

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

You must read the following disclaimer before continuing: The following disclaimer applies to the attached offering circular (the “offering circular”). You are therefore advised to read this disclaimer carefully and in full before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your representation: You have accessed the attached document on the basis that you have confirmed your representation to Citigroup Global Markets Limited, DBS Bank Ltd., MUFG Securities EMEA plc, Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc and Standard Chartered Bank (collectively, the “Initial Purchasers”) that (i) you are outside the United States and, to the extent you purchase the Notes, as defined and described in the attached offering circular, you will be doing so pursuant to Regulation S under the Securities Act, and (ii) you consent to delivery of such offering circular and any amendments or supplements thereto by electronic transmission.

The attached offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Initial Purchasers nor any of their respective directors, officers, employees, representatives, agents or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached offering circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Notes described in the offering circular.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF THE NOTES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTIONS AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Company (as defined in the attached offering circular) or the Initial Purchasers to subscribe for or purchase any of the Notes described herein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

The attached offering circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers, licensed brokers or dealers in that jurisdiction, the offering of any of the Notes shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Company in such jurisdiction.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “EU PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of assimilated law in the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, including by the Retained EU Law (Revocation and Reform) Act 2023, the “EUWA”) subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of assimilated law in the UK by virtue of the EUWA, subject to amendments made by the Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019 (SI 2019/403) (as may be amended or superseded from time to time) (the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Notes described therein.

Actions that you may not take: You should not reply by e-mail to this electronic transmission, and you may not purchase any Notes by doing so. Any reply e-mail communication, including those you generate by using the “Reply” function on your e-mail software, will be ignored and/or rejected.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTION MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Li & Fung Limited

(incorporated in Bermuda with limited liability)

US\$300,000,000 8.375% Senior Notes due 2029

Issue Price: 98.89%

Li & Fung Limited (the “Company” or “Issuer”) is offering an aggregate principal amount of US\$300,000,000 of 8.375% Senior Notes due 2029 (the “Notes”). The Notes will bear interest from and including August 5, 2025 at 8.375% per annum payable semi-annually in arrears on February 5 and August 5 of each year, beginning on February 5, 2026. The Notes will mature on February 5, 2029.

The Notes are senior obligations of the Company, guaranteed by Li & Fung (Trading) Limited, Product Development Partners Limited and LF Centennial Pte. Ltd. (collectively, the “**Subsidiary Guarantors**”, and such guarantees, the “**Subsidiary Guarantees**”), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in “*Description of the Notes*”. We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees.

At any time and from time to time on or after August 5, 2027, we may redeem the Notes, in whole or in part, at the redemption prices set forth in the section titled “*Description of the Notes — Optional redemption*”, plus accrued and unpaid interest to, but, not including the redemption date. At any time prior to August 5, 2027, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering circular, and accrued and unpaid interest, if any. At any time and from time to time prior to August 5, 2027, we may redeem up to 40% in aggregate principal amount of the Notes, at a redemption price equal to 108.375%, plus accrued and unpaid interest, if any, with the proceeds from certain equity offerings. For a more detailed description of the redemption features of the Notes, see “*Description of the Notes — Optional Redemption*”.

Upon the occurrence of a Change of Control Triggering Event, as defined in the indenture governing the Notes, we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. See “*Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event*” and “*Risk Factors — Risks relating to the Notes and the Subsidiary Guarantees — We may not be able to finance a change of control offer required by the Indenture*”.

The Notes will (1) rank at least *pari passu* with all existing and future unsecured, unsubordinated Indebtedness (as defined in the Indenture) of the Company (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law), (2) be senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (3) be effectively subordinated to secured obligations of the Company and the Subsidiary Guarantors to the extent of the value of the assets serving as security therefor, and (4) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the Indenture).

For a more detailed description of the Notes, see “*Description of the Notes*” beginning on page 75.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing of and quotation for the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this offering circular. Approval in-principle for the listing and quotation of the Notes is not to be taken as an indication of the merits of the Issuer, any of its subsidiaries, its associated companies or the Notes.

Investing in the Notes involves risks. See “*Risk Factors*” beginning on page 17.

Concurrently with this offering, the Company is conducting a cash tender offer to repurchase our 2016 Perpetual Securities (as defined below). Such concurrent tender offer is being made pursuant to a separate offer to purchase and not pursuant to this offering circular. See “*Recent Developments — Concurrent Tender Offer*”.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act (“Regulation S”).

As of the date of this offering circular, the Notes are expected to be rated BB by Standard & Poor’s Ratings Services and Ba2 by Moody’s Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant.

The Notes will be issued in registered form in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. It is expected that delivery of the Notes will be made on or about August 5, 2025 (the “**Issue Date**”), through the facilities Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”) against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Citigroup

DBS Bank Ltd.

MUFG

Joint Bookrunners and Joint Lead Managers

**Goldman Sachs (Asia)
L.L.C.**

Morgan Stanley

**Standard Chartered
Bank**

This offering circular does not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation of the Notes in such jurisdiction. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering circular or that the information contained in this offering circular is correct as of any time after that date.

This offering circular is not a prospectus for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). This offering circular has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

This offering circular is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of assimilated law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended, including by the Retained EU Law (Revocation and Reform) Act 2023, the “**EUWA**”) (the “**UK Prospectus Regulation**”). This offering circular has been prepared on the basis that all offers of the Notes made to persons in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

IN CONNECTION WITH THE ISSUE OF THE NOTES, CITIGROUP GLOBAL MARKETS LIMITED, AS STABILIZING MANAGER (THE “**STABILIZING MANAGER**”) (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SECURITIES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SECURITIES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

MiFID II PRODUCT GOVERNANCE: Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended (“**MiFID II**”)); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate.

UK MiFIR PRODUCT GOVERNANCE: Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of assimilated law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of assimilated law in the UK by virtue of the EUWA subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time). Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of assimilated law in the UK by virtue of the EUWA, subject to amendments made by the Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019 (SI 2019/403) (as may be amended or superseded from time to time) (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Initial Purchasers (as defined herein), are “capital market intermediaries” (“**CMI**s”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMI, which require the attention and cooperation of prospective investors. Certain CMI may also be acting as “overall coordinators” (“**OC**s”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Company, the CMI or the relevant group company. Prospective investors associated with the Company or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their

Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Initial Purchaser, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Initial Purchaser or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. If a prospective investor is otherwise affiliated with any Initial Purchaser, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the Initial Purchasers when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Initial Purchasers and/or any other third parties as may be required by the SFC Code, including to the Company, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

We, having made all reasonable inquiries, confirm that: (i) this offering circular contains all information with respect to us and our subsidiaries referred to herein and the Notes that is material in the context of the offering and issue of the Notes; (ii) the statements contained in this offering circular relating to us and our subsidiaries are in all material respects true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering circular with regard to us and our subsidiaries are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; and (iv) there are no other facts in relation to us, our subsidiaries, the Notes, the omission of which would, in the context of the offering and issue of the Notes, make this offering circular, as a whole, misleading in any material respect.

This offering circular is strictly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering circular in its entirety (including the financial statements included elsewhere herein) before making a decision whether to purchase the Notes. You must not use this offering circular for any other purpose, or create copies, or give copies or disclose any information in this offering circular to any other person.

We have prepared this offering circular, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes.

No representation or warranty, express or implied, is made by Citigroup Global Markets Limited, DBS Bank Ltd., MUFG Securities EMEA plc, Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc and Standard Chartered Bank (collectively, the “**Initial Purchasers**”) or the Trustee (as defined herein) or the Agents (as defined herein) or any of their respective affiliates as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers, whether as to the past or the future. To the fullest extent permitted by law, the Initial Purchasers, the Trustee and the Agents do not accept any responsibility for the contents of this offering circular or for any other statement made or purported to be made by the Company in connection with the offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement. The Initial Purchasers do not undertake to review the financial condition or affairs of the Company during the life of the Notes or to advise any investor or potential investor in the Notes of any information coming to the attention of the Initial Purchasers.

Prospective investors in the Notes should rely only on the information contained in this offering circular. Neither we nor the Initial Purchasers have authorized the provision of information different from that contained in this offering circular. If given, any such information should not be relied upon. Neither the Company nor the Initial Purchasers are making an offer of the Notes in any jurisdiction where an offering of the Notes is not permitted. The information contained in this offering circular is accurate in all material respects only as of the date of this offering circular, regardless of the time of delivery of this offering circular or of any sale of the Notes. Neither the delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

Each person receiving this offering circular acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or the Trustee or the Agents or any person affiliated with the Initial Purchasers or the Trustee or the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes (other than as contained herein and information given by our duly authorized officers and employees in connection with investors’ examination of us and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers or the Trustee or the Agents.

The Notes and the Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission (the “**SEC**”), any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes, including the Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this offering circular and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering circular comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering circular, see the section titled “*Plan of Distribution*”.

In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. None of us, the Initial Purchasers or any of our or the Initial Purchasers' respective affiliates or representatives is or are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment, tax or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We reserve the right to withdraw the offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

CERTAIN CONVENTIONS, CURRENCY PRESENTATION AND DEFINITIONS

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “**we**”, “**us**”, “**our**”, the “**Company**”, the “**Group**” and words of similar import, we are referring to Li & Fung Limited itself or to Li & Fung Limited and its consolidated subsidiaries.

Market data and certain industry forecasts and statistics included in this offering circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or the respective directors and advisors of the Company or the Initial Purchasers, and neither us, the Initial Purchasers, nor the respective directors and advisors of the Company or the Initial Purchasers make any representation as to the accuracy or completeness of that information. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

In this offering circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Unless otherwise indicated, all references in this offering circular to “**China**” or the “**PRC**” are to the People’s Republic of China and, for the purpose of this offering circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of China. References herein to the “**US**” or the “**United States**” are to the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

Unless otherwise specified or the context requires, any references herein to “**U.S. dollars**”, “**US\$**” or “**USD**” are to the lawful currency of the United States.

References to the “**Indenture**” refer to the indenture dated on or about August 5, 2025 to be entered into between, among others, the Company and the Trustee in respect of the Notes.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements regarding the intent, belief or current expectations of the Company with respect to its financial condition and future results of operations. In many cases, but not all, words such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “probability”, “project”, “risk”, “seek”, “should”, “target” and similar expressions are used in relation to the Company or the Group to identify forward-looking statements. Forward-looking statements may also be identified in discussions of strategy, plans or intentions. These statements reflect the current views of the Company or the Group with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company’s or the Group’s actual results may vary materially from those it currently anticipates. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. Any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this offering circular to reflect future actual events or developments is disclaimed. The information contained in this offering circular, including, without limitation, the information under “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business*”, identifies important factors that might cause the forward-looking statements not to be realized. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- the Group may be adversely affected by fluctuations in the global economy and financial markets;
- our profitability may suffer as a result of competition in the markets in which we operate;
- we may fail to realize business growth opportunities, revenue benefits, cost synergies, operational efficiencies and other benefits anticipated from our past and future acquisitions or may incur unanticipated costs in our future acquisitions;
- we are dependent on relationships with third-party suppliers and customers;
- production and supply by our suppliers may be interrupted;
- political instability may disrupt our supply chain, adversely affecting the availability of products sourced on behalf of retailers and brands and raw materials;
- we face various risks related to health epidemics, pandemics, and similar outbreaks;
- our business could be adversely impacted if we fail to maintain cost efficiencies in the supply chain and adequate inventory levels;
- failure to effectively maintain or promote our brand, or to grow our marketing capabilities, may adversely affect our future success;
- we may not be able to sustain our historical sales and profit margins and further manage our growth effectively; and
- those other risks identified in the “*Risk Factors*” section of this offering circular.

The risks included here and elsewhere in this offering circular are not exhaustive. Moreover, we operate in a competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any

forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*” and elsewhere in this offering circular. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this offering circular. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this offering circular might not occur in the way we expect, or at all.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in Bermuda with limited liability. Bermuda and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

All of our assets are located outside the United States. In addition, all of our directors and officers are nationals or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or such persons or to enforce against us or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We have been advised by our Bermuda legal advisors, Appleby, that a final and conclusive judgment of the courts of the State of New York against the Company under which a sum of money is payable (not being a sum of money payable in respect of taxes or other charges of a like nature, in respect of a fine or other penalty, or in respect of multiple damages as defined in The Protection of Trading Interests Act 1981) may be the subject of enforcement proceedings in the Supreme Court of Bermuda under the common law doctrine of obligation by action on the debt evidenced by the judgment of such competent foreign court. A final opinion as to the availability of this remedy should be sought when the facts surrounding the foreign court's judgment are known, but, on general principles, it is expected such proceedings to be successful, provided that (i) the court which gave the judgment was competent to hear the action in accordance with private international law principles as applied in Bermuda and that (ii) such judgment was not contrary to public policy in Bermuda, had not been obtained by fraud or in proceedings contrary to natural justice and was not based on an error in Bermuda law.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the financial information contained in this offering circular relating to the Company has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

Certain key performance indicators and other non-financial operating data included in this offering circular are derived from management estimates, are not part of our financial statements or financial accounting records, and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under HKFRS.

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SUMMARY

This summary contains information about the offering and about us. It does not contain all the information that may be important to you in deciding whether to invest in the Notes. You should read the entire offering circular carefully, including the section titled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision. Certain defined terms used herein are defined elsewhere in this offering circular.

OVERVIEW

We are one of the world’s largest B2B supply chain service providers by turnover, servicing leading global retailers and brands. We specialize in delivering comprehensive, end-to-end supply chain solutions, including design, development, production, and delivery of high-volume, time-sensitive nonperishable consumer goods through an extensive global network spanning approximately 40 economies.

