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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Li & Fung Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 494)

**PROPOSALS FOR
ADOPTION OF SHARE OPTION SCHEME
GENERAL MANDATE TO REPURCHASE SHARES
GENERAL MANDATE TO ISSUE SHARES
FINAL DIVIDEND
RE-ELECTION OF DIRECTORS
REVISION OF FEE PAYABLE TO DIRECTORS
SHARE PREMIUM REDUCTION
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the 2014 annual general meeting of Li & Fung Limited to be held at 1st Floor, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on 15 May 2014 at 11:30 a.m. is set out on pages 29 to 34 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.



10 April 2014

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“2011 AGM”	The annual general meeting of the Company held on 18 May 2011
“2013 AGM”	The annual general meeting of the Company held on 14 May 2013
“2014 AGM”	The annual general meeting of the Company to be held at 1st Floor, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on 15 May 2014 at 11:30 a.m., notice of which is set out on pages 29 to 34 of this circular
“Affiliate”	a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an associated company of the holding company of the Company; or (i) an associated company of the Company; or (j) associated company of controlling shareholder of the Company
“associate”	has the meaning set out in the Listing Rules
“Board”	the board of Directors or a duly authorised committee thereof
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Bye-laws”	the bye-laws of the Company
“Company”	LI & FUNG LIMITED, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Stock Exchange
“connected person”	has the meaning set out in the Listing Rules

DEFINITIONS

“control”	the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company and any person who owns beneficially, either directly or through one or more controlled companies, 30% or more of the voting securities of a company (or such lower amount as may from time to time be specified in the Codes on Takeovers and Mergers approved by the Securities and Futures Commission (as amended from time to time) being the control for triggering a mandatory general offer) shall be deemed to control such company and “is controlled by” and “controlling” shall have the corresponding meanings
“controlling shareholder”	has the meaning set out in the Listing Rules
“Directors”	the directors of the Company
“Employee”	any employee (whether full-time or part-time employee) of any members of the Group or any Affiliates and any person who is a company secretary or director (whether executive or non-executive) of the Group or any Affiliates
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Inside Information”	has the meaning set out in the Listing Rules
“Latest Practicable Date”	4 April 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Mandate Limit”	the Initial Mandate Limit (as referred to in sub-paragraph (u)(ii) of Appendix I) or the Refreshed Mandate Limit (as referred to in sub-paragraph (u)(iii) of Appendix I), as the case may be
“Notice”	The notice of the 2014 AGM set out on pages 29 to 34 of this circular

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“Option”	an option to subscribe for Shares granted pursuant to the Share Option Scheme
“Option Holder”	any Qualifying Grantee who accepts an offer of the grant of an Option in accordance with the terms of the Share Option Scheme or (where the context so requires) the legal personal representatives of such Qualifying Grantee
“Option Period”	in respect of any particular Option, such period as the Board may in its absolute discretion determine and specify in relation to any particular Option Holder in his option agreement during which the Option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the Listing Rules from time to time (which is, as at the date of adoption of the Share Option Scheme, a period of 10 years from the date of grant)
“Proposed Share Premium Reduction”	the proposed reduction of US\$3,000,000,000 standing to the credit of the share premium account of the Company
“Qualifying Grantee”	any Employee; any secondee; any consultant, agent, representative, adviser, customer, contractor of the Group or any Affiliates; or any business partner/ally/alliance, joint venture partner or any Affiliates or any employee thereof
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme proposed to be adopted at the 2014 AGM, a summary of the principal terms of which are set out in Appendix I
“Share(s)”	Share(s) of HK\$0.0125 each in the share capital of the Company
“Shareholder(s)”	Holders of Share(s) in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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“Subscription Price Reference Date”	in respect of any particular Option, the date of grant, or if the date of grant does not fall on a Business Day or is a Business Day on which the trading of the Shares on the Stock Exchange is suspended, the Business Day immediately preceding the date of grant on which the trading of the Shares on the Stock Exchange is not suspended
“subsidiary”	has the meaning set out in the Listing Rules
“substantial shareholders”	has the meaning set out in the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$ and cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

References to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE CHAIRMAN

LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

William Fung Kwok Lun

(Group Chairman)

Bruce Philip Rockowitz

(Group President & Chief Executive Officer)

Spencer Theodore Fung

(Group Chief Operating Officer)

Non-executive Directors:

Victor Fung Kwok King

(Honorary Chairman)

Paul Edward Selway-Swift*

Allan Wong Chi Yun*

Franklin Warren McFarlan*

Martin Tang Yue Nien*

Benedict Chang Yew Teck

Fu Yuning*

Margaret Leung Ko May Yee*

* *Independent Non-executive Director*

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Hong Kong Office:

11th Floor

LiFung Tower

888 Cheung Sha Wan Road

Kowloon

Hong Kong

10 April 2014

**PROPOSALS FOR
ADOPTION OF SHARE OPTION SCHEME
GENERAL MANDATE TO REPURCHASE SHARES
GENERAL MANDATE TO ISSUE SHARES
FINAL DIVIDEND
RE-ELECTION OF DIRECTORS
REVISION OF FEE TO DIRECTORS
SHARE PREMIUM REDUCTION
AND
NOTICE OF ANNUAL GENERAL MEETING**

To Shareholders and for information only, existing option holders,

Dear Sirs or Madam,

INTRODUCTION

The purpose of this circular is to give you notice of the 2014 AGM, and information on matters to be dealt with at the 2014 AGM. They are:- (i) adoption of Share Option Scheme; (ii) grant of general mandate to repurchase Shares; (iii) grant of general mandate to issue Shares; (iv) payment of final dividend; (v) re-election of Directors; (vi) revision of fee to Directors; and (vii) Proposed Share Premium Reduction.

