2014	13,398	3,699,476	6,503	1,317,260	5,036,637	503,000	10,048	5,549,685
Comprehensive income/(expense)								
Profit or loss	-	-	-	441,276	441,276	30,000	(1,630)	469,646
Other comprehensive (expense)/income								
Currency translation differences	-	-	(92,334)	-	(92,334)	-	176	(92,158)
Net fair value gains on available-for-sale financial assets, net of tax	-	-	40	-	40	-	-	40
Net fair value gains on cash flow hedges, net of tax	-	-	10,302	-	10,302	-	-	10,302
Remeasurements from post-employment benefits recognized in reserve, net of tax	-	-	(728)	-	(728)	-	-	(728)
Total other comprehensive (expense)/income	-	-	(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

Notes:**1 Basis of preparation and accounting policies**

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 judgement in the process of applying the Group’s accounting policies.

Changes in accounting policy and disclosures**(a) New amendments to existing standards adopted by the Group**

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

Notes:

1 Basis of preparation and accounting policies (Continued)

Changes in accounting policy and disclosures (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.

Notes:**2 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 (the "Discontinued Operations"), 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 (collectively referred to as the "Continuing Operations"). 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. 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.

Notes:
2 Segment information (Continued)

	Trading Network US\$'000	Logistics Network US\$'000	Elimination US\$'000	Total US\$'000
<u>Year ended 31 December 2015</u>				
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
<u>31 December 2015</u>				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,890,628	656,403		4,547,031

Notes:
2 Segment information (Continued)

	Trading Network US\$'000	Logistics Network US\$'000	Elimination US\$'000	Total US\$'000
<u>Year ended 31 December 2014</u>				
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
<u>31 December 2014</u>				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,974,971	640,977		4,615,948

Notes:
2 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
	<u>18,830,835</u>	<u>19,288,499</u>	<u>4,547,031</u>	<u>4,615,948</u>

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

	2015	2014
	US\$'000	US\$'000
Softgoods	11,069,902	11,674,826
Hardgoods	6,823,509	6,727,997
Logistics	937,424	885,676
	<u>18,830,835</u>	<u>19,288,499</u>

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.

Notes:
3 Operating profit from Continuing Operations

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

	2015 US\$'000	2014 US\$'000
<i>Crediting</i>		
Gain on remeasurement of contingent consideration payable*	116,973	176,007
<i>Charging</i>		
Cost of inventories sold	16,671,655	17,106,990
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
Depreciation of property, plant and equipment	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	21,582	31,083
Staff costs including directors' emoluments	1,024,684	995,208
Business acquisition-related cost*	-	1,300
Net exchange losses	5,082	4,611

* Excluded from the core operating profit

Notes:
4 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 (<i>Note</i>)	2,968	(9,251)
Deferred taxation	(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.

5 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.

Notes:
6 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 (<i>Note (a)</i>)	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 (<i>Note (a)</i>)	-	75,029
	303,591	440,275
Distribution in specie (<i>Note (b)</i>)	-	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.
- (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 of Hong Kong Limited (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 11*).

Notes:
7 Trade and bills receivable

The ageing of trade and bills receivable based on invoice date is as follows:

	Current to 90 days US\$'000	91 to 180 days US\$'000	181 to 360 days US\$'000	Over 360 days US\$'000	Total US\$'000
Balance at 31 December 2015	<u>1,595,433</u>	<u>83,376</u>	<u>7,900</u>	<u>2,704</u>	<u>1,689,413</u>
Balance at 31 December 2014	<u>1,783,736</u>	<u>69,773</u>	<u>8,580</u>	<u>1,932</u>	<u>1,864,021</u>

The fair values of the Group's trade and bills receivable 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.

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

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.

Notes:
8 Trade and bills payable

The ageing of trade and bills payable based on invoice date is as follows:

	Current to 90 days US\$'000	91 to 180 days US\$'000	181 to 360 days US\$'000	Over 360 days US\$'000	Total US\$'000
Balance at 31 December 2015	<u>2,365,315</u>	<u>80,822</u>	<u>2,885</u>	<u>15,763</u>	<u>2,464,785</u>
Balance at 31 December 2014	<u>2,491,454</u>	<u>55,420</u>	<u>12,241</u>	<u>2,057</u>	<u>2,561,172</u>

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

9 Long-term liabilities

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

Note:

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.

Notes:
10 Notes to the consolidated cash flow statement

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	<u>(116,973)</u>	<u>(176,007)</u>
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	<u>(166,334)</u>	<u>57,492</u>
Net cash inflow generated from operations	<u><u>608,764</u></u>	<u><u>692,565</u></u>

11 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.