Our integrated operating model — local teams embedded in production countries and digitally connected through a unified global platform — reflects our philosophy of being local, global, and digital. This approach positions us as the digital gateway for borderless supply chains, enabling customers to gain visibility, speed, agility, and actionable insights across their sourcing operations. In an increasingly complex trade environment, we empower customers to navigate uncertainty with confidence, ensuring they receive products when and where they need them at competitive cost.

Our Transformation Journey

Since our privatization in May 2020, we have undertaken a comprehensive transformation, blending our legacy of strong corporate governance and a global network with modern innovation and digital leadership. Central to this transformation has been the development of our AI-enabled technology ecosystem, equipping us with advanced tools that significantly enhance operational excellence, service quality, responsiveness, and cost efficiency. One of our core initiatives was the launch of a digital supply chain control tower — powered by proprietary data insights — which delivers end-to-end visibility, early warning alerts, and data-driven decision-making capabilities across our operations.

We have unified previously siloed functions into a single, agile “All-of-LF” operating model, fostering collaboration, and fully leveraging our scale. As a result, we have achieved substantial cost reductions: operating expenses declined by US\$310 million over five years, representing a 47% reduction from 2019 levels. The operating cost-to-turnover ratio improved from 6.4% in 2019 to 5.4% in 2024, creating a more competitive cost structure that strengthens profitability and cash generation.

Throughout our transformation journey, we have not only unified our operations and digitized our processes but also deepened strategic vendor relationships in key production hubs, leveraging our presence in approximately 40 economies to enhance supply chain agility and resilience. We have also reshaped our customer portfolio, reducing exposure to lower-growth department stores and increasing our focus on high-growth channels such as discounters, clubs, and specialty retail. Excluding department stores, turnover grew 17% and unit shipments rose 32% in 2024. Our geographic mix is increasingly diversified, with turnover from Europe and the rest of the world rising to 44% in 2024 from 31% in 2020. Our product mix has also shifted: in 2024, hard goods accounted for 44% of turnover, compared to 31% in 2020, reflecting a balanced and resilient portfolio.

These efforts have driven stronger customer trust and market share, exemplified by a 20% increase in unit shipments and a 13% reduction in average unit cost between 2023 and 2024. Looking ahead, with a cash and bank balances and short-term bank deposits of US\$646 million as at December 31, 2024, we remain focused on driving growth through organic expansion and selective acquisitions that enhance our category expertise and channel presence.

RECENT DEVELOPMENTS

Recent U.S. tariff volatility and persistent global supply chain uncertainties have created new opportunities for us as customers increasingly recognize the value of our global network and proven risk mitigation capabilities. The current complexity in the global trade environment reinforces our role as a trusted supply chain solutions partner to many of the world's leading retailers and brands.

To help our customers navigate tariffs and regulatory uncertainties, we have implemented a range of measures including supply chain diversification, strategic inventory management, regulatory compliance support, and enhanced supply chain visibility. By leveraging these capabilities, we continue to demonstrate our value as an essential partner in today's volatile trade environment, helping our customers maintain a competitive advantage despite tariff uncertainties. We expect tariffs and trade restrictions to remain a source of uncertainty for our customers, suppliers, and our business as a whole.

For the six months ended June 30, 2025, we maintained stable turnover. Turnover is expected to be in the range of US\$2,915 million to US\$2,945 million, a slight 1% to 2% decline compared to US\$2,988 million for the same period last year. We continued to reduce exposure to high-risk department stores and increasing our focus on high-growth and healthy channels. Excluding department store customers, turnover is expected to increase approximately by 13% year-on-year, underscoring the continued traction of our strategy to focus on higher-growth and more resilient channels. We have continuously diversified our geographic reach, reducing dependence on the US market and improving resilience. Turnover in Europe and the rest of the world is expected to account for approximately 50% of the total turnover for the six months ended June 30, 2025, marking a significant increase from 40% for the same period in 2024.

As a result of our digital transformation and focus on operational excellence, EBITDA for the six months ended June 30, 2025, is expected to closely align with, and may be slightly improved over, the EBITDA for the same period last year of US\$72 million. This achievement comes despite macroeconomic headwinds, supply chain volatility, and our ongoing reduction of exposure to department stores. These results underscore the resilience of our business model, the strength of our transformation strategy, and our readiness for the next phase of growth.

As of June 30, 2025, we maintained a robust financial position. Our cash and bank balances and short-term bank deposits are expected to be in the range of US\$605 million to US\$608 million. We had outstanding bonds of US\$313 million, and perpetual capital securities of US\$656 million. Our total committed facilities stand at US\$325 million, with US\$180 million unused. We have drawn US\$145 million from our committed facilities to provide further flexibility in managing upcoming bond refinancing. This strong liquidity and capital base provide us with significant flexibility to navigate volatility and invest in growth.

Concurrent Tender Offer

Concurrent with this offering, we commenced a tender offer (the “**Concurrent Tender Offer**”) to purchase for cash up to US\$50,000,000 in aggregate principal amount of our 2016 Perpetual Securities (as defined below). We expect the source of funds for the Concurrent Tender Offer will be from internal resources.

The Concurrent Tender Offer is subject to the issuance and settlement of Notes in this offering. We expressly reserve the right to amend, subject to applicable law, the terms of the Concurrent Tender Offer in any respect, upon the terms and conditions set forth in the separate tender offer memorandum dated July 23, 2025 (the “**Tender Offer Memorandum**”). The Concurrent Tender Offer will expire at 5:00 p.m. Central European Summer Time (11:00 p.m. Hong Kong time) on July 31, 2025 unless extended, re-opened, amended and/or terminated by us as provided in the Tender Offer Memorandum. The Concurrent Tender Offer is being made only pursuant and subject to the terms conditions of the Tender Offer Memorandum. This offering circular does not constitute an offer to buy or a solicitation of an offer to sell any securities.

COMPETITIVE STRENGTHS

- Holistic services across the entire supply chain delivered via a global sourcing network
- Dynamically positioned towards a diversified and fast-growing customer base
- Proprietary AI-enabled technology ecosystem
- Industry-leading ESG profile
- Prudent capital management and solid cash flow generation
- Experienced management team with proven track record

BUSINESS STRATEGY

- Invest in AI-enabled technology ecosystem
- Expand product expertise and customer portfolio
- Broaden and diversify global sourcing network
- Enhance our asset-light and flexible model
- Accelerating growth through strategic investment

OUR BUSINESS

Following our transformation, our “All-of-LF” approach unified previously segmented operations into a single, integrated, agile platform, enhancing collaboration and fully leveraging our scale. We now operate two integrated business models:

- Supply Chain Solutions, where we provide end-to-end solutions via Value Chain Management as a Service, ranging from design and vendor compliance to customs clearance and local logistics, on a fee basis with long-term contracts and recurring revenues.
- Trading as a Principal, where we act as an onshore wholesaler primarily in the Americas and Europe, assuming responsibility for product design to delivery under terms agreed per program.

Our AI-enabled Technology Ecosystem

By combining our AI ecosystem with our global network, we serve as a digital gateway to borderless supply chains. Our ecosystem includes:

- **Trend Engine** — Captures and analyzes actionable data from catwalks, social media, e-commerce, and proprietary sources, powering AI-driven forecasting and design.
- **Supply Chain Control Tower** — Provides real-time visibility, predictive analytics, data-driven decisions, and quality assurance across the supply chain. Features include vendor intelligence dashboards, sustainability KPI analytics, and quality control metrics.
- **Advanced Costing Tool** — Enables customers to optimize pricing, navigate tariffs, and mitigate risks. Key modules include macro factors (FX, wages), fabric analytics, benchmarking, and real-time costing.

By enabling data-driven decisions, our solutions have reduced customer lead times dramatically. For example, we recently assisted a customer to reduce lead time for certain programs from an industry average of 45 weeks to just 8.5 weeks.

Our New Operating Model: The All-of-LF Approach

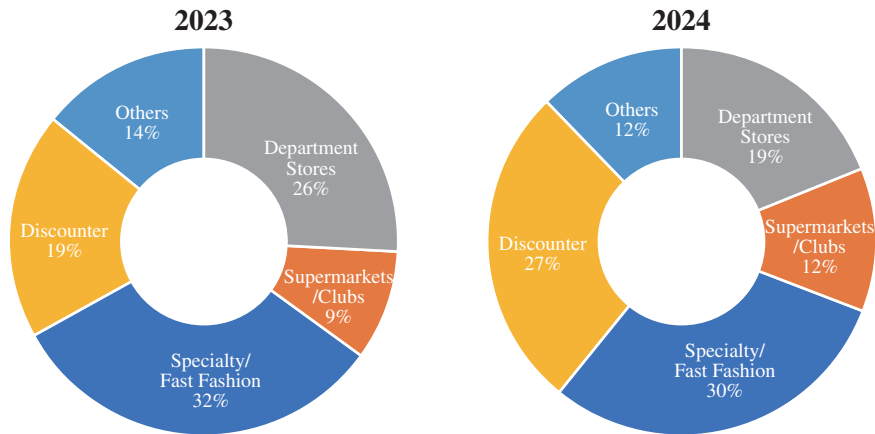
Enabled by our AI-enabled technology ecosystem, we have implemented an “All-of-LF” operating model that unifies previously siloed operations into a single, agile platform. This integration has fostered greater collaboration across the organization and strengthened our ability to leverage global scale. The “All-of-LF” model is built on three key pillars:

- **Operating Excellence:** We are committed to fostering a culture of focus and consistently delivering the highest level of service to our customers, regardless of circumstances. By promoting cross-functional collaboration and driving operational efficiency, we ensure our teams work seamlessly together to create exceptional value for clients.
- **Business Development:** Our institutionalized business development process has established a robust and sustainable pipeline, accelerating new customer acquisition. This disciplined approach supports steady growth and reinforces our competitive position in the market.
- **Customer/Vendor Relationship Management:** We empower our customer account management teams with the tools, data, and autonomy needed to identify opportunities, deepen relationships, and expand market share. Through strategic account management, we deliver tailored solutions, anticipate client needs, and increase customer retention. At the same time, we are strengthening vendor engagement by fostering open communication, setting clear expectations, and building collaborative partnerships. This not only ensures reliable service and operational efficiency but also cultivates mutual trust and creates opportunities for innovation and shared success.

Our Customers

- Our expansion in Europe has further balanced our portfolio, with Europe/UK turnover rising to 36% in 2024 from 26% in 2023
- Our customer mix includes discounters, big box, department stores, supermarkets/club stores, and specialty and fast fashion retailers, positioning us to capture growth in resilient channels

Total Turnover by Customer Channels



- We have a well-balanced portfolio of soft and hard goods, in contrast to our primary focus on apparel prior to our privatization, underscores our success in establishing a truly diversified customer base

Our Suppliers

- Diversified sourcing network across approximately 40 economies, supported by deep vendor relationships
- Our network provides flexibility to mitigate concentration risk
- We continue to strengthen bases in Vietnam, Bangladesh, India, Cambodia, Turkey, Jordan, and Egypt

THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering circular. For a detailed description of the Notes, see the section entitled “Description of the Notes”. The terms and conditions of the Notes prevail to the extent of any inconsistency with the summary set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Phrases used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes”.

Issuer	Li & Fung Limited
Subsidiary Guarantors	Li & Fung (Trading) Limited, Product Development Partners Limited and LF Centennial Pte. Ltd
Notes Offered	US\$300,000,000 aggregate principal amount of 8.375% Senior Notes due 2029.
Issue Price	98.89% of the principal amount of the Notes.
Issue Date	August 5, 2025.
Maturity Date	February 5, 2029.
Interest	The Notes will bear interest from and including August 5, 2025 at 8.375% per annum, payable semi-annually in arrears on February 5 and August 5 of each year, commencing on February 5, 2026.
Ranking of the Notes	The Notes will: ● be general obligations of the Company; ● be senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; ● rank at least <i>pari passu</i> with all existing and future unsecured and unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); ● be guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under “Description of the Notes — The Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Notes and the Subsidiary Guarantees”; ● be effectively subordinated to secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and ● be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below).

Subsidiary Guarantees	Each of the Subsidiary Guarantors will jointly and severally guarantee, on a senior basis, the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The initial Subsidiary Guarantors are listed under “ <i>Description of the Notes — The Subsidiary Guarantees</i> ”.
Ranking of the Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor will each: • be a general obligation of such Subsidiary Guarantor; • be effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; • rank at least <i>pari passu</i> with all existing and future unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and • be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
Optional Redemption	At any time and from time to time on or after August 5, 2027, the Company may redeem the Notes, in whole or in part, at the redemption prices set forth in “<i>Description of the Notes — Optional Redemption</i>”, plus accrued and unpaid interest to, but not including, the redemption date. At any time prior to August 5, 2027, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date, as set forth in the section titled “<i>Description of the Notes — Optional Redemption</i>”.