LETTER FROM THE CHAIRMAN

SHARE OPTION SCHEME

Currently, the Company has no share option scheme. The previous share option scheme of the Company was adopted on 12 May 2003 and has expired on 11 May 2013. The Directors propose to adopt the Share Option Scheme which will be put to the Shareholders for approval at the 2014 AGM.

So far as the Directors are aware of, as at the Latest Practicable Date, none of the Shareholders is required to abstain from voting for the ordinary resolution to approve the adoption of the Share Option Scheme. None of the Directors is trustee of the Share Option Scheme or has a direct or indirect interest in the trustee, if any.

Application will be made to the Stock Exchange for the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of Options granted under the Share Option Scheme. Implementation of the Share Option Scheme is subject to such approval being granted. With respect of the operation of the Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

The Directors believe that attracting and motivating high quality personnel is a key in the success and growth of the Company. The Directors believe that the Share Option Scheme could provide Qualifying Grantees with the opportunity of participating in the growth of the Company by acquiring shares in the Company and could, in turn, assist in the attraction and retention of Qualifying Grantees who have made contribution to the success of the Company. The purpose of the Share Option Scheme is to provide incentives to Qualifying Grantees to contribute further to the Company. The rules of the Share Option Scheme provide that the Board is empowered with the authority to determine the terms and conditions of any Option based in each case on relevant factors as the Board considers appropriate. The Board believes that the authority given to the Board under the Share Option Scheme to specify any minimum holding period and/or performance targets as conditions in any Option granted and the requirement for a minimum subscription price as well as the selection criteria prescribed by the rules of the Share Option Scheme will serve to protect the value of the Company as well as to achieve the purpose of the Share Option Scheme.

As at the Latest Practicable Date, the Company had granted options to subscribe for a total of 745,875,800 Shares to certain employees and directors of the Group pursuant to its previous share option scheme, out of which options to subscribe for 410,821,300 Shares had been exercised, options to subscribe for 106,679,300 Shares had lapsed, options to subscribe for 20,241,200 Shares had been cancelled and options to subscribe for 208,134,000 Shares are valid and outstanding and which will remain valid under the previous share option scheme.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to Shareholders, taking into account the number of variables which are crucial for the calculation of the option

LETTER FROM THE CHAIRMAN

value which have not been determined. Such variables include the exercise period, any lock-up period, any performance targets set and other relevant variables such as the Options may become lapsed or cancelled prior to the normal expiry of their respective Option Periods on the happening of certain events as specified in the Share Option Scheme which are not predictable or controllable by the Directors.

A summary of the principal terms of the Share Option Scheme is set out in Appendix I to this circular. This serves as a summary of the terms of the Share Option Scheme but does not constitute the full terms of the same. The Share Option Scheme will be available for inspection at the place of business of the Company at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong from the date of this circular up to and including the date of the 2014 AGM and at the 2014 AGM.

In accordance with the requirements of the Listing Rules, the Company will publish an announcement on the websites of the Company and HKExnews on the outcome of the 2014 AGM in relation to the adoption of the Share Option Scheme following the 2014 AGM.

GENERAL MANDATE TO REPURCHASE SHARES

At the 2013 AGM, a general and unconditional mandate was given to the Directors to repurchase Shares of the Company on the Stock Exchange of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at that date. A further general mandate was also given to the Directors to allot and issue Shares repurchased by the Company pursuant to such repurchase mandate. No Shares have been repurchased pursuant to such repurchase mandate.

Under the terms of the repurchase mandate and the Listing Rules, such repurchase mandate will lapse at (i) the conclusion of the 2014 AGM; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; or (iii) the revocation by ordinary resolution of Shareholders in general meeting, whichever is the earliest, unless renewed at the 2014 AGM.

The Directors believe that a renewal of such repurchase mandate is in the interest of the Company and Shareholders. Accordingly, an ordinary resolution will be proposed at the 2014 AGM which will give the Directors a general and unconditional mandate to exercise the powers of the Company to repurchase Shares at any time until the next annual general meeting of the Company following the passing of such resolution or such earlier period as stated in the ordinary resolution up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing such resolution (the “**Repurchase Mandate**”). However, no further general mandate will be sought to be given to the Directors to allot and issue Shares repurchased by the Company pursuant to such Repurchase Mandate.

The explanatory statement required under Rule 10.06(1)(b) of the Listing Rules to provide Shareholders with all the information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution approving the Repurchase Mandate is set out in Appendix II to this circular.

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The full text of the ordinary resolution to be proposed at the 2014 AGM in relation to the Repurchase Mandate is set out in resolution 6 in the Notice set out on pages 29 to 34 of this circular.

GENERAL MANDATE TO ISSUE SHARES

At the 2013 AGM, a general and unconditional mandate was also given to the Directors to allot, issue and deal with additional Shares up to 20%, or in the case the Shares are issued solely for cash and unrelated to any asset acquisition, 10% of the aggregate nominal amount of the issued share capital of the Company as at that date. Such general mandate will cease to be effective at the conclusion of the 2014 AGM.

The Directors are aware of investor concerns on possible dilution of shareholders' value resulting from the exercise of the general mandate to issue Shares. Accordingly, the Directors propose to limit the general mandate to 10% of the Company's aggregate nominal amount of the issued share capital as at the date of passing such resolution (the "Issue Mandate").

The Issue Mandate is necessary to give the Directors certain flexibility to allot Shares where the Directors believe it is in the interests of Shareholders to do so, in particular pursuant to any capital raising or other strategic needs that may arise from time to time.