Notes:
11 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 6(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.

CORPORATE GOVERNANCE

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

The role of the Group Chairman is separate from that of the Group Chief Executive Officer to enhance their respective independence, accountability and responsibility. Their respective responsibilities are clearly established and defined in writing by the Board.

The Board is responsible for setting the overall value, standards and strategy of the Group as well as reviewing its operation and financial performance. The Board has established the following committees (all chaired by an Independent Non-executive Director or a Non-executive Director) with defined terms of reference (available on our corporate website), which are in line with the Corporate Governance Code of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

- Nomination Committee
- Audit Committee
- Risk Management and Sustainability Committee
- Remuneration Committee

Full details on the Company's corporate governance practices are set out in the Company's 2015 Annual Report.

AUDIT COMMITTEE

The Audit Committee met four times in 2015 (with an attendance rate of 100%) to review, with management and the Company's internal and external auditors, the internal controls and financial matters as set out in the Committee's written terms of reference and make relevant recommendations to the Board.

In 2015, the Committee's review covered:

- the audit plans and findings of internal and external auditors
- the external auditor's independence and performance, provision of non-audit services by our external auditor
- the Group's accounting principles and practices, goodwill assessment, Listing Rules and statutory compliance, connected transactions, risk management and internal controls, treasury, financial reporting matters (including the interim and annual financial reports for the Board's approval)
- updates on the new changes to the Corporate Governance Code and the respective responses of the Company

- emerging risks (particularly credit, global tax regime, anti-corruption, ethical culture and cyber security) facing the Group
- enhancement of global credit control framework
- adequacy of resources, qualifications and experience of employees of the Group's accounting and financial reporting team as well as its training programs and budget.

The Audit Committee has reviewed the annual results for the year ended 31 December 2015.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of risk management and internal controls at Li & Fung and for reviewing its effectiveness through the Audit Committee.

Based on the respective assessments made by management and the Corporate Governance team (Internal Audit) and also taking into account the results of the work conducted by the external auditor for the purpose of their audit, the Audit Committee considered that for 2015:

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that it has been in full compliance with all of the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Relevant employees who are likely to be in possession of unpublished price-sensitive information ("Inside Information") of the Group are also subject to compliance with written guidelines in line with the Model Code. For 2015, specific confirmation of compliance has been obtained from each Director. No incident of non-compliance by Directors and relevant employees was noted in 2015.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

FINAL DIVIDEND

The Board of Directors recommended to pay to the shareholders final dividend of 15 HK cents per share (2014: final dividend and special dividend of 21 HK cents and 7 HK cents per share, respectively), for the year ended 31 December 2015 absorbing US\$163 million (2014: US\$300 million). An interim dividend of 13 HK cents (2014: 13 HK cents) per share was paid by the Company on 18 September 2015.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on 19 May 2016 at 11:30 a.m. The Notice of Annual General Meeting will be published on the Company's website at www.lifung.com and HKExnews website at www.hkexnews.hk and despatched to the shareholders on or about 19 April 2016.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

Hong Kong Time
2016

For determining shareholder's right to attend and vote at the Annual General Meeting

Record Date:	18 May
Latest time to lodge transfer documents with share registrar ^(Note i) :	4:30 p.m., 18 May

For determining shareholder's entitlement to the proposed final dividend

Latest time to lodge transfer documents with share registrar ^(Note i) :	4:30 p.m., 24 May
Book Closure Date ^(Note ii) :	25 to 26 May
Expected despatch date of dividend warrants:	2 June

Notes:

- (i) The Company's Hong Kong branch share registrar is Tricor Abacus Limited, whose address is Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.*
- (ii) No transfer of shares will be registered during the book closure date.*

PUBLICATION OF ANNUAL REPORT

The 2015 annual report will be despatched to the shareholders and available on the Company's website at www.lifung.com and HKExnews website at www.hkexnews.hk on or about 19 April 2016.

By Order of the Board
William FUNG Kwok Lun
Group Chairman, Li & Fung Limited

Hong Kong, 17 March 2016

Websites: www.lifung.com
www.irasia.com/listco/hk/lifung

As at the date of this announcement, Executive Directors of the Company are William Fung Kwok Lun (Group Chairman), Spencer Theodore Fung (Group Chief Executive Officer) and Marc Robert Compagnon; Non-executive Director is Victor Fung Kwok King (Honorary Chairman); Independent Non-executive Directors are Paul Edward Selway-Swift, Allan Wong Chi Yun, Martin Tang Yue Nien and Margaret Leung Ko May Yee.