	At any time and from time to time prior to August 5, 2027, the Company may redeem up to 40% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in one or more Equity Offerings at a redemption price of 108.375% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the applicable redemption date; provided that at least 60% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering. See “<i>Description of the Notes — Optional Redemption</i>”.
Repurchase of the Notes upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date. See “<i>Description of the Notes — Repurchase of Notes upon a Change of Control Triggering Event</i>”.
Additional Amounts.	All payments in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto), except as required by law of a relevant jurisdiction. If withholding or deduction is required by law of any relevant jurisdiction, subject to certain exceptions, the Company or the applicable Subsidiary Guarantor, as the case may be, will pay additional amounts as may be necessary so that the net amount received by each holder of a Note (including additional amounts) after such withholding or deduction will not be less than the amount such holder would have received if such withholding or deduction had not been required. See “<i>Description of the Notes — Additional Amounts</i>”.
Redemption for Taxation Reasons .	Subject to certain exceptions and as more fully described in the section entitled “<i>Description of the Notes — Redemption for Taxation Reasons</i>”, the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to (but not including) the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See “<i>Description of the Notes — Redemption for Taxation Reasons</i>”.

Covenants	The Company will issue the Notes under the Indenture, which will, among other things, limit our ability and the ability of our Restricted Subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • make investments or other specified Restricted Payments; • pay dividends or make other distributions or repurchase or redeem our Capital Stock; • issue or sell Capital Stock of Restricted Subsidiaries; • create liens on assets to secure indebtedness; • guarantee indebtedness of the Company or Restricted Subsidiaries; • transfer or sell assets; • enter into, renew or extend certain transactions with shareholders or affiliates; • enter into agreements that restrict our Restricted Subsidiaries' ability to pay dividends; • enter into sale and leaseback transactions; • enter into unrelated businesses; and • merge or consolidate with or into another company. These covenants will be subject to a number of important exceptions and qualifications. See “<i>Description of the Notes</i>”.
Events of Default	Events of default with respect to the Notes include failure to pay principal, premium (if any), interest or additional amounts. See “<i>Description of the Notes — Events of Default</i>”.
Further Issues	Subject to the covenants in the Indenture, the Company may from time to time, without the consent of the holders of the Notes, issue further securities having the same terms and conditions as the Notes in all respects (except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions) so that such additional Notes may be consolidated and form a class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of such additional Notes will then be permitted under the covenant governing the incurrence of additional indebtedness. See “<i>Description of the Notes — Further Issues</i>”.

Form, denomination and registration	The Notes will be issued only in fully registered form, registration without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a custodian for, and registered in the name of a common depositary (or its nominee) for Euroclear or Clearstream. See “ <i>Description of the Notes — Book-Entry; Delivery and Form</i> ”.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear or Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “ <i>Description of the Notes — Book-Entry; Delivery and Form</i> ”.
Delivery of the Notes.	The Company expects to make delivery of the Notes, against payment in same-day funds on or about August 5, 2025 which the Company expects will be the fifth business day following the date of this offering circular referred to as “T+5”. You should note that initial trading of the Notes may be affected by the T+5 settlement. See “ <i>Plan of Distribution</i> ”.
Trustee	Citicorp International Limited
Paying Agent, Transfer Agent and Registrar (the “ Agents ”).	Citibank, N.A., London Branch
Listing.	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for Notes in definitive form, we will appoint and maintain a paying agent in Singapore, where the Notes in definitive form may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for Notes in definitive form, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore.

Ratings	The Notes are expected to be rated BB by Standard & Poor's Ratings Services and Ba2 by Moody's Investors Service. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by Standard & Poor's Ratings Services and/or Moody's Investors Service.
Governing law	The Notes, the Subsidiary Guarantees and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles thereof.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see " <i>Risk Factors</i> ".
Selling Restrictions	The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered except outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. See the section titled " <i>Plan of Distribution</i> ".
Clearing System and Settlement. . .	The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "<i>Description of the Notes — Book-Entry; Delivery and Form</i>". Certain trading information with respect to the Notes is set forth below: ISIN: XS3130021366 Common Code: 313002136
Legal Entity Identifier code	254900B5ACVOJC6VNM71

SUMMARY CONSOLIDATED FINANCIAL DATA AND OTHER INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information for the years ended December 31, 2022, 2023 and 2024, set forth below is derived from the audited consolidated financial statements of the Group for the years ended December 31, 2023 and 2024 which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and should be read in conjunction with the audited consolidated financial statements of the Group for the years ended December 31, 2023 and 2024, including the notes thereto, which are included elsewhere in this offering circular.

The Group's audited consolidated financial statements were prepared and presented in accordance with HKFRS in the respective years.

CONSOLIDATED FINANCIAL INFORMATION

Summary income statement information

	Audited		
	Twelve months ended December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Continuing Operations			
Turnover	7,607,905	6,138,135	6,591,103
Cost of sales	(7,115,415)	(5,721,689)	(6,148,877)
Gross profit	492,490	416,446	442,226
Other income and gains	21,055	38,231	31,706
Total margin	513,545	454,677	473,932
Selling and distribution expenses	(66,155)	(73,054)	(78,243)
Merchandising and administrative expenses	(312,752)	(276,549)	(275,583)
Core operating profit	134,638	105,074	120,106
Amortization of other intangible assets	(12,294)	(11,694)	(10,082)
Other non-core operating (expenses net of gains)/ gains net of expenses	(5,739)	5,894	(3,763)
Operating profit	116,605	99,274	106,261
Interest income	10,757	24,784	15,403
Interest expenses			
Non-cash interest expenses	(3,314)	(3,507)	(2,413)
Cash interest expenses	(64,985)	(36,257)	(30,869)
	(68,299)	(39,764)	(33,282)
Share of net (losses)/profits of associated companies	(121)	19	12
Profit before taxation	58,942	84,313	88,394
Taxation	(19,809)	(29,030)	(22,355)
Net profit for the year from Continuing Operations	<u>39,133</u>	<u>55,283</u>	<u>66,039</u>
Discontinued Operations			
Profit for the year from Discontinued Operations	<u>1,568,093</u>	<u>—</u>	<u>—</u>
Net profit for the year	<u>1,607,226</u>	<u>55,283</u>	<u>66,039</u>
Attributable to:			
Shareholders of the Company	1,552,996	21,195	31,734
Holders of perpetual capital securities	34,125	34,125	34,125
Non-controlling interests	20,105	(37)	180
	<u>1,607,226</u>	<u>55,283</u>	<u>66,039</u>

Other financial data

	Twelve months ended December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Total debt (not including perpetual capital securities) ⁽¹⁾	521,300	312,970	458,178
Net debt (not including perpetual capital securities) ⁽²⁾	(246,880)	(139,324)	(187,653)
Core operating profit	134,638	105,074	120,106
EBITDA ⁽³⁾	176,552	129,489	142,402
EBITDA as a percentage of turnover	2.3%	2.1%	2.2%
Core operating profit as a percentage of turnover	1.8%	1.7%	1.8%
Total debt to EBITDA ratio ⁽⁴⁾	3.0x	2.4x	3.2x
Net debt to EBITDA ratio ⁽⁵⁾	(1.4)x	(1.1)x	(1.3)x
EBITDA to cash interest expense ratio	2.7x	3.6x	4.6x

- (1) Total debt includes the current and non-current portions of long-term notes and bank loans. Total debt does not include lease liabilities or perpetual capital securities as the Company's perpetual capital securities are fixed-for-life instruments with no stated maturity date and therefore would not affect its liquidity position. See "*Description of Material Indebtedness and Other Obligations — Fixed-for-life Perpetual Capital Securities*" for further details. Shortly after the issuance of the Notes, we plan to repay (i) any remaining outstanding short-term debt (after application of the proceeds from the issuance of the Notes in this offering) and (ii) at least approximately US\$120 million of our long-term debt from our cash on hand and short term bank deposits.
- (2) Net debt comprises total debt minus both cash and bank balances as well as short-term bank deposits.
- (3) EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that the EBITDA as presented herein are calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "*Description of the Notes — Definitions*" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (4) Excluding perpetual securities, total debt to EBITDA improved from 3.0x to 2.4x for the fiscal years ended December 31, 2022 and 2023, respectively, primarily driven by the strategic deployment of proceeds from the divestment of LF Logistics to repurchase bonds with an aggregate principal amount of US\$209 million. For the fiscal year ended December 31, 2024, total debt (excluding perpetual capital securities) to EBITDA increased to 3.2x due to the drawdown of US\$145 million in long term committed bank facilities, undertaken as a proactive measure to repay short term loans and bolster liquidity and have sufficient cash on hand in light of the prevailing global macroeconomic and geopolitical uncertainties.
- (5) Net debt (excluding perpetual capital securities) to EBITDA continued to reflect the Group's discipline in capital management. It increased from (1.4)x as of December 31, 2022 to (1.1)x as of December 31, 2023 as a result of the deployment of proceeds from the divestment of LF Logistics to repurchase bonds. Net debt (not including perpetual capital securities) to EBITDA strengthened to (1.3)x as of December 31, 2024, in spite of the increase in gross debt, supported by increased operating cash inflows, which grew from US\$117 million in 2023 to US\$132 million in 2024. As of December 31, 2024, the Group maintained a robust liquidity position with cash balance (including short-term bank deposits) totaling US\$646 million, providing full coverage for its 2025 bond maturity and significant headroom for future investment and expansion initiatives.

We have provided below a reconciliation of EBITDA to core operating profit, which we believe is the most directly comparable item that appears on our financial statements.

	Twelve months ended December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Core operating profit	134,638	105,074	120,106
<u>Add:</u>			
Depreciation of property, plant and equipment.	7,550	4,088	3,487
Amortization of system development, software and other license costs	2,350	2,265	962
Amortization of right-of-use assets.	28,966	18,062	17,847
Loss on disposal of property, plant and equipment ⁽¹⁾ .	3,048	—	—
EBITDA	<u>176,552</u>	<u>129,489</u>	<u>142,402</u>

⁽¹⁾ The loss on disposal of property, plant and equipment in 2022 is related to office space optimization following an internal reorganization.

Summary balance sheet information

	Audited		
	As at December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Non-current assets			
Intangible assets	1,610,150	1,622,698	1,598,395
Property, plant and equipment.	12,014	10,380	10,609
Right-of-use assets	36,350	40,117	37,639
Associated companies	445	432	436
Financial assets at fair value through other comprehensive income.	3,365	3,421	3,370
Financial assets at fair value through profit or loss. .	11,351	16,351	21,866
Other receivables, prepayments and deposits	—	51,328	50,000
Deferred tax assets	13,042	10,436	9,269
	<u>1,686,717</u>	<u>1,755,163</u>	<u>1,731,584</u>
Current assets			
Inventories	147,222	98,892	97,580
Due from a Shareholder	—	100,000	100,000
Due from related companies	117,615	99,497	87,087
Trade and bills receivable.	808,024	671,725	708,509
Other receivables, prepayments and deposits	63,138	61,814	45,343
Derivative financial instruments.	—	—	5,088
Short-term bank deposits	—	238,454	194,487
Cash and bank balances	768,180	213,840	451,344
	<u>1,904,179</u>	<u>1,484,222</u>	<u>1,689,438</u>

	Audited		
	As at December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Current liabilities			
Due to related companies	35,764	19,489	18,961
Derivative financial instruments	4,066	2,484	—
Trade and bills payable	1,019,862	863,675	867,017
Accrued charges and sundry payables	543,059	508,778	526,360
Taxation	19,658	37,774	44,314
Lease liabilities	15,083	18,919	19,440
Current portion of long-term notes	—	—	313,178
	<u>1,637,492</u>	<u>1,451,119</u>	<u>1,789,270</u>
Net current assets/(liabilities)	<u>266,687</u>	<u>33,103</u>	<u>(99,832)</u>
Total assets less current liabilities	<u>1,953,404</u>	<u>1,788,266</u>	<u>1,631,752</u>
Financed by:			
Share capital	14,686	14,686	14,686
Reserves	<u>715,310</u>	<u>764,536</u>	<u>774,697</u>
Shareholders' funds attributable to the Company's			
Shareholders	729,996	779,222	789,383
Holders of perpetual capital securities	655,687	655,687	655,687
Non-controlling interests	<u>(4,073)</u>	<u>(4,109)</u>	<u>98</u>
Total equity	<u>1,381,610</u>	<u>1,430,800</u>	<u>1,445,168</u>
Non-current liabilities			
Long-term notes	521,300	312,970	—
Lease liabilities	39,562	36,429	29,597
Long-term bank loans	—	—	145,000
Post-employment benefit obligations	5,872	3,028	1,900
Deferred tax liabilities	<u>5,060</u>	<u>5,039</u>	<u>10,087</u>
	<u>571,794</u>	<u>357,466</u>	<u>186,584</u>
	<u>1,953,404</u>	<u>1,788,266</u>	<u>1,631,752</u>

Fixed-for-life Perpetual Capital Securities

The Company issued US\$650 million of perpetual capital securities in November 2016, with no fixed maturity date and no step-up on distributions. See “Description of Material Indebtedness and Other Obligations — Fixed-for-life Perpetual Capital Securities” for further details. As a result, our perpetual capital securities do not have any refinancing risk or impact on the Company’s liquidity position and are classified as equity for accounting purposes. The following table illustrates our equity position, taking into account the perpetual capital securities, together with our total debt and liquidity positions as at December 31, 2022, 2023 and 2024.

	As at December 31,		
	2022	2023	2024
Holders of perpetual capital securities	655,687	655,687	655,687
Shareholders' funds ⁽¹⁾	729,996	779,222	789,383
Non-controlling interests	(4,073)	(4,109)	98
Total equity	<u>1,381,610</u>	<u>1,430,800</u>	<u>1,445,168</u>
Total debt (not including perpetual capital securities)⁽²⁾	521,300	312,970	458,178
Cash and Bank Balances and Short-term Bank Deposits	768,180	452,294	645,831

(1) Shareholders' funds attributable to the Company's shareholders comprise ordinary shares, reserves and retained earnings, excluding non-controlling interests, as at December 31, 2022, 2023 and 2024.