The full text of the ordinary resolutions to be proposed at the 2014 AGM in relation to the Issue Mandate are set out in resolution 7 in the Notice set out on pages 29 to 34 of this circular.

RE-ELECTION OF DIRECTORS

According to Bye-law 110(A) of the Bye-laws, at each annual general meeting, one-third of the Directors are subject to retirement by rotation. Further, the Listing Rules provide that every director should be subject to retirement by rotation at least once every three years.

Dr William Fung Kwok Lun, Mr Allan Wong Chi Yun and Mr Benedict Chang Yew Teck will retire by rotation at the 2014 AGM. Dr William Fung Kwok Lun and Mr Allan Wong Chi Yun, being eligible, will offer themselves for re-election while Mr Benedict Chang Yew Teck will retire from the Board with effect from the conclusion of the 2014 AGM.

As stated in the 2012 Annual Report of the Company, Mr Paul Edward Selway-Swift will stand for re-election for a term of around one year at each annual general meeting. Accordingly, Mr Paul Edward Selway-Swift will also retire at the 2014 AGM and being eligible, will offer himself for re-election.

LETTER FROM THE CHAIRMAN

Both Mr Allan Wong Chi Yun and Mr Paul Edward Selway-Swift have served on the Board for more than nine years. They have given an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee, therefore, is of the view that they meet the independence guidelines set out in Rule 3.13 of the Listing Rules and considers them to be independent and recommends them to be re-elected.

Details of the Directors who are proposed to be re-elected at the 2014 AGM are set out in Appendix III of this circular.

Under resolution 3, the re-election of Directors will be individually voted on by Shareholders.

FINAL DIVIDEND

The Board has recommended a final dividend of 34 HK cents per Share subject to Shareholders' approval at the 2014 AGM.

REVISION OF FEE TO DIRECTORS

Since the 2011 AGM, the Directors' fee and additional fee to the Non-executive Directors who serve on the Board committees of the Company have remained unchanged.

With the aim to fairly remunerate the Directors in view of their public accountability and time and effort spent on the Board and various committees, a review on the adequacy of Directors' fee was conducted with reference to those paid by other constituent companies of Hang Seng Index. After the review, the Remuneration Committee, comprising Mr Allan Wong Chi Yun (Chairman), Dr Victor Fung Kwok King, Professor Franklin Warren McFarlan and Mr Martin Tang Yue Nien, considered that Directors' fee should be benchmarked against the constituent companies of Hang Seng Index, and accordingly, have recommended and the Board has endorsed the following:–

- (i) the fee to each Director (other than the Chairman of the Board) be revised from HK\$160,000 (approximately US\$20,500) to HK\$300,000 (approximately US\$38,500) for each financial year starting from the financial year ending 31 December 2014; and
- (ii) the fee to the Chairman of the Board and additional fee to the Non-executive Directors who serve on the Board committees of the Company shall remain unchanged until the Company in general meeting otherwise determines.

LETTER FROM THE CHAIRMAN

The current and proposed fees to the Directors are shown in the following table:–

	Fee for each financial year from 2011 to 2013 <i>HK\$</i>	Proposed fee for each financial year from 2014 onwards <i>HK\$</i>
<u>Proposed Change in Fee</u>		
Board		
(i) Members (other than Chairman)	160,000	300,000
<u>No Change in Fee</u>		
Board		
(i) Chairman	300,000	300,000
Audit Committee		
(i) Chairman	200,000	200,000
(ii) Members	100,000	100,000
Remuneration Committee		
(i) Chairman	100,000	100,000
(ii) Members	50,000	50,000
Nomination Committee		
(i) Chairman	100,000	100,000
(ii) Members	50,000	50,000
Risk Management & Sustainability Committee		
(i) Chairman	100,000	100,000
(ii) Members	50,000	50,000

PROPOSED SHARE PREMIUM REDUCTION

The Proposal

The Board intends to put forward for approval by the Shareholders at the 2014 AGM a proposal to reduce the credit standing to the share premium account of the Company in the sum of US\$3,000,000,000 to be transferred to the contributed surplus account of the Company.

According to Bermuda law, where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premiums on those shares shall be transferred to the share premium account. A Bermuda company may not declare or pay a dividend out of the share premium account. However, a Bermuda company can declare or pay a distribution out of the contributed surplus account provided that there are reasonable grounds for believing that (i) the company is, or would after the payment be, able to pay its liabilities as they become due and (ii) the realizable value of the company's assets would not thereby be less than its liabilities.

LETTER FROM THE CHAIRMAN

Reason for the Proposed Share Premium Reduction

The Board considers that the Proposed Share Premium Reduction will give the Company greater flexibility to declare or make distributions out of the contributed surplus account to the Shareholders in the future as and when the Board considers appropriate. The Board therefore considers that the Proposed Share Premium Reduction is in the interests of the Company and the Shareholders as a whole.

Effects of the Proposed Share Premium Reduction

The implementation of the Proposed Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares. Other than the expenses incurred by the Company in relation to the Proposed Share Premium Reduction, the implementation of the Proposed Share Premium Reduction will not, in itself, alter the underlying assets, liabilities, business operations, management or financial position of the Company or affect the interests of the Shareholders as a whole or the share capital of the Company.

The audited amount standing to the credit of the Share Premium Account as at 31 December 2013 was approximately US\$3,699,000,000. Upon the completion of the Proposed Share Premium Reduction, the balance of the share premium account of the Company will be reduced by an amount of US\$3,000,000,000 and the balance will be approximately US\$699,000,000.