(2) If we include perpetual capital securities, total debt (including perpetual capital securities) to EBITDA moved from 6.7x to 7.5x to 7.8x between the respective periods. Despite having lower total debt in 2023 as compared to 2022, the total debt (including perpetual capital securities) to EBITDA in 2023 increased compared to 2022 primarily as a result of a 26.7% decline in EBITDA in 2023, driven by our deliberate decision to reduce exposure to high-risk customers with low credit standing as well as customers' efforts to reduce excess inventory accumulated during the COVID-19 pandemic. Net debt (including perpetual capital securities) to EBITDA moved from 2.3x to 4.0x to 3.3x between the respective periods.

RISK FACTORS

An investment in the Notes involves a high degree of risk. In addition to the other information in this offering circular, you should carefully consider the following risk factors before purchasing the Notes. The occurrence of any of the events discussed below could materially adversely affect our business, financial condition and results of operations. The risks and uncertainties described below are not the only ones we believe we are exposed to. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any one of these events occurs, the trading price of the Notes could decline and we may not be able to pay interest or principal on the Notes when due, and you could lose all or part of your investment. The order in which these risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their severity or significance. This offering circular also contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, the risks described below and elsewhere in this offering circular. See “Forward-looking Statements” for further information.

RISKS RELATING TO OUR BUSINESS

Macroeconomic conditions and developments in global trade issues and tariff policies in key markets

We are exposed to risks arising from global trade issues affecting industries, including the textiles sector, in the countries from where products are sourced and to which they are exported to. Our business is impacted by actual and threatened, perceived or otherwise, trade protectionism driven by the prevailing global economic environment and geopolitical tensions between key trading partners.

In particular, our reliance on the United States as a principal export market exposes us to changes in U.S. trade policy, including tariffs imposed on imports from various countries. For example, in 2025, the U.S. government introduced a 10% universal tariff on imports from all countries, supplemented in certain cases by additional tariffs varying by country. Notably, the U.S. has implemented a 125% tariff on Chinese imports, to which the People’s Republic of China (“**PRC**”) responded with retaliatory tariffs of the same magnitude on U.S. imports. On May 12, 2025, the U.S. and China governments jointly announced a significant reduction in tariffs, with U.S. tariff rate on imports from China falling from 145% to 30%, and Chinese tariff rate on imports from U.S. falling from 125% to 10%. This agreement will be in effect for 90 days, during which both sides will continue talks to establish a more permanent trade arrangement. This pause was further extended on July 7, 2025 to August 1, 2025. The imposition of sweeping tariffs by the U.S. on imports from other countries — including Mexico, Canada, the European Union, and Japan — and the subsequent “pause” and “resumption” announced by the U.S. on proposed tariffs have contributed to significant uncertainty and volatility in global markets, disrupted supply chains, and affected diplomatic relations worldwide. It remains uncertain whether further escalation of trade tensions or additional tariff measures will occur, either by the U.S. or other governments. Any such escalation or the perception thereof could further strain international trade relations, increase volatility in global markets, and lead to higher costs within our supply chain. A severe or prolonged slowdown or instability resulting from these global trade issues could materially and adversely affect our business, operational results, and financial position.

In addition, our growing reliance on Europe and the United Kingdom as export markets exposes us to developments in EU-China and UK-China trade relations. While trade relations between the EU, the UK, and China have not deteriorated to the extent seen between the U.S. and China, unresolved issues remain, including market access restrictions, investment conditions in certain sectors, intellectual

property concerns, and anti-dumping measures affecting Chinese manufactured products. Any adverse changes or renewed tensions in these relationships could also negatively impact our business and financial performance.

Our diversified sourcing platform is designed to provide flexibility to shift production among countries and withstand sudden supply chain interruptions. Nonetheless, any cessation, fluctuation, or disturbance of world trade, including the imposition of tariffs, trade barriers, or other protectionist measures, may disrupt our operations, increase costs, reduce demand for products sourced on behalf of retailers and brands, and materially and adversely affect our financial position and results of operations. The United States and Europe accounted for approximately 56% and 36%, respectively, of our turnover in 2024. Economic conditions, regulatory changes, and the financial health of retailers in these regions are therefore significant factors influencing our business performance. Adverse developments in these markets, including economic downturns or reduced consumer spending, could materially affect our operational results and financial condition.

Global consumer sentiment and shift in customer landscape and ongoing supply chain disruptions

Our business is inherently exposed to fluctuations in global consumer sentiment and changes in customer preferences and demand. Variations in consumer shopping habits, whether driven by shifts in disposable income, economic confidence, or broader macroeconomic factors, may materially and adversely affect our business, operational results, and financial condition.

The global supply chain environment remained volatile throughout 2024, with disruptions including port strikes, factory protests, geopolitical tensions, and the Red Sea shipping disruption, all of which increased the complexity and cost of global sourcing. These challenges occurred against a backdrop of softening consumer sentiment, inflationary pressures, and evolving shopper behavior, which collectively have placed significant strain on traditional retail business models.

There can be no assurance, however, that changes in consumer sentiment, further shifts in retail channels, or ongoing supply chain disruptions will not continue to adversely affect our business, financial position, and results of operations.

Macroeconomic conditions in sourcing markets, including emerging market countries, may affect some vendors

Our operations are exposed to macroeconomic, political, social, and regulatory risks in the countries from which we source products, including emerging market economies. We source products from approximately 40 economies worldwide, including the PRC, Bangladesh, Cambodia, Guatemala, India, Indonesia, Malaysia, Pakistan, the Philippines, Thailand, Turkey, and Vietnam. Many of these sourcing markets are subject to economic policies and measures imposed by governments to control inflation, protect domestic industries, and pursue broader policy objectives. Such measures may include wage and price controls, import restrictions, tariffs, exchange controls, and tax policies.

Emerging markets often have developing legal systems that may be untested and uncertain, limiting the legal protections available to foreign entities, including our business. Additionally, some of these markets have experienced rising labor activism, which may lead to labor unrest or workforce disruptions, further complicating sourcing activities.

Social or political instability in certain sourcing countries may present unforeseen risks and challenges to our operations, potentially disrupting the supply chain, affecting production timelines, and adversely impacting the financial performance of governments and our sourcing partners in these regions. The impact of such risks could be exacerbated if we are unable to identify or transition to alternative sourcing markets in a timely and efficient manner.

Customer retention

We have established long-term relationships with many of our customers. Our top three customers collectively accounting for 44.7% of the Group's total turnover for the year ended December 31, 2024. However, our commercial arrangements are generally subject to periodic renewal. There is a risk that customers may choose to modify, terminate, or not renew their agreements with us, or alternatively, may elect to source services from other providers. Such changes could materially and adversely affect our business, operational results, and financial condition.

Reliance on the Group's technology infrastructure

The Group relies on its technology infrastructure which includes its AI-enabled technology ecosystem to manage and optimize supply chain activities. The reliability, capacity, and security of our technology infrastructure are critical to streamlining operations, tracking key performance indicators, enhancing quality control, optimizing costing, and enabling data-driven decision-making.

Our systems are vulnerable to damage or interruption from security breaches, computer viruses, power outages, hardware or software failures, and other technical malfunctions. Any disruption to our technology infrastructure, or delays or difficulties in transitioning to new systems or integrating such systems with existing infrastructure, could materially and adversely affect our business, operational results, and financial condition. Our ability to continue operating without significant interruption in the event of a disaster or other disruptive event depends on the effectiveness of our disaster recovery and business continuity plans and the ability of our technology platform and information systems to function accordingly. Failure to maintain or promptly restore critical systems could have a material adverse impact on our business and reputation.

Interests of major shareholders

The deemed interests of Dr. Victor Fung Kwok King (through a trust of which HSBC Trustee (C. I.) Limited is the trustee) and the indirect interests of Dr. William Fung Kwok Lun in the Company currently represent approximately 60% of the voting interest in the Company. They also serve as Chairman of Fung Investments and Group Deputy Chairman, respectively. As a result, and subject to applicable laws and regulations, they have the ability to influence or control certain matters submitted to the Company's shareholders for approval, including significant strategic and investment decisions, and to exert a controlling influence over the Company's management and affairs.

Material transactions involving any conflicts of interest relating to these major shareholders are subject to approval by disinterested directors. However, there can be no assurance that the interests of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun will always align with those of other shareholders, including GLP and JD.com, the Company's directors, or the holders of the Notes.

Furthermore, if Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun decide to dispose of or reduce their shareholdings in the Company, any such sale or reduction could have an adverse effect on the Company's business and financial condition.

Fluctuations in foreign exchange rates

We operate a global business and are exposed to currency risk arising from purchases and borrowings denominated in currencies other than the U.S. dollar. Additionally, we face translation risk in the preparation of our consolidated financial statements, which are presented in U.S. dollars. The majority of our cash balances are held in Hong Kong dollars and U.S. dollars with major global financial institutions, and most of our borrowings are denominated in U.S. dollars. Our turnover and payments are primarily transacted in U.S. dollars. However, certain sales and purchases are conducted in other

currencies, for which we enter into foreign exchange forward contracts to hedge our exposure. There can be no assurance that such hedging arrangements will be fully effective in mitigating our foreign exchange rate risk.

As our functional currency is the U.S. dollar, we are subject to exchange rate exposure from the translation of the financial results of our foreign operations, which are denominated in local currencies, into U.S. dollars for group consolidation purposes. Our net equity investments in non-U.S. dollar denominated businesses are also subject to unrealized translation gains or losses upon consolidation. Fluctuations in relevant foreign currencies against the U.S. dollar may result in unrealized gains or losses that are recorded in the exchange reserve within consolidated equity and can materially impact our results of operations and financial position. Furthermore, the value of the U.S. dollar itself may fluctuate due to changes in U.S. government policies and is influenced by domestic and international economic and political developments. Notably, the tariffs imposed by the U.S. government in 2025 on various economies, and corresponding reciprocal tariffs, have contributed to significant uncertainty in currency markets, resulting in volatility in the value of the U.S. dollar. Such currency fluctuations may have a material adverse effect on our business, financial condition, and results of operations.

Reliance on global logistics industry

We rely on third party logistics to deliver products sourced on behalf of retailers and brands to customers. The global logistics industry has experienced significant fluctuations over the last 10–15 years. Due to increasing world trade volumes prior to the global financial crisis in 2008, logistics companies invested heavily in new capacities. However, the imposition of tariffs by the U.S. government and retaliatory measures by other countries, including the PRC, in 2025 and the potential escalation of a trade war have resulted, and may continue to result, in uncertainties and fluctuations in global trade dynamics, supply chains and logistic routes. This uncertainty and volatility have resulted in subdued demand for goods and has placed severe strain on many logistics companies. There is no assurance that global trade tensions will not escalate and result in further volatility in global markets, which may result in us having to re-strategize where we source and export products and restructure our supply chain across the various sectors in which we do business.

In addition, pandemics could cause significant disruptions to the global logistic industry by prompting governments to implement restrictive policies on travel and trade. For example, the policies implemented by governments to deter the spread of the COVID-19 pandemic had caused significant disruptions to the global shipping industry which adversely affected our business, results of operations and financial position. See also “ — *Outbreak of contagious diseases*”.

The global logistic industry has experienced severe disruptions as individual companies are no longer able to remain in business. Any future issues with any of our third-party logistic providers may have an adverse effect on our business. For our principal business, dealing with distressed logistic companies can result in potential delays in the delivery of our goods to customers. Any significant disruption to the timely delivery of goods may adversely affect our business operations, reputation and financial position.

Our expected financial performance for the six months ended June 30, 2025

We are in the process of preparing our financial results for six months June 30, 2025 and some of which are included elsewhere in this offering circular. Those are preliminary estimates of certain financial results that, based on available information to date, we expect to report as at and for the six months ended June 30, 2025.

Such data presented elsewhere in this offering circular is preliminary and unaudited, based upon our estimates, and subject to further internal review by our management and compilation of actual results. We have provided ranges for this data primarily because our closing procedures for the financial results for the six months ended June 30, 2025 are not yet complete. Our management's estimates are based upon information currently available from our businesses. While we expect that our results will be within these ranges and/or consistent with these estimates, our actual results may differ materially from these preliminary estimates and may not reflect the Issuer's financial condition, results of operations and results for the full fiscal year. All of such information presented elsewhere in this offering circular has been prepared by and is the responsibility of our management. Our auditor, PricewaterhouseCoopers, has not audited, reviewed, compiled, or performed any procedures with respect to our accompanying preliminary estimates, and accordingly does not express an opinion or any other form of assurance with respect to this information. Consequently, such data presented elsewhere in this offering circular should not be relied upon by potential investors to provide the same quality of information associated with financial statements that have been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Issuer's financial condition, results of operations and results. In addition, such data presented elsewhere in this offering circular has not been independently verified and no representation or warranty, express or implied, is made or given by or on behalf of the Initial Purchasers and no reliance should be placed on, the accuracy, completeness or fairness of such information or opinions contained in this offering circular. No representation as to the sufficiency and accuracy of such financial statements is or has been made and any obligation to update, or to announce publicly any revision to, any of the preliminary estimates contained in this offering circular to reflect actual results is disclaimed. The Initial Purchasers disclaim any liability assumed by any data to the fullest extent permitted by law.

Outbreak of contagious diseases

The outbreak of severe communicable diseases or pandemics, which are beyond the Group's control, can have an adverse effect on the retail business, global supply chains and, as a result, the Group's business, operational results and financial position. For example, the COVID-19 pandemic greatly impacted the Group's business, with shipment delays caused by production and transportation interruptions in many countries around the world. As a result, the sourcing of products had become much more difficult with the international travel restrictions and restricted flow of goods. On the retail business level, the weakened consumer sentiment had caused certain retailers to reduce orders for their goods, accelerate store closures or reduce near-term store expansion plans. The prolonged impact of the COVID-19 can in some cases still be seen today, with the changes in consumer shopping habits.

Any future outbreak of severe communicable diseases which may develop into pandemics, epidemics or other unforeseen catastrophic events in any of our core markets in the future could materially and adversely impact our business, operational results and financial position.

Competitive developments in the retail markets

The retail markets have experienced increased competitive pressure in recent years due to various factors, including the expanding market share of e-commerce. E-commerce represents an increasing element of retail sales particularly in the U.S. and often at the expense of profits of retailers. In the U.S., e-commerce contributed approximately 16.1% of total retail sales in 2024.¹

¹ Source: U.S. Census Bureau

At the retail level, online retailers have transformed the market, fighting for market share and competing largely on price and providing pricing transparency while traditional retailers have added online channels. This has greatly intensified price competition which, coupled with a generally weak consumption market, has resulted in a persistently highly-promotional marketplace and reduced margins for brands and retailers. If promotional activities by brands and retailers persist for extended periods of time or if we do not successfully adapt to the changing demands of our customers, it may have an adverse impact on our business, operational results and financial position.

In addition, to compete with developments in e-commerce, retailers are required to hold a broader range of products and continue to adapt their method of ordering. Retailers increasingly require lower volume minimums and shorter delivery time as consumers shop online and demand timely access to a broad range of products across multiple channels. As retailers move retail sales online to compete with e-commerce platforms, they might destock their store inventory to lower levels. This destocking transition could potentially reduce customers' merchandising budgets and as a result negatively impacted our turnover. We will continuously review the risk profile of our customer portfolio and reduce credit risk as needed, which could negatively impact turnover. Accordingly, the destocking trend may continue to have an adverse impact on our business, operational results and financial position.

Our business is subject to various evolving laws and regulations around the world

The services we provide are regulated by various governmental authorities around the world. A failure to comply with applicable laws and regulations and maintain appropriate authorizations could result in fines, operational restrictions or possible revocations of authority to conduct operations. New regulations or changes in existing regulations, or in the interpretation or enforcement of regulations, could require us or our customers to incur additional capital or operating expenses or modify business operations to achieve or maintain compliance.

In addition, due to the cross-border nature of our activities and the large number of countries in which we operate, we must continually monitor our compliance with anti-corruption and anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the UK Bribery Act), other employee malfeasance regulations, trade control and sanctions laws and regulations, anti-money laundering laws, and antitrust and competition laws. Recent years have seen a substantial increase in global enforcement of laws, with more frequent voluntary self-disclosures by companies, industry-wide investigations and criminal and civil enforcement proceedings by the U.S. and other government agencies, resulting in substantial fines and penalties. Due to the increasing complexity and ever-changing requirements in the individual countries in which we operate, there can be no assurance that our internal policies or procedures will work effectively to ensure that we comply with such laws and regulations all of the time or to protect us against liability under such laws and regulations for actions taken by our employees and third-party service providers with respect to our business. As a result of any of the foregoing, our business, financial condition and results of operations could be adversely affected.

Fluctuations in the prices of raw materials and commodities

The prices for raw materials and commodities continue to fluctuate. As raw material sourcing plays a key part in our supply chain, the Group's business operations and financial position may be adversely affected by continued low pricing levels of raw materials and commodities.

Risk relating to vendor performance and supply chain reliability

Our business is exposed to risks arising from the performance of vendors and suppliers, which could materially and adversely affect our operations, financial condition, and results of operations. We rely on a broad network of vendors to supply products and materials in a timely and consistent manner to meet our customers' demands. Any failure by vendors to deliver products that meet required quality standards, comply with contractual terms, or adhere to agreed delivery schedules could disrupt our supply chain and impact our ability to fulfil customer orders. Vendor performance risk may arise from a variety of factors, including operational inefficiencies, financial instability, labor disputes, regulatory non-compliance, or unforeseen events such as natural disasters or geopolitical tensions affecting sourcing locations. In particular, vendors operating in emerging or less stable markets may face heightened risks of disruption due to social, political, or economic instability.

We monitor vendor performance through regular assessments and maintain relationships with multiple suppliers to mitigate the risk of reliance on any single vendor. However, there can be no assurance that we will be able to identify or transition to alternative suppliers promptly or on commercially reasonable terms in the event of vendor failure or disruption. Any significant or prolonged disruption in vendor performance could result in delays, increased costs, reduced product availability, or compromised product quality, which may materially and adversely affect our business, operational results, and financial position.

Reliance on third-party vendors and suppliers

The vast majority of products sourced on behalf of retailers and brands are sourced from third-party vendors and suppliers. We do not have long-term written agreements with any of our third-party vendor and suppliers. As a result, any of these vendors and suppliers may unilaterally terminate its relationship with us at any time. Any failure of these vendors and suppliers to meet required quality standards could damage our relationships with our customers. In addition, the failure by these vendors and suppliers to ship products in a timely manner could result in missing the delivery date requirements of our customers. The failure to make timely deliveries could cause customers to cancel orders, refuse to accept delivery of products or demand reduced prices or margin support.

We are also dependent on our third-party vendors and suppliers for compliance with our policies and the policies of our customers and licensors regarding labor, environmental, sustainability and safety practices employed by factories that supply products for us. Any failure by vendors and suppliers to comply with required standards or any other divergence in their practices from those generally considered ethical in developed countries, and the potential negative publicity relating to any of these events, could result in a violation by us of our license agreements and harm us and our reputation. In addition, a vendor's or supplier's failure to comply with safety or content regulations and standards could result in substantial liability and harm to our reputation.

Our intangible assets, including goodwill, are subject to impairment assessment

As of December 31, 2024, 46.7% of our total assets constituted intangible assets, which includes goodwill, system development, software and other license costs, buying agency agreements, customer relationships, patents, trademarks, brand names, and others. In accordance with HKFRS, we test annually, or when there are impairment indicators, whether goodwill has suffered any impairment. We identify trading business as the single cash generating unit and the recoverable amount of the underlying cash generating unit is determined using a value-in-use calculation that requires significant judgments, including actual and forecasts of operating results, the selection of an appropriate discount rate, and assumptions about long-term growth rates. An adverse impact on our business as a result of changes in market conditions or consumer preferences, or any other reason, may result in us recognizing an

impairment charge and/or writing off all or a part of the carrying amount of our intangible assets. Any such write-off, though not cash in nature, may materially and adversely affect our business, financial condition, and results of operations.

Our business may be affected by macroeconomic events affecting global credit markets

Changes in the global credit and financial markets, including regulatory changes on banks and the wider financial sector, have in recent years affected and may continue to affect the availability of credit and led to an increase in the cost of financing. In the past, a deterioration in the financial markets has contributed to a slowdown in the U.S. and the global economy, which has led, and may continue to lead, to significant declines in employment, household wealth, consumer demand and lending and as a result may adversely affect economic growth in Hong Kong, the PRC and elsewhere. Affected by the turbulent global geopolitics in recent years, Hong Kong's credit rating has taken a toll. In April 2020, Fitch Ratings Inc. downgraded Hong Kong's long-term foreign currency issuer default rating from AA to AA-, and in April 2024 reaffirmed this rating. In December 2023, Moody's Investors Service affirmed Hong Kong's long-term issuer and senior unsecured ratings to Aa3.

Whilst we currently have committed facilities available that enable us to meet our current funding needs and future business expansion needs, we may have difficulty in the future in accessing the financial markets, which could make it more difficult or expensive to obtain funding. There can be no assurance that we will be able to continue to raise financing at a reasonable cost, or at all. We may also be subject to solvency risks of banks and counterparts in financial investments and arrangements. These may have an adverse effect on our business, financial condition and results of operations.

In recent years, the PRC has experienced a slowing in the rate of economic growth. Periodically, the PRC government has introduced a number of measures, including increasing and decreasing interest rates and the deposit reserve requirement of commercial banks and allowing the currency to fluctuate in a wider range. More recently, the defaults of several PRC real estate companies on their debt obligations have further resulted in instability and volatility in the capital markets. If the PRC's economic growth continues to slow down in the future, or its government discontinues the stimulus package or continues to tighten its monetary policies, our business in the PRC and its ability to implement its growth strategies in the PRC could be materially and adversely affected.

Since 2010, the global markets and economic conditions have also been periodically impacted by uncertainty relating to the ability of certain European Union Member States (including Greece, Ireland, Italy, Spain and Portugal) to service their sovereign debt obligations. The continued uncertainty over the outcome of the EU governments' financial support programs and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets. In particular, it has and could in the future disrupt equity markets and result in volatile bond yields on the sovereign debt of EU members. This uncertainty has been exacerbated by the exit of the United Kingdom from the European Union in 2020. More recently, military conflicts between Russia and Ukraine, between Israel and Palestine and between Iran and Israel have resulted in increased volatility in the prices of certain raw materials across our supply chains, including oil. Moreover, significant fluctuations in interest rates are linked to our ability to obtain financing. Since 2021, in response to changes in inflation rates, the United States Federal Open Market Committee has continually adjusted benchmark interest rates, resulting in continued significant volatility in global capital markets and adversely affecting both business and consumer confidence.

Further, as production is primarily based in emerging markets, the global supply chain is prone to uncertainty and disruption. Over the last few years, we witnessed this with riots, terrorist attacks, corruption inquiries, political scandals or military coups in Myanmar, Bangladesh, Indonesia, Thailand, South Korea or Vietnam. These macroeconomic factors, or market perceptions concerning such matters, could have an adverse effect on our liquidity, which could in turn adversely impact on our business, financial position and operating results, as well as our future prospects.

Changes in economic and political environment in the PRC and policies adopted by the PRC government

For the year ended December 31, 2024, our top sourcing country was the PRC. The PRC economy differs from other economies in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls, and resource allocation. Although state-owned enterprises still account for a substantial portion of the PRC industrial output, in general, the PRC government is reducing the level of direct control which it exercises through state plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production and management and a gradual shift in emphasis to a “market economy” and enterprise reform. However, there can be no assurance that the PRC government will continue to pursue a policy of economic reform and we may not in all cases be able to capitalize on the economic reform measures adopted by the PRC government.

Our operations and financial results could be adversely affected by changes in the political, economic and social conditions in the PRC or the relevant policies of the PRC government, such as changes in laws and regulations (or their interpretation), in particular changes in labor laws which may result in wage increases in factories, inflationary measures, changes in the rate or method of taxation, further foreign exchange restrictions and the imposition of additional import restrictions. In February 2025, the U.S. imposed a 10% tariff on all imports from the PRC, which was further raised to 20% in March 2025 and subsequently raised to 54% in April 2025. As a result, the PRC imposed a reciprocal tariff of 34% on imports from the U.S., to which the U.S. responded with a further 50% tariff on Chinese goods. The PRC then hiked its levies on U.S. imports to 84%, and the U.S. further raised the tariff rate to 125% with the PRC then reciprocating. On May 12, 2025, the U.S. and China governments jointly announced a significant reduction in tariffs, with U.S. tariff rate on imports from China falling from 145% to 30%, and Chinese tariff rate on imports from U.S. falling from 125% to 10%. This agreement will be in effect for 90 days, during which both sides will continue talks to establish a more permanent trade arrangement. This pause was further extended on July 7, 2025 to August 1, 2025. The trade tensions between the U.S. and China and their potential escalation and unpredictability may have significant impacts on PRC consumer confidence, Chinese investment overseas and the wider global economy.

Uncertainties in the PRC legal system

The PRC legal system is based on written statutes and may significantly differ from the legal system in other jurisdictions. Since 1979, the PRC government has promulgated laws and regulations that deal with economic matters, including securities regulations, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties.

Our operations, and the operations of vendors and suppliers, based in the PRC are subject to application of such laws and regulations, including administrative review and approval by various national and local agencies of the PRC government. The uncertainties of and changes occurring in the PRC’s legal and regulatory systems may adversely affect the conduct and performance of our business.

The effects of war, acts of terrorism, civil disturbance or natural disasters could adversely affect our business and results of operations

The continued threat of terrorism, heightened security measures and military action in response to acts of terrorism or civil unrest have, at times, disrupted commerce and intensified concerns regarding the global economy. Any further acts of terrorism or new or extended hostilities may disrupt commerce and undermine consumer confidence, which could negatively impact our sales and results of operations. For example, military conflicts between Russia and Ukraine, Israel and Palestine, and Iran and Israel have resulted in broad-ranging economic sanctions by various authorities. The extent and duration of these military conflicts, and the resulting market disruptions, are hard to predict and may continue to adversely affect the global financial market and, accordingly, our performance. Similarly, the occurrence of one or more natural disasters, such as pandemics, hurricanes, fires, floods or earthquakes could result in the closure of one or more of our distribution centers, our corporate headquarters or a significant number of stores or impact one or more of our key suppliers. In addition, these types of events could result in increases in energy prices or a fuel shortage, temporary or long-term disruption in the supply of products, disruption in the transport of products from overseas, delay in the delivery of products to our factories, our customers or our stores and disruption in our information and communication systems. Accordingly, these types of events could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE NOTES AND THE SUBSIDIARY GUARANTEES

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities and obligations of our subsidiaries that do not guarantee the Notes.