Conditions of the Proposed Share Premium Reduction

The Proposed Share Premium Reduction will be conditional upon:

- (a) the passing of a special resolution by the Shareholders approving the Proposed Share Premium Reduction at the 2014 AGM; and
- (b) the due compliance with the relevant procedures and requirements under Bermuda laws to effect the Proposed Share Premium Reduction, including but not limited to the publication of a notice in an appointed newspaper in Bermuda in respect of the Proposed Share Premium Reduction.

Assuming that the above conditions are fulfilled, it is expected that the Proposed Share Premium Reduction will become effective upon passing of the special resolution on the date of the 2014 AGM.

LETTER FROM THE CHAIRMAN

NOTICE OF ANNUAL GENERAL MEETING

The Notice is set out on pages 29 to 34 of this circular.

There is enclosed a form of proxy for use at the 2014 AGM. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. Whether or not you intend to be present at the 2014 AGM, you are requested to complete the form of proxy and return it to the Hong Kong office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the 2014 AGM. Such form of proxy for use at the 2014 AGM is also published on the Company's and HKExnews websites. Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2014 AGM should you so wish.

RECORD DATE AND BOOK CLOSURE

Hong Kong Time
2014

For determining Shareholder's right to attend and vote at 2014 AGM

Record Date	14 May
Latest time to lodge transfer documents with Share Registrar ^(Note i)	4:30 p.m., 14 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., 20 May
Book Closure Date ^(Note ii)	21 to 22 May
Expected despatch date of dividend warrants	29 May

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 book closure date.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The Chairman will therefore demand a poll for every resolution put to the vote of the 2014 AGM. Pursuant to the Bye-law 78 of the Bye-laws, a poll is demanded by:-

- (i) the Chairman of the meeting; or

LETTER FROM THE CHAIRMAN

- (ii) at least three members present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member(s) present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) member(s) present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The results of the poll will be published on the Company's and HKExnews websites following the 2014 AGM.

RECOMMENDATION

The Directors believe that the proposals mentioned above, including the proposals for the adoption of the Share Option Scheme, the grant of the Repurchase Mandate, the grant of the Issue Mandate, the revision of fee to Directors and the Proposed Share Premium Reduction are in the interests of the Company and the Shareholders. Accordingly, the Board recommends the Shareholders to vote in favour of all of these resolutions to be proposed at the 2014 AGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
William Fung Kwok Lun
Group Chairman

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme proposed to be approved at the 2014 AGM:–

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to the Qualifying Grantees; and to promote the long term financial success of the Group by aligning the interest of Option Holders to Shareholders.

(b) Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an Option to any Qualifying Grantee as the Board may in its absolute discretion select.

(c) Administration

The Share Option Scheme shall be subject to the administration of the Board. Subject to the provisions of the Listing Rules and applicable law and other regulations from time to time in force, the Board's administrative powers include the authority, in its discretion:–

- (i) to select Qualifying Grantees to whom Options may be granted under the Share Option Scheme;
- (ii) to determine, subject to the requirements of the Listing Rules and the law, the time of the grant of Options;
- (iii) to determine the number of Shares to be covered by each Option granted under the Share Option Scheme;
- (iv) to approve forms of option agreements;
- (v) to determine the terms and conditions of any Option. Such terms and conditions may include:
 - the subscription price;
 - the Option Period, which shall be not greater than the period prescribed by the Listing Rules from time to time (which is, as at the date of adoption of the Share Option Scheme, a period of 10 years from the date of grant);
 - the minimum period, if any, for which an Option must be held before it vests or becomes exercisable in whole or in part (the Share Option Scheme itself does not specify any minimum holding period);

APPENDIX I	PRINCIPAL TERMS OF SHARE OPTION SCHEME
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- the performance targets, if any, that must be achieved before the Option can be exercised;
 - the amount, if any, payable on application or acceptance of the Option and the period within which payments must be made;
 - the period, if any, during which Shares allotted and issued upon exercise of the Option shall be subject to restrictions on dealings, and the terms of such restrictions;
- (vi) to construe and interpret the terms of the Share Option Scheme and Options granted pursuant to the Share Option Scheme;
- (vii) to prescribe, amend and rescind rules and regulations relating to the Share Option Scheme, including rules and regulations relating to sub-schemes established for the purpose of qualifying for preferred treatment under foreign laws and for benefits intended solely for any particular type of Qualifying Grantees; and
- (viii) subject to the provisions relating to grant to substantial shareholders and independent non-executive directors and their respective associates in the Share Option Scheme, to vary the terms and conditions of any option agreement (provided that such variation is not inconsistent with the terms of the Listing Rules and the Share Option Scheme).

(d) Grant of Options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled at any time within 10 years commencing on the date of adoption to make an offer for the grant of an Option to any Qualifying Grantee as the Board may in its absolute discretion select.

(e) Restriction on time of grant of Option

The Company may not grant any Options after Inside Information has come to the Company's knowledge, until such Inside Information has been publicly disseminated in accordance with the Listing Rules. In particular, but only insofar as and for so long as the Listing Rules require, no Option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange) for the approval of the Company's interim or annual results; and (ii) the deadline for the Company to publish its interim or annual results announcement, and ending on the date of the results announcement.

(f) Acceptance and payment on acceptance of Option offer

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

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

(g) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option but the subscription price shall not be less than whichever is the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Subscription Price Reference Date; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Subscription Price Reference Date; and (iii) the nominal value of a Share.

(h) Option Period

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

(i) Rights are personal to grantee

An Option shall be personal to the grantee and shall not be assignable or transferable.