We are a holding company with limited business operations beyond holding equity interest in our subsidiaries. We conduct most of our operations through our subsidiaries. The Notes will not be guaranteed by certain of our subsidiaries. See “*Description of the Notes — The Subsidiary Guarantees*” for a list of the Subsidiary Guarantors. Accordingly, our ability to pay principal and interest on the Notes will depend upon the receipt of principal and interest payments on intercompany loans and distributions of dividends from operating subsidiaries. We cannot assure you any subsidiaries that may become Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

The amounts of payments, dividends and other distributions available to us will depend on the profitability and cash flows of our subsidiaries as well as the ability of our subsidiaries to declare dividends or make other distributions under applicable law. Our subsidiaries may not be able or may not be permitted under applicable law or certain contractual arrangements (including the Notes and other indebtedness, subject to certain exceptions) to make distributions, make payments on, make repayments on the intercompany loans or otherwise advance upstream loans to us to make payments in respect of our debt, including the Notes.

In addition, our subsidiaries have no obligation to make payments to us with respect to the Notes (other than their obligations under the Subsidiary Guarantees). While the Indenture will limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, these limitations are subject to significant qualifications and exceptions. In addition, the ability of our subsidiaries to declare dividends or otherwise distribute funds to us will be subject to the requirement to have sufficient retained earnings available for distribution. Furthermore, when any non-wholly-owned subsidiary provides funds indirectly to us in the form of a dividend, a pro rata dividend must also be paid to the subsidiary’s other equity holders. Therefore, there can be no assurance that the dividend and distribution capacity of our subsidiaries will be adequate to fund distributions in amounts and at times sufficient for us to pay our obligations as they become due under the Notes.

Claims against subsidiaries that are not Subsidiary Guarantors for payment under the Notes will be effectively subordinated to all existing and future obligations of those subsidiaries (including obligations of our subsidiaries that are not Subsidiary Guarantors under guarantees issued in connection with our business, contingent obligations and trade payables). In addition, all claims of creditors of our subsidiaries that are not Subsidiary Guarantors will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. Our subsidiaries that are not Subsidiary Guarantors generated 18% of our turnover for the year ended December 31, 2024.

We have indebtedness and may incur additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt and other obligations.

We now have, and will continue to have after the offering of the Notes, an amount of indebtedness. See “*Description of Material Indebtedness and Other Obligations*” for further details.

Our indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other obligations;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. In addition, because interest expenses under HKFRS do not account for, and our definition of Consolidated Interest Expense for the Notes, excludes distributions on our existing perpetual capital securities, our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other senior notes issuers whose covenants may include such interest expense in the definition of Consolidated Interest Expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. In addition, because restrictions on payments under the Indenture do not cover our existing perpetual capital securities and our existing perpetual capital securities are not Capital Stock, we do not treat distributions on our existing perpetual capital securities as Restricted Payments under the Notes. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other indebtedness.

There are circumstances other than repayment or discharge of the Notes under which the Subsidiary Guarantees securing the Notes will be released, without your consent or the consent of the Trustee.

Under various circumstances, the Subsidiary Guarantees securing the Notes will be released, including, without limitation:

- as described under “*Description of the Notes — Amendments and Waiver*”; and
- upon payment in full of principal, interest and all other obligations of the Notes or defeasance or discharge of the Notes, as provided under “*Description of the Notes — Defeasance*”.

We may elect to redeem the Notes prior to their maturity.

Pursuant to terms of the Notes, we may elect to redeem the Notes prior to their maturity in whole or in part at the price specified in the section entitled “Description of the Notes Optional Redemption”. The date on which we elect to redeem the Notes may not accord with the preference of particular noteholders. In addition, a holder of Notes may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Notes.

The ratings assigned to the Notes may be lowered or withdrawn. A downgrade in our credit ratings or the rating assigned to the Notes may adversely affect our ability to access capital.

We have been assigned a corporate credit rating of BB with a stable outlook by Standard & Poor’s Ratings Services, Ba2 with a negative outlook by Moody’s Investors Service and BB with a stable outlook by Fitch Ratings Inc.. We expect the Notes to be rated BB by Standard & Poor’s Ratings Services and Ba2 by Moody’s Investors Service as of the date of this offering circular. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. Additionally, other nationally recognized statistical ratings organizations may issue an unsolicited rating. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from those ratings assigned by Standard & Poor’s Ratings Services, Moody’s Investors Service or Fitch Ratings Inc.. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes or the issuance of different unsolicited ratings with respect of the Notes may adversely affect the market price of the Notes.

A trading market for the Notes may not be maintained.

Although approval in-principle has been received from the SGX-ST for the listing of and quotation for the Notes as described in this offering circular, we cannot assure you that we will be able to obtain or maintain listing of the Notes on the SGX-ST, or that a liquid trading market will be maintained. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market-making activity at any time without notice. We cannot predict whether an active trading market for the Notes will be sustained. The Notes could trade at prices that may be lower than the initial offering price. Future trading prices of the Notes will depend on many factors, including, but not limited to:

- prevailing interest rates and interest rate volatility;

- the market for similar securities;
- our operating and financial results;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- the market price of the Notes; or
- changes in our industry and competition and general market and economic conditions.

Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes and Noteholders may not be able to sell their Notes at an attractive price or at all and may incur losses on their investments.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this offering circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolio. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Changes in our revenue, earnings and cash flow and proposals of new investments, strategic alliances or acquisitions, interest rates, changes in our industry, government regulations applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. We cannot assure you that these developments will not occur in the future.

Disclosure standards that apply to us may differ from those in other jurisdictions.

The financial information in this offering circular has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other generally accepted accounting principles, which might be material to the financial information contained in this offering circular. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other generally accepted accounting principles. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisors for an understanding of the differences between HKFRS and other generally accepted accounting principles and how those differences might affect the financial information contained in this offering circular.

The terms of the Notes permit us to make investments in which we may hold a minority interest.

We may from time to time make investments that strengthen our capabilities, expand our reach and deepen our relevance to global customers, including joint ventures in which we may own less than a 50% equity interest and such investment may not be a Restricted Subsidiaries under the Indenture. Although the Indenture restricts us and our Restricted Subsidiaries from making these investments, these restrictions are subject to a number of important exceptions and qualifications, including with respect to related parties. See the “*Limitation on Restricted Payments*” covenant and the definition of “Permitted Investments” in “*Description of the Notes*” contained in this offering circular. We cannot assure you that any such investments will result in any profit, and we may lose the total value of all these investments. As of the date of the Indenture, all of our subsidiaries will be Restricted Subsidiaries and we will not have any Unrestricted Subsidiaries.

Enforcing your rights as a holder of the Notes or under the Subsidiary Guarantees across multiple jurisdictions may be difficult.

The Notes will be issued by the Company, which is incorporated under the laws of Bermuda, and guaranteed by the initial Subsidiary Guarantors, which are incorporated under the laws of Singapore and Hong Kong. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions and in the jurisdiction of organization of any future Subsidiary Guarantor of the Notes and in the jurisdiction where the security assets are located. Your rights under the Notes and the Subsidiary Guarantees will thus be subject to the laws of several jurisdictions, and you may not be able to enforce your rights effectively in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors’ rights.

In addition, the bankruptcy, insolvency, administrative and other laws of the respective Subsidiary Guarantors' jurisdictions of incorporation may be materially different from, or in conflict with, one another and those of the United States in certain areas, including creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Subsidiary Guarantees.

The insolvency laws of Bermuda and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Notes are familiar.

As we are incorporated under the laws of Bermuda, any insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions.

The Notes will initially be held in book-entry form, and therefore, you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the paying agent, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

We may not be able to finance a change of control offer required by the Indenture.

Upon a Change of Control Triggering Event, as defined under the Indenture, you will have the right to require us to offer to purchase all of the Notes then outstanding at a price equal to 101.0% of the principal amount of the Notes, plus accrued interest. In order to obtain sufficient funds to pay the purchase price of the outstanding Notes, we expect that we would have to refinance the Notes. We cannot assure you that we would be able to refinance the Notes on reasonable terms, if at all. Our failure to offer to purchase all outstanding Notes or to purchase all validly tendered Notes would be an event of

default under the indenture. Such an event of default may cause the acceleration of our other debt. Our future debt also may contain restrictions on repayment requirements with respect to specified events or transactions that result in a Change of Control Triggering Event under the Indenture. Certain important corporate events, such as leveraged recapitalizations, may not, under the Indenture governing the Notes, result in a “Change of Control Triggering Event” that would require us to repurchase the Notes, notwithstanding the fact that such corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the Notes. See “*Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event*”.

The Trustee may request the holders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may request holders to provide an indemnity and/or security and/or prefunding to its satisfaction before it will take actions on their behalf. The Trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. Further, the Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the indenture or in circumstances where there is uncertainty or dispute as to such actions’ compliance with applicable laws and regulations. In such circumstances, to the extent permitted by any applicable agreements or applicable laws, it will be for the holders to take such actions directly.

USE OF PROCEEDS

The gross proceeds of the offering of the Notes will be US\$296.67 million.

We intend to use the net proceeds from the issuance of the Notes for refinancing of certain existing indebtedness. We may adjust the foregoing stated use of proceeds in response to circumstances such as changes in governmental policies, and force majeure.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out our capitalization and indebtedness as derived from our audited consolidated financial statements as at December 31, 2024 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering before deducting the issuance discount, underwriting discounts and commissions and other estimated expenses of this offering payable by us. The as-adjusted information below is illustrative only and does not take into account any changes in our capitalization and indebtedness after December 31, 2024 other than as noted below. This table should be read in conjunction with “*Selected Consolidated Financial and Other Data*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Use of Proceeds*” and the financial statements and notes thereto included elsewhere in this offering circular.

	As at December 31, 2024	
	US\$’000	
	Actual	As adjusted
Indebtedness		
Short-term debt ⁽¹⁾	313,178	13,178
Long-term debt ⁽²⁾		
Long-term bank loans ⁽³⁾	145,000	145,000
Notes offered hereby	—	300,000
Total long-term debt	145,000	445,000
Shareholders’ funds ⁽⁴⁾	789,383	789,383
Holders of perpetual capital securities ⁽⁵⁾	655,687	655,687
Total capitalization and indebtedness ⁽⁶⁾	1,903,248	1,903,248

Notes:

- (1) Short-term debt comprises current portion of long-term notes and excludes current portion of lease liabilities (US\$19.4 million as at December 31, 2024).
- (2) Long-term debt comprises long-term bank loans and long-term notes and excludes non-current portion of lease liabilities (US\$29.6 million as at December 31, 2024).
- (3) As of June 30, 2025, we had bank loans of US\$145 million, outstanding bonds of US\$313 million, and perpetual capital securities of US\$656 million. As of the date of this offering circular, our total committed facilities stand at US\$325 million, with US\$180 million unused. We have drawn US\$145 million from our committed facilities.
- (4) Shareholders’ funds attributable to the Company’s Shareholders comprise ordinary shares, reserves and retained earnings, excluding non-controlling interests, as at December 31, 2024.
- (5) For the avoidance of doubt, the as-adjusted information for perpetual capital securities does not give effect to the Concurrent Tender Offer.
- (6) Total capitalization and indebtedness comprises short-term debt, long-term debt, shareholders’ funds and holders of perpetual capital securities.

Shortly after the issuance of the Notes, we plan to repay (i) any remaining outstanding short-term debt (after application of the proceeds from the issuance of the Notes in this offering) and (ii) at least approximately US\$120 million of our long-term debt from our cash on hand and short term bank deposits. For the avoidance of doubt, the Capitalization and Indebtedness table above does not take into consideration the effect of (i) and (ii). Other than as disclosed above and in this offering circular, there have been no material changes in the Company’s capitalization or indebtedness since December 31, 2024.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information for the years ended December 31, 2022, 2023 and 2024, set forth below is derived from the audited consolidated financial statements of the Group for the years ended December 31, 2023 and 2024 which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and should be read in conjunction with the audited consolidated financial statements of the Group for the years ended December 31, 2023 and 2024, including the notes thereto, which are included elsewhere in this offering circular.

The Group's audited consolidated financial statements were prepared and presented in accordance with HKFRS in the respective years.