(j) Rights attaching to issued Shares

The Shares to be issued upon the exercise of an Option shall be subject to all the provisions of the Bye-laws of the Company for the time being in force and shall rank pari passu in all respects with the fully paid Shares in issue on the date of issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of issue, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of issue.

(k) Rights on retirement, death or permanent physical or mental disability

If an Option Holder ceases to be a Qualifying Grantee attributable to the fact that he dies or becomes permanently physically or mentally disabled or in the case of an Option Holder being an Employee retires, the Option may be exercised within the Option Period (or such other period as the Board may decide).

In the case of death of an Option Holder, the Option may be exercised within that period by the personal representatives of the Option Holder. In the case where an Option Holder no longer has any legal capacity to exercise the Option, the Option may be exercised within that period by the persons charged with the duty of representing the Option Holder under the relevant laws in Hong Kong.

If the Option is not so exercised within the time mentioned above, the Option shall lapse.

(l) Termination for misconduct

If an Option Holder being an Employee ceases to be an Employee for committing conduct based on which the relevant employer can terminate his contract of employment without notice or payment in lieu, or having been convicted of any criminal offence involving his integrity or honesty, the Option shall immediately lapse.

(m) Termination for bankruptcy cause

If an Option Holder ceases to be a Qualifying Grantee for having committed any act of bankruptcy or having become insolvent or having made any arrangements or composition with his creditors generally, the Option shall immediately lapse.

(n) Rights on Termination due to redundancy

If an Option Holder being an Employee ceases to be an Employee due to the termination of an employment of an Employee attributable wholly or mainly to one of the following situations: (i) reduction of business or closure of a division/business line or cessation of customer account(s) for which the Employee was employed; (ii) the requirement of the business for the particular kind of work performed by the Employee ceases or diminishes; (iii) necessity to reduce headcount due to organisational changes; (iv) a change has occurred in the ownership of the business for the purpose of which the Employee is employed, unless otherwise provided in the option agreement, the Option may be exercised within three (3) months of such cessation or within the Option Period, whichever is the shorter (or such other period as the Board may decide).

If the Option is not so exercised within the time mentioned above, the Option shall lapse.

(o) Rights on termination other than for retirement, death, permanent disability, termination resulting from misconduct or bankruptcy cause or redundancy

If an Option Holder ceases to be a Qualifying Grantee other than pursuant to paragraphs (k), (l), (m) or (n), unless otherwise provided in the option agreement, an Option Holder may exercise his Option within three (3) months of such cessation or within the Option Period, whichever is the shorter (or such other period as the Board may decide).

If the Option is not so exercised within the time mentioned above, the Option shall lapse.

(p) Rights on takeover

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the general offer becomes or is declared unconditional in all respects, the Option Holder shall be entitled to exercise the Option (to the extent not already exercised) at any time within one (1) month (or such longer period as the Board may decide) after the date on which the general offer becomes or is declared unconditional.

If the Option is not so exercised within the time specified, the Option shall lapse.

(q) Rights on compromise or arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed, the Company shall give notice to the Option Holder on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Option Holder (or his personal representatives) may until the expiry of the period commencing with such date and ending with the earlier of the date two (2) calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his Options (to the extent not already exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the Option Holder to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Option Holder in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement.

If the Option is not so exercised within the time specified, the Option shall lapse.

(r) Rights on voluntary winding-up of the Company

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Option Holders (together with a notice of the existence of the provisions of the Share Option Scheme relating to this paragraph (r)) and thereupon, each Option Holder (or his personal representatives) shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as

APPENDIX I	PRINCIPAL TERMS OF SHARE OPTION SCHEME
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possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Option Holder credited as fully paid.

If the Option is not so exercised within the time specified, the Option shall lapse.

(s) Lapse of Option

Subject to the discretion of the Board to extend the Option Period as referred to in paragraphs (c), (k), (n), (o) and (x), and without prejudice to the authority of the Board to provide for additional situations where an Option shall lapse in any option agreement, an Option shall lapse and not be exercisable (to the extent not already exercised) on the earliest of (i) the expiry of the Option Period; (ii) the expiry of any of the periods referred to in paragraph (k), (l), (m), (n), (o), (p), (q) and (r); and (iii) the date on which the Board or the two directors of the Company duly authorised by the Board certify that for the reason of a breach of paragraph (i) above.

(t) Cancellation of Options

Options granted but not exercised or lapsed in accordance with the terms of the Share Option Scheme may be cancelled by the Company with the consent of the Qualifying Grantee. For the avoidance of doubt, the consent of the Qualifying Grantee is not required where an Option lapses in accordance with paragraph (s) above.

Where the Company cancels Options and offers to issue new ones to the same Qualifying Grantee, the issue of such new Options may only be made under the Share Option Scheme with available unissued Options (excluding the cancelled Options) within the limits set out in paragraph (u) below.

(u) Maximum number of Shares available under the Share Option Scheme

(i) Overriding Limit

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded.

(ii) Mandate Limit

In addition to the limit set out in sub-paragraph (u)(i) above and prior to the approval of a Refreshed Mandate Limit as referred to in sub-paragraph (u)(iii) below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme, being 836,039,830 Shares (the “**Initial Mandate Limit**”), based on 8,360,398,306 issued Shares as at the Latest Practicable

Date and assuming there are no changes in the issued share capital of the Company from the Latest Practicable Date and up to the date of adoption. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

(iii) Refreshing of Mandate Limit

The Company may by ordinary resolution of the Shareholders refresh the Mandate Limit provided the Company shall issue a circular containing such information as required by the Listing Rules to the Shareholders before such approval is sought. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as refreshed (the “**Refreshed Mandate Limit**”) must not exceed 10% of the Shares in issue as at the date of approval of the Refreshed Mandate Limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with any of the schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

(iv) Grant to specifically identified Qualifying Grantees

Specifically identified Qualifying Grantees may be granted Options beyond the Mandate Limit. The Company may in addition seek separate approval by its Shareholders in general meeting for granting Options beyond the Mandate Limit provided that the Options in excess of the limit are granted only to Qualifying Grantees specifically identified by the Company and a circular containing such information as required by the Listing Rules is issued to the Shareholders before such approval is sought.