CONSOLIDATED FINANCIAL INFORMATION

Summary income statement information

	Audited		
	Twelve months ended December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Continuing Operations			
Turnover	7,607,905	6,138,135	6,591,103
Cost of sales.	(7,115,415)	(5,721,689)	(6,148,877)
Gross profit	492,490	416,446	442,226
Other income and gains	21,055	38,231	31,706
Total margin.	513,545	454,677	473,932
Selling and distribution expenses.	(66,155)	(73,054)	(78,243)
Merchandising and administrative expenses.	(312,752)	(276,549)	(275,583)
Core operating profit	134,638	105,074	120,106
Amortization of other intangible assets.	(12,294)	(11,694)	(10,082)
Other non-core operating (expenses net of gains)/ gains net of expenses	(5,739)	5,894	(3,763)
Operating profit	116,605	99,274	106,261
Interest income	10,757	24,784	15,403
Interest expenses			
Non-cash interest expenses	(3,314)	(3,507)	(2,413)
Cash interest expenses	(64,985)	(36,257)	(30,869)
	(68,299)	(39,764)	(33,282)
Share of net (losses)/profits of associated companies	(121)	19	12
Profit before taxation	58,942	84,313	88,394
Taxation.	(19,809)	(29,030)	(22,355)
Net profit for the year from Continuing Operations	39,133	55,283	66,039
Discontinued Operations			
Profit for the year from Discontinued Operations	1,568,093	—	—
Net profit for the year	1,607,226	55,283	66,039
Attributable to:			
Shareholders of the Company	1,552,996	21,195	31,734
Holders of perpetual capital securities	34,125	34,125	34,125
Non-controlling interests	20,105	(37)	180
	1,607,226	55,283	66,039

Other financial data

	Twelve months ended December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Total debt (not including perpetual capital securities) ⁽¹⁾	521,300	312,970	458,178
Net debt (not including perpetual capital securities) ⁽²⁾	(246,880)	(139,324)	(187,653)
Core operating profit	134,638	105,074	120,106
EBITDA ⁽³⁾	176,552	129,489	142,402
EBITDA as a percentage of turnover	2.3%	2.1%	2.2%
Core operating profit as a percentage of turnover	1.8%	1.7%	1.8%
Total debt to EBITDA ratio ⁽⁴⁾	3.0x	2.4x	3.2x
Net debt to EBITDA ratio ⁽⁵⁾	(1.4)x	(1.1)x	(1.3)x
EBITDA to cash interest expense ratio	2.7x	3.6x	4.6x

- (1) Total debt includes the current and non-current portions of long-term notes and bank loans. Total debt does not include lease liabilities or perpetual capital securities as the Company's perpetual capital securities are fixed-for-life instruments with no stated maturity date and therefore would not affect its liquidity position. See "*Description of Material Indebtedness and Other Obligations — Fixed-for-life Perpetual Capital Securities*" for further details. Shortly after the issuance of the Notes, we plan to repay (i) any remaining outstanding short-term debt (after application of the proceeds from the issuance of the Notes in this offering) and (ii) at least approximately US\$120 million of our long-term debt from our cash on hand and short term bank deposits.
- (2) Net debt comprises total debt minus both cash and bank balances as well as short-term bank deposits.
- (3) EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that the EBITDA as presented herein are calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "*Description of the Notes — Definitions*" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (4) Excluding perpetual securities, total debt to EBITDA improved from 3.0x to 2.4x for the fiscal years ended December 31, 2022 and 2023, respectively, primarily driven by the strategic deployment of proceeds from the divestment of LF Logistics to repurchase bonds with an aggregate principal amount of US\$209 million. For the fiscal year ended December 31, 2024, total debt (excluding perpetual capital securities) to EBITDA increased to 3.2x due to the drawdown of US\$145 million in long-term committed bank facilities, undertaken as a proactive measure to bolster liquidity and have sufficient cash on hand in light of the prevailing global macroeconomic and geopolitical uncertainties.
- (5) Net debt (excluding perpetual capital securities) to EBITDA continued to reflect the Group's discipline in capital management. It increased from (1.4)x as of December 31, 2022 to (1.1)x as of December 31, 2023 as a result of the deployment of proceeds from the divestment of LF Logistics to repurchase bonds. Net debt (not including perpetual capital securities) to EBITDA strengthened to (1.3)x as of December 31, 2024, in spite of the increase in gross debt, supported by increased operating cash inflows, which grew from US\$117 million in 2023 to US\$132 million in 2024. As of December 31, 2024, the Group maintained a robust liquidity position with cash balance (including short-term bank deposits) totaling US\$646 million, providing full coverage for its 2025 bond maturity and significant headroom for future investment and expansion initiatives.

We have provided below a reconciliation of EBITDA to core operating profit, which we believe is the most directly comparable item that appears on our financial statements.

	Twelve months ended December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Core operating profit	134,638	105,074	120,106
<u>Add:</u>			
Depreciation of property, plant and equipment.	7,550	4,088	3,487
Amortization of system development, software and other license costs	2,350	2,265	962
Amortization of right-of-use assets.	28,966	18,062	17,847
Loss on disposal of property, plant and equipment ⁽¹⁾ .	3,048	—	—
EBITDA	<u>176,552</u>	<u>129,489</u>	<u>142,402</u>

⁽¹⁾ The loss on disposal of property, plant and equipment in 2022 is related to office space optimization following an internal reorganization.

Summary balance sheet information

	Audited		
	As at December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Non-current assets			
Intangible assets	1,610,150	1,622,698	1,598,395
Property, plant and equipment.	12,014	10,380	10,609
Right-of-use assets	36,350	40,117	37,639
Associated companies	445	432	436
Financial assets at fair value through other comprehensive income.	3,365	3,421	3,370
Financial assets at fair value through profit or loss. .	11,351	16,351	21,866
Other receivables, prepayments and deposits	—	51,328	50,000
Deferred tax assets	13,042	10,436	9,269
	<u>1,686,717</u>	<u>1,755,163</u>	<u>1,731,584</u>
Current assets			
Inventories	147,222	98,892	97,580
Due from a Shareholder	—	100,000	100,000
Due from related companies	117,615	99,497	87,087
Trade and bills receivable.	808,024	671,725	708,509
Other receivables, prepayments and deposits	63,138	61,814	45,343
Derivative financial instruments.	—	—	5,088
Short-term bank deposits	—	238,454	194,487
Cash and bank balances	768,180	213,840	451,344
	<u>1,904,179</u>	<u>1,484,222</u>	<u>1,689,438</u>

	Audited		
	As at December 31,		
	2022	2023	2024
	US\$'000	US\$'000	US\$'000
Current liabilities			
Due to related companies	35,764	19,489	18,961
Derivative financial instruments.	4,066	2,484	—
Trade and bills payable	1,019,862	863,675	867,017
Accrued charges and sundry payables.	543,059	508,778	526,360
Taxation.	19,658	37,774	44,314
Lease liabilities.	15,083	18,919	19,440
Current portion of long-term notes.	—	—	313,178
	<u>1,637,492</u>	<u>1,451,119</u>	<u>1,789,270</u>
Net current assets/(liabilities)	<u>266,687</u>	<u>33,103</u>	<u>(99,832)</u>
Total assets less current liabilities	<u>1,953,404</u>	<u>1,788,266</u>	<u>1,631,752</u>
Financed by:			
Share capital.	14,686	14,686	14,686
Reserves	<u>715,310</u>	<u>764,536</u>	<u>774,697</u>
Shareholders' funds attributable to the Company's			
Shareholders	729,996	779,222	789,383
Holders of perpetual capital securities	655,687	655,687	655,687
Non-controlling interests	<u>(4,073)</u>	<u>(4,109)</u>	<u>98</u>
Total equity.	<u>1,381,610</u>	<u>1,430,800</u>	<u>1,445,168</u>
Non-current liabilities			
Long-term notes	521,300	312,970	—
Lease liabilities.	39,562	36,429	29,597
Long-term bank loans	—	—	145,000
Post-employment benefit obligations	5,872	3,028	1,900
Deferred tax liabilities	<u>5,060</u>	<u>5,039</u>	<u>10,087</u>
	<u>571,794</u>	<u>357,466</u>	<u>186,584</u>
	<u>1,953,404</u>	<u>1,788,266</u>	<u>1,631,752</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial information for the Company together with the accompanying notes included elsewhere in this offering circular. The consolidated financial statements of the Company were prepared in accordance with HKFRS.

This discussion includes forward-looking statements that involve risks and uncertainties which could cause actual results, events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties, refer to the sections titled "Forward-looking Statements" and "Risk Factors".

OVERVIEW

We are one of the world's largest business-to-business ("B2B") supply chain service providers by turnover, servicing many of the world's leading retailers and brands. We specialize in delivering comprehensive, end-to-end supply chain solutions, including design, development, production, and delivery of high-volume, time-sensitive nonperishable consumer goods through an extensive global network spanning approximately 40 economies.

With more than a century of operating experience since 1906, we have consistently demonstrated the ability to adapt and thrive through major trade shifts and market disruptions. From navigating the Multi-Fiber Agreement in the 1970s to China's WTO accession in 2001 and the COVID-19 pandemic, our business has evolved alongside global supply chain trends.

Our integrated operating model — local teams embedded in production countries and digitally connected through a unified global platform — reflects our philosophy of being local, global, and digital. This approach positions us as the digital gateway for borderless supply chains, enabling customers to gain visibility, speed, agility, and actionable insights across their sourcing operations. In an increasingly complex trade environment, we empower customers to navigate uncertainty with confidence, ensuring they receive products when and where they need them at competitive cost.

Formerly listed on the Main Board of the Stock Exchange of Hong Kong until May 2020, we have undergone significant transformation since our privatization. As a result of this journey, we have achieved substantial cost reductions: operating expenses declined by US\$310 million over five years, representing a 47% reduction from 2019 levels. The operating cost-to-turnover ratio improved from 6.4% in 2019 to 5.4% in 2024, creating a more competitive cost structure that strengthens profitability and cash generation.

We have also reshaped our customer portfolio, reducing exposure to lower-growth department stores and increasing our focus on high-growth channels such as discounters, clubs, and specialty retail. In 2022, customers also overstocked when the COVID-19 restrictions were in place, which resulted in inventory clearing at a slower pace when the restrictions were lifted. As a result of this customer portfolio optimization and customers overstocking in 2022, turnover initially decreased from US\$7,608 million in 2022 to US\$6,138 million in 2023, before increasing to US\$6,591 million in 2024. Excluding department stores, turnover rose 17% and unit shipments increased 32% in 2024. Our geographic mix is increasingly diversified, with turnover from Europe and the rest of the world rising to 44% in 2024 from 31% in 2020. Our product mix has also shifted: in 2024, hard goods accounted for 44% of turnover, compared to 31% in 2020, reflecting a balanced and resilient portfolio.

Please refer to "*Business — Overview — Our Transformation Journey*" for additional information on how we have transformed our core business by blending our legacy — anchored in our values, strong corporate governance, and global network — with modern innovation.

KEY FACTORS AFFECTING OUR OPERATIONS

Macro conditions and developments in global trade issues and tariff policies in key markets

We aim to enable customers to gain visibility, speed, agility, and actionable insights across their sourcing operations, especially in an increasingly complex trade environment.

In the near term, we may be impacted by reduced purchasing from certain customers and by global trade issues affecting our sourcing and export markets. Trade protectionism and changing tariff policies may also affect our business operations and financial position. However, our business model is designed to manage these challenges effectively, allowing us to remain resilient amid market fluctuations.

The United States and Europe are our principal export markets, accounting for approximately 56% and 36% of our turnover in 2024, respectively. Accordingly, the economic environment in these regions, as well as the financial resilience of U.S. and European retailers, may impact our business, operational results, and financial condition. Notwithstanding these challenges, we expect to benefit from increased demand for integrated, end-to-end supply chain solutions from global customers seeking to navigate complex geopolitical and tariff environments. In addition, our ongoing diversification of our customer base in Europe has reduced our dependence on any single economy, further enhancing our resilience amid evolving market dynamics.

Global consumer sentiment and shift in customer landscape

Our business is positioned to respond to changes in consumer sentiment and demand, which can fluctuate with shifts in disposable income and overall economic confidence. Such changes may have a material impact on our business, operational results, and financial position in the near term. In 2024, the global supply chain environment remained dynamic, with challenges including port strikes, factory protests, geopolitical tensions, and disruptions in the Red Sea. Retailers managed these conditions alongside evolving consumer preferences, inflationary pressures, and changes in shopping behavior.

These developments have tested traditional business models but also created opportunities for agile market participants. Channel leaders such as off-price retailers, discounters, supermarkets, and clubs have gained prominence by offering convenience and value to consumers. In anticipation of these shifts, we have proactively adjusted our customer portfolio by reducing exposure to traditional retail formats like department stores and exiting lower-credit-quality customers. While this repositioning temporarily affected our top-line performance, it has strengthened our resilience and better positioned us for sustainable long-term growth as the market continues to evolve.

Macroeconomic conditions in sourcing markets, including emerging market countries

Macroeconomic conditions in sourcing markets, particularly in emerging economies, can affect certain vendors. We source products from approximately 40 economies, some of which may experience social or political instability that could influence our operations. Our broad global footprint provides us with flexibility to adjust sourcing strategies and shift between suppliers and locations as needed, helping to manage and mitigate potential disruptions to our supply chain.

Customer retention

We have established long-term relationships with many of our customers, although commercial arrangements are typically subject to regular renewal. Customers may choose to modify their commercial terms with us or source from alternative supply chain management providers, such as smaller trading companies, outsourcing agents and other importers. However, we maintain strong

relationships across a well-diversified customer portfolio, which supports our operational stability and helps mitigate the impact of changes in individual customer relationships. We also believe we have no direct competitor offering the same scope of services at our scale.

EXPLANATION OF KEY PROFIT AND LOSS ACCOUNT ITEMS

Turnover from Sales of Goods

Following our transformation, our “All-of-LF” approach has unified previously segmented operations into a single, integrated, agile platform, enabling enhanced collaboration, elimination of operational silos, and full leverage of our global scale. As a result, the historical distinction, prior to 2024, between our previous Supply Chain Solutions and Onshore Wholesale operating segments has become obsolete. We have now evolved into a single business model with two integrated offerings:

- **Supply Chain Solutions** (providing fee-based value chain management as a service); and
- **Trading as a Principal** (acting as a full-service supplier).

Turnover comprises the FOB value of goods managed under supply chain solutions as well as revenue from products sold under Trading as a Principal. Turnover is recognized when control of the goods has been transferred to the customer, which occurs upon delivery to the location specified by the customer — at which point the customer has full discretion over the channel and price at which to sell the goods, and there are no unfulfilled obligations that could affect the customer’s acceptance. Delivery is deemed to have occurred when the risks of obsolescence and loss have been transferred to the customer and either:

- the customer has accepted the goods in accordance with the sales contract;
- the acceptance provisions have lapsed; or
- we have objective evidence that all criteria for acceptance have been satisfied.