(v) Limit for each Qualifying Grantee

The number of Options that can be granted to any Qualifying Grantee during any 12-month period shall be subject to the restriction that the total number of Shares issued and to be issued upon exercise of Options (whether exercised or outstanding) granted in such 12-month period must not exceed 1% of the Shares in issue. Where any further grant of Options to a Qualifying Grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by the Shareholders in general meeting with the relevant Qualifying Grantee and his associates abstaining from voting. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the Listing Rules to the Shareholders.

(v) Grant of Option to connected persons

Insofar as and for so long as the Listing Rules so require, where any offer of an Option is proposed to be made to a director, chief executive or substantial shareholder of the Company or any of their respective associates, such offer must first be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is or whose associate is the Qualifying Grantee to whom the Option is proposed to be granted). Insofar and for so long as the Listing Rules so require, no Option may be granted to any substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other scheme(s) of the Company in the 12-month period up to and including the date of board meeting for proposing such further grant (i) representing in aggregate over 0.1% of the issued share capital of the Company in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million, unless such further grant is approved by the Shareholders in general meeting. Prior to seeking such approval, the Company shall issue a circular containing such information as required by the Listing Rules to the Shareholders. At such general meeting, the grant of Options to the substantial shareholder or independent non-executive director of the Company, or any of their respective associates shall, for so long and insofar as the Listing Rules so require, be approved by the Shareholders by way of poll with all connected persons of the Company abstaining from voting, except that any connected person may vote against such resolution provided that he has informed the Company of his intention to do so and such intention has been stated in the relevant circular to Shareholders.

(w) Effects of reorganisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue or other general offer of securities made by the Company to holders of its securities, consolidation, subdivision, reduction or similar reorganisation of the share capital of the Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the Option so far as unexercised; and/or the subscription price; and/or the maximum number of Shares subject to the Share Option Scheme, as the auditors or the independent financial advisers (as the case may be) shall certify in writing to the Board to be in their opinion fair and reasonable (except in the case of a capitalisation issue where no such certification shall be required), provided that: (i) any such alterations shall be made on the basis that the aggregate subscription price payable by an Option Holder on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such alterations shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any Option Holder is entitled to subscribe pursuant to the Options held by him; and (iv) any such adjustments shall be made in compliance with

APPENDIX I	PRINCIPAL TERMS OF SHARE OPTION SCHEME
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Chapter 17 of the Listing Rules and all such guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.

For the avoidance of doubt, the issue of securities by the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

(x) Alteration to the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Option Holders or proposed Option Holders except with the prior sanction of a resolution of the Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Option Holders as would be required of the Shareholders under the Bye-laws for the time being of the Company for a variation of the rights attached to the Shares. Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature and any change to the terms of the Options granted, shall be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall comply with the relevant requirements of Chapter 17 of the Listing Rules from time to time. Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders. Subject to the Listing Rules and the terms of the Share Option Scheme the Board may, at any time and in its absolute discretion, remove, waive or vary the conditions, restrictions or limitations imposed in an option agreement on compassionate or any other grounds.

(y) Termination of the Share Option Scheme

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered after the Share Option Scheme is terminated but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All Options granted prior to such termination and not then exercised shall remain valid.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 8,360,398,306 Shares. Subject to the passing of resolution 6 approving the Repurchase Mandate as set out in the Notice appearing on pages 29 to 34 of this circular and on the basis that no further Shares are issued or repurchased prior to the 2014 AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 836,039,830 Shares until (i) the conclusion of the next annual general meeting; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; or (iii) the revocation by ordinary resolution of Shareholders in general meeting, whichever is the earliest.

REASONS FOR REPURCHASE

A repurchase of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per share and will only be made when the Directors believe that such purchase will be to the benefit of the Company and its shareholders.

FUNDING OF REPURCHASES

The Directors propose that repurchases of Shares under the Repurchase Mandate will be financed from the Company's distributable profits or proceeds of a new issue of Shares made for such purpose. In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and the Bye-laws and the laws of Bermuda.

It is envisaged that a repurchase of Shares pursuant to the Repurchase Mandate (including repurchase of the maximum number of Shares under such mandate effected in full at any time during the period of the mandate) may have a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2013 but the Directors do not intend to make repurchases pursuant to the Repurchase Mandate to such an extent.

DISCLOSURE OF INTERESTS

None of the Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates of Directors have a present intention, in the event that the proposed Repurchase Mandate is approved by shareholders, to sell Shares to the Company.

No connected persons of the Company have notified the Company of a present intention to sell Shares to the Company and no such persons have undertaken not to sell any Shares to the Company in the event that the Repurchase Mandate is exercised.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

SHARE PRICE

The highest and lowest prices at which Shares were traded on the Stock Exchange in each of the previous twelve months were as follows:

	Share prices (per share)	
	Highest (HK\$)	Lowest (HK\$)
2013		
April	10.78	9.90
May	11.46	9.85
June	11.34	10.14
July	11.46	10.22
August	12.14	10.06
September	12.18	11.14
October	11.48	10.58
November	11.16	10.22
December	10.70	9.40
2014		
January	11.36	9.75
February	10.74	10.02
March	12.50	9.92

TAKEOVERS CODE

If as a result of a share repurchase a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, King Lun Holdings Limited is interested in (directly and indirectly) approximately 28.22% of the Company's issued share capital and is one of the substantial shareholders (as defined in Rule 1.01 of the Listing Rules) of the Company. Based on the said interests of King Lun Holdings Limited in the issued share capital of the Company as at the Latest Practicable Date, in the event that the Directors exercise in full the power to repurchase Shares of the Company in accordance with the terms of the resolution to be proposed at the 2014 AGM, the interests of King Lun

Holdings Limited (direct and indirect) in the issued share capital of the Company will be increased from approximately 28.22% to approximately 31.36% and they would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code as a result of such increase. The Directors have no intention to exercise the Repurchase Mandate to such extent that would give rise to an obligation on the part of King Lun Holdings Limited to make a mandatory general offer under Rule 26 of the Takeovers Code.

SHARE REPURCHASE MADE BY THE COMPANY

No purchase has been made by the Company of its Shares (on the Stock Exchange or otherwise) in the six months prior to the date of this circular.

The following are details of Dr William Fung Kwok Lun, Mr Allan Wong Chi Yun and Mr Paul Edward Selway-Swift, all of whom will retire at the 2014 AGM and being eligible, offer themselves for re-election.

William Fung Kwok Lun, aged 65, brother of Dr Victor Fung Kwok King and uncle of Mr Spencer Theodore Fung, is the Group Chairman since May 2012. He was Executive Deputy Chairman from 2011 to May 2012 and before that, Group Managing Director from 1986 to 2011. He joined the Group in 1972 and became a Director of the Group's export trading business in 1976. Dr Fung graduated from Princeton University with a Bachelor of Science degree in Engineering. He holds an MBA degree from the Harvard Graduate School of Business and degrees of Doctor of Business Administration, *honoris causa*, were conferred by the Hong Kong University of Science & Technology and by the Hong Kong Polytechnic University. He is an independent non-executive director of VTech Holdings Limited, Shui On Land Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited and an independent director of Singapore Airlines Limited. Dr Fung is a non-executive director of various companies within the Fung Group including Convenience Retail Asia Limited and Trinity Limited. He is a director of King Lun Holdings Limited and its wholly owned subsidiary, Fung Holdings (1937) Limited, substantial shareholders of the Company. He is also a director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. Dr Fung was past Chairman of the Hong Kong General Chamber of Commerce (1994–1996), the Hong Kong Exporters' Association (1989–1991) and the Pacific Economic Cooperation Committee (1993–2002). He was awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Save as disclosed above, he has not held any other directorship in other listed public companies in the last three years.

Under the service contract with Dr William Fung Kwok Lun, there is no fixed period of director's service but his directorship is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-laws. Dr Fung is entitled to a fee to the Chairman of the Board of HK\$300,000 (approximately US\$38,500) per annum which was approved by the shareholders at the 2011 AGM and will remain unchanged. The emoluments under his service contract are US\$615,000 per annum plus an annual discretionary bonus to be determined with reference to the Company's performance and profitability.

As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Dr Fung has personal interest of 144,342,660 Shares, corporate interest of 2,436,254,232 Shares, family interest of 108,800 Shares and is taken to have short position through King Lun Holdings Limited in respect of an aggregate of 10,891,760 underlying Shares in the Company.

Save as disclosed above, Dr Fung is not related to any Directors, senior management, substantial or controlling shareholders of the Company, nor does he have any interest in the Shares of the Company which is required to be disclosed pursuant to Part XV of the SFO.

Allan Wong Chi Yun, aged 63, is an Independent Non-executive Director since 1999. He is the Chairman and Group Chief Executive Officer of VTech Holdings Limited. He co-founded VTech Group in 1976. He holds a Bachelor of Science degree in Electrical Engineering from The University of Hong Kong, a Master of Science degree in Electrical and Computer Engineering from the University of Wisconsin and an Honorary Doctorate of Technology from the Hong Kong Polytechnic University. He is the Deputy Chairman and independent non-executive director of The Bank of East Asia, Limited and an independent non-executive director of China-Hongkong Photo Products Holdings Limited. He was awarded the Silver Bauhinia Star and the Gold Bauhinia Star in 2003 and 2008 respectively. Save as disclosed above, he has not held any other directorship in other listed public companies in the last three years.

Under the service contract between the Company and Mr Wong, he is appointed for a specific term of 3 years and will be subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Company's Bye-laws. The director's fee under the service contract is HK\$160,000 (approximately US\$20,500) per annum which will be revised subject to the approval of the Shareholders at the 2014 AGM and additional annual fees are HK\$100,000 (approximately US\$12,800) and HK\$100,000 (approximately US\$12,800) as chairman of Remuneration Committee and member of Audit Committee respectively. Such fees are subject to regular assessment with reference to those paid by the constituent companies of Hang Seng Index and approval of the Shareholders at the annual general meeting.

Mr Wong is not related to any Directors, senior management, substantial or controlling shareholders of the Company, nor does he have any interest in the Shares of the Company which is required to be disclosed pursuant to Part XV of the SFO.

Mr Wong has served on the Board for more than nine years. He has given an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee, therefore, considers him to be independent and recommends him to be re-elected.