Turnover is presented net of value-added tax, returns, claims, and discounts, and after eliminating intra-group sales.

Total Margin

Total margin consists primarily of service fees earned from our supply chain management solutions and gross profit from products we directly supply to customers across select categories.

Operating Costs

Operating costs include core business expenses such as merchandising, design, technology, marketing, and general administration.

Core Operating Profit (“COP”)

Core Operating Profit is a non-GAAP measure that consists primarily of profit before tax, excluding:

- share of results of associated companies;
- interest income;
- interest expenses;

- material gains or losses of a capital nature;
- non-operational or acquisition-related costs;
- amortization of other intangible assets (non-cash); and
- other non-core operating gains or expenses (non-operational items).

EBITDA

EBITDA is a non-HKFRS measure representing Core Operating Profit excluding depreciation and amortization (including amortization of right-of-use assets).

YEAR ENDED DECEMBER 31, 2024 COMPARED TO YEAR ENDED DECEMBER 31, 2023

Turnover

As part of our transformation journey, we have reshaped our customer portfolio by reducing our exposure to customers with high credit risk as well as department stores and shifting focus towards customers with good credit standing and high-growth channels such as discounters, clubs, and specialty/fast fashion.

In 2024, Group turnover increased by 7.4% year-on-year to US\$6,591 million, reflecting the strength of our integrated global platform. Growth was driven by a 20% increase in unit shipments, underscoring growing market share and customer trust in our execution capabilities. The impact of volume growth was partially offset by a 13% decline in average unit cost, reflecting our ability to deliver greater value to customers through strategic cost optimization across our sourcing network.

Our turnover performance is notable given our deliberate customer portfolio shift away from low-margin, high-risk accounts and the department store channel. Excluding department stores, turnover increased 17% and unit shipments surged 32% year-on-year.

We have also diversified our geographic reach, reducing dependence on the US market and improving resilience. Turnover in Europe, for example, rose by 48.7% due to improved market penetration and stronger customer relationships. Europe and the rest of the world turnover accounted for 44% of 2024 turnover, compared to 34% in 2023. See “*Business — Our Customers.*”

Our product mix remained balanced: soft goods (apparel and footwear) accounted for 56% of turnover, while hard goods (home products and general merchandise) represented 44%. In 2024, turnover from hard goods grew by 38.2%, mainly driven by discounters and club channels, while soft goods turnover fell by 8.8% due to our exit from department store customers. This disciplined approach has strengthened our market position and supports our long-term growth plans.

This evolution reflects our success in aligning with fast-growing, value-driven channels — such as discounters, supermarkets, clubs, and pharmacy chains — that continue to demonstrate resilience and expansion potential.

Total Margin

In 2024, total margin increased by 4.2% to US\$474 million, driven by higher turnover and a larger share of Trading as a Principal. Margin as a percentage of turnover remained largely stable at 7.2%, compared to 7.4% in 2023. This slight decline was due to shifts in customer and product mix and intensified market competition.

Our ability to maintain robust total margin levels underscores the continued value we deliver across both Supply Chain Solutions and Trading as a Principal.

Operating Costs

Operating costs rose by only 1.2% to US\$354 million, while turnover grew by 7.4%, resulting in positive operating leverage. Operating costs as a percentage of turnover improved from 5.7% in 2023 to 5.4% in 2024.

This improvement reflects ongoing productivity gains and the success of our transformation initiatives. Over the past few years, we have:

- relocated merchandisers from high-cost sourcing offices to lower-cost production bases, improving proximity to manufacturing and accelerating decision-making;
- implemented our unified “All-of-LF” operating model to streamline fragmented structures, promoting collaboration, reducing duplication, and enhancing scale efficiencies; and
- streamlined our organization to empower high-potential talent and promote a flatter, more agile structure that accelerates execution.

Technology has played a central role in optimizing resource allocation and automating routine tasks, freeing teams to focus on high-impact activities such as customer engagement and business development. These combined efforts have strengthened our resilience, reduced our cost-to-serve, and positioned Li & Fung for long-term, sustainable growth.

Core Operating Profit

In 2024, we delivered a 14.3% increase in Core Operating Profit, rising from US\$105 million in 2023 to US\$120 million in 2024. This growth reflects improved operating leverage, stable margins, and top-line expansion.

EBITDA

EBITDA rose by 10.0% to approximately US\$142 million in 2024, up from US\$129 million in 2023, highlighting the continued scalability and efficiency of our business model.

Net Profit

Net profit increased to US\$66 million in 2024, a 19.5% improvement over 2023 (US\$55 million). Net profit as a percentage of turnover was 1.0% in 2024, increasing from 0.9% in 2023. The increase was driven by higher turnover, disciplined cost control, stable margins, prudent interest expense management and lower taxes. This performance demonstrates a significant step-change in profitability following the transformation initiatives undertaken since privatization.

YEAR ENDED DECEMBER 31, 2023 COMPARED TO YEAR ENDED DECEMBER 31, 2022

Turnover

The Group's turnover decreased by 19.3% year-over-year, from approximately US\$7,608 million in 2022 to approximately US\$6,138 million in 2023. This decline was mainly due to:

- our deliberate decision to reduce exposure to high-risk customers with low credit standing
- customers' efforts to reduce excess inventory accumulated during the COVID-19 pandemic, significantly curtailing buying activities in 2023; and
- weakened consumer sentiment and demand;

However, we witnessed a rebound towards the latter part of the year, indicating a gradual return to normalcy.

Total Margin

Total margin decreased by 11.5% to approximately US\$455 million, primarily due to lower turnover. However, total margin as a percentage of turnover improved to 7.4% (from 6.8% in 2022), reflecting favorable customer and product mix.

Operating Costs and Expenses

Operating costs decreased by 7.7% to approximately US\$350 million, driven by:

- sustained cost reduction from our transformation initiatives;
- digitalization; and
- a leaner, more agile organizational structure.

As a percentage of turnover, operating costs increased slightly by 0.7% due to the decline in revenue.

Core Operating Profit

Group COP decreased by 22.0%, from US\$135 million to US\$105 million, due to the turnover decline, partially offset by solid reductions in operating expenses.

EBITDA

Group EBITDA decreased by 26.7% to US\$129 million in 2023, compared to US\$177 million in 2022, for the same reasons outlined above.

Net Profit

Net profit for continuing operations increased to US\$55 million in 2023, up from US\$39 million in 2022. Net profit as a percentage of turnover was 0.9% in 2023, increasing from 0.5% in 2022. This improvement was driven by:

- enhanced productivity; and
- significant reductions in interest expenses as a result of proactive deleveraging including the bond buyback program executed in 2022 and 2023.

However, because of the one-off gain recognized in 2022 from the sale of our Logistics business, total net profit (including discontinued operations) decreased from US\$1,607 million in 2022 to US\$55 million in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Solid Capital Structure

As at December 31, 2024, our cash balance (including short-term bank deposits) remained high at US\$646 million. In addition to our strong cash position, which is more than sufficient to cover the entire liabilities maturing in 2025, our total committed facilities stand at US\$325 million, with US\$180 million unused. We have drawn US\$145 million from our committed facilities to provide further flexibility for our bond refinancing in 2025. This ample liquidity and headroom provide significant flexibility in managing our debt maturity profile.

We continue to proactively optimize our capital structure to enhance financial flexibility. Our priorities include:

- extending debt maturities;
- maintaining sufficient headroom in credit facilities; and
- preserving strategic liquidity to support long-term growth and sustainable profitability.

Given the uncertainties in the global macroeconomic and geopolitical environments, we maintain a conservative approach to capital structure management to ensure maximum flexibility.

The weighted average tenor of our total borrowings, including bank loans, remains over one year. Most of our debt is denominated in U.S. dollars, with outstanding bonds issued at fixed rates and bank loans bearing interest rates calculated with reference to LIBOR, SOFR and/or HIBOR.

See “*Description of Material Indebtedness and Other Obligations*” for information on our material indebtedness and obligations.

Bank Loans and Overdrafts

As at December 31, 2024, we had available bank loans and overdraft facilities totaling US\$580 million, of which US\$325 million were committed facilities with maturities extending to 2030.

During 2024, we drew US\$145 million from these committed facilities to provide further flexibility in managing upcoming bond refinancing. The weighted average tenor of our total borrowing of US\$145 million is over two years. No drawdowns were made under uncommitted facilities as at December 31, 2024. Shortly after the issuance of the Notes, we plan to repay (i) any remaining outstanding short-term debt (after application of the proceeds from the issuance of the Notes in this offering) and (ii) at least approximately US\$120 million of our long-term debt from our cash on hand and short term bank deposits.

Trade Finance

As at December 31, 2024, our trading operations are well supported by over US\$115 million in bank trade finance facilities, mainly comprising letters of credit and bills discounting.

Letters of credit are issued as a common means of payment to suppliers and counterparties across borders. Obligations under these letters are only payable when merchandise has been shipped in accordance with contractual terms.

As at December 31, 2024, only approximately 27% of our trade finance facilities were utilized.

Gearing Ratio and Current Ratio

We improved our net cash position from US\$139 million in 2023 to US\$188 million in 2024.

We maintain an internal guideline for our gearing ratio at a ceiling of 35%. The gearing ratio is calculated as net debt divided by total capital, where:

- net debt = total borrowings (including short-term bank loans, long-term bank loans, and long-term notes) minus cash; and
- total capital = total equity plus net debt.

Due to the reclassification of the US\$313 million bond maturing in 2025 as short-term liabilities, our current ratio was 0.9 as at December 31, 2024 (compared to 1.0 in 2023).

We remain committed to conservative balance sheet management. As at December 31, 2024, our credit ratings were:

- **BB** from Standard & Poor's Ratings Services;
- **Ba2** from Moody's Investors Service; and
- **BB** from Fitch Ratings Inc..

Our long-term target remains an investment-grade rating, supported by a strong balance sheet, healthy cash flow, and prudent credit ratios.

CASH FLOW

The following table sets forth, for the period indicated, certain information relating to our net cash flows:

	2023	2024
	US\$'000	US\$'000
EBITDA	129,489	142,402
Working Capital Changes	5,037	8,212
Tax Paid and Others	(17,521)	(18,148)
Net Cash Inflow from Operating Activities	117,005	132,466
Payment of Lease Liabilities	(23,260)	(23,387)
Capital Expenditures, Investments and Foreign Exchange Effect	(8,416)	(10,886)
Interest Income, Interest Paid, Distributions to the Holders of Perpetual Capital Securities and Others	(54,594)	(49,656)
Repayment of Long-term Notes	(196,621)	—
Deposit for Acquisition of Properties	(50,000)	—
Intercompany Advance to Parent Company	(100,000)	—
Drawdown of Bank Loans	—	145,000
Net Cash (Outflow)/Inflow from Investing and Financing Activities	(432,891)	61,071

Opening Cash and Bank Balances and Short-term Bank Deposits	768,180	452,294
Ending Cash and Bank Balances and Short-term Bank Deposits	452,294	645,831
Net cash inflow from operating activities		

For the year ended December 31, 2024, we recorded a net cash inflow from operating activities of approximately US\$132 million, primarily attributable to strong operational performance resulting in EBITDA of US\$142 million.

In 2023, net operating cash inflow was US\$117 million, driven mainly by EBITDA of US\$129 million.

Net cash (outflow)/inflow from investing and financing activities

For the year ended December 31, 2024, we reported a net cash inflow of US\$61 million from investing and financing activities, mainly reflecting:

- US\$145 million of bank loan drawdowns to enhance liquidity, partially offset by:
 - net interest and distributions to the holders of perpetual capital securities (US\$50 million);
 - lease payments (US\$23 million); and
 - capex, investments, and FX impacts (US\$11 million).

In 2023, we recorded a net cash outflow of US\$433 million, primarily due to:

- net interest and distributions to the holders of perpetual capital securities (US\$55 million);
- the bond repurchase program (US\$197 million);
- the US\$50 million deposit for the Hong Kong property acquisition, which represents the full payment of the purchase price by the Company, and there are no further payments required; and
- a US\$100 million one-time intercompany advance to our parent company with the residual proceeds from the sale of LF Logistics to Maersk.

OFF-BALANCE SHEET ARRANGEMENTS, CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

As at December 31, 2024, the Group does not have any material off-balance sheet arrangements, contingent liabilities, or contractual obligations.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS

Market risk is the risk of loss arising from adverse changes in market factors, including foreign exchange rates, interest rates, and commodity prices. We are exposed to various market risks in the normal course of business.

Credit Risk Management

Credit risk primarily arises from trade and other receivables, as well as cash and bank balances.

To manage this risk, all new customers undergo a rigorous risk assessment prior to agreeing trade terms, in accordance with our global credit risk management framework. This assessment focuses on each customer's financial strength, creditworthiness, and macroeconomic factors relevant to their operations.

To further mitigate exposure, we may:

- require collateral such as standby or commercial letters of credit or bank guarantees;
- take out trade credit insurance; and
- enter into non-recourse trade receivables factoring arrangements with financial institutions.

Receivable balances and inventory levels are reviewed regularly. Management performs recoverability assessments to ensure adequate impairment provisions are recognized.

We apply the HKFRS 9 simplified approach, recognizing lifetime expected credit losses for all trade receivables.

For receivables not covered by collateral or insurance — and for those associated with customers experiencing financial distress or significant doubt of collection — balances are assessed individually for impairment.

Impairment losses are recognized when:

- receivables are deemed unrecoverable