Paul Edward Selway-Swift, aged 69, is an Independent Non-executive Director since 1992. He is Chairman of Pure Circle Ltd, a producer of natural food ingredients, which is quoted on the London Stock Exchange. He is also Chairman of Atlantis Investment Management (Ireland) Ltd. Formerly, he was Deputy Chairman of HSBC Investment Bank PLC (1996–1998), a director of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong (1992–1998) and Temenos Group AG (2001–2012). Save as disclosed above, he has not held any other directorship in other listed public companies in the last three years.

Under the service contract between the Company and Mr Selway-Swift, he is appointed for a specific term of three years and as stated in the 2012 Annual Report of the Company, he will stand for re-election for a term of around one year at each annual general meeting. The director's fee under the service contract is HK\$160,000 (approximately US\$20,500) per annum which will be revised subject to the approval of the Shareholders at the 2014 AGM, and additional annual fees to chairman of the Audit Committee and Nomination Committee are HK\$200,000 (approximately US\$25,600) and HK\$100,000 (approximately US\$12,800) respectively. Such fees are subject to regular assessment with reference to those paid by the constituent companies of Hang Seng Index and approval of the Shareholders at the annual general meeting.

As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr Selway-Swift has personal interest of 36,000 Shares, trust interest of 16,000 Shares and family interest of 60,000 Shares.

Mr Selway-Swift does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. Save as disclosed above, he does not have any interest in the Shares which is required to be disclosed pursuant to Part XV of the SFO.

Mr Selway-Swift has served on the Board for more than nine years. He has given an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee, therefore, considers him to be independent and recommends him to be re-elected.

Save as disclosed above, there is no other matter that need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules in respect of the above Directors who stand for re-election at the 2014 AGM.

NOTICE OF ANNUAL GENERAL MEETING

LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 494)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 1st Floor, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on 15 May 2014 at 11:30 a.m. for the following purposes:–

1. To receive and adopt the Audited Consolidated Accounts and the Reports of the Directors and the Auditors for the year ended 31 December 2013;
2. To declare a final dividend of 34 HK cents per share for the year ended 31 December 2013;
3. To re-elect the following Directors:–
 - (a) Dr William Fung Kwok Lun;
 - (b) Mr Allan Wong Chi Yun;
 - (c) Mr Paul Edward Selway-Swift;
4. To fix the Directors' fee as set out below:–
 - (a) the fee to each Director (other than the Chairman of the Board) be fixed at HK\$300,000 for each financial year starting from the financial year ending 31 December 2014 until the Company in general meeting otherwise determines; and
 - (b) the fee to the Chairman of the Board and additional fee to the Non-executive Directors who serve on the Board committees of the Company shall remain unchanged at the levels as shown in the following table until the Company in general meeting otherwise determines:–

HK\$
(per each financial year)

Chairman of the Board

300,000

NOTICE OF ANNUAL GENERAL MEETING

HK\$
(per each financial year)

Audit Committee

(i)	Chairman	200,000
(ii)	Members	100,000

Remuneration Committee

(i)	Chairman	100,000
(ii)	Members	50,000

Nomination Committee

(i)	Chairman	100,000
(ii)	Members	50,000

Risk Management &
Sustainability Committee

(i)	Chairman	100,000
(ii)	Members	50,000

5. To re-appoint PricewaterhouseCoopers as Auditors and authorise the Board of Directors to fix their remuneration;
6. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:–

“**THAT:**–

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting”;

7. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:–

“THAT:

- (a) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of options granted under any share option scheme adopted by the Company or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed the aggregate of 10 per cent of the aggregate of the nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(d) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of ordinary shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”;

8. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:–

“**THAT:**

conditionally on the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the shares falling to be issued pursuant to the exercise of any options granted under the share option scheme referred to in the circular to shareholders of the Company dated 10 April 2014, the terms of which are set out in the printed document marked “A” now produced to the Meeting and for the purpose of identification signed by the Chairman thereof (the “**Share Option Scheme**”), the Share Option Scheme be approved and adopted to be the share option scheme for the Company and that the Directors of the Company be authorised to grant options thereunder and to allot and issue shares pursuant to the Share Option Scheme and take all such steps as may be necessary or desirable to implement such Share Option Scheme.”; and

NOTICE OF ANNUAL GENERAL MEETING

9. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:-

“THAT:

- (a) the share premium account of the Company (the **“Share Premium Account”**) be reduced by an amount of US\$3,000,000,000;
- (b) the credit amount of US\$3,000,000,000 arising from the reduction of the Share Premium Account be credited to the contributed surplus account of the Company (the **“Contributed Surplus Account”**);
- (c) the Directors be and are hereby authorised to utilize and apply any credit balance in the Contributed Surplus Account in accordance with the Bye-laws of the Company and the applicable laws (including without limitation making distribution out of the Contributed Surplus Account to the shareholders of the Company), as and when the Directors may consider appropriate; and
- (d) the Directors be and are hereby authorised to do all acts and things they may in their absolute discretion consider necessary, expedient and appropriate to implement and/or give effect to the transactions contemplated by this resolution.”.

By Order of the Board
Terry Wan Mei Chow
Company Secretary

Hong Kong, 10 April 2014

NOTICE OF ANNUAL GENERAL MEETING

Remarks:

- (1) A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
- (2) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting. The proxy form is published on the website of HKExnews at www.hkexnews.hk and can also be downloaded from the Company's website at www.lifung.com.
- (3) Record Date and Book Closure

Hong Kong Time
2014

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

Record Date	14 May
Latest time to lodge transfer documents with Share Registrar ^(Note i)	4:30 p.m., 14 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., 20 May
Book Closure Date ^(Note ii)	21 to 22 May
Expected despatch date of dividend warrants	29 May

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 book closure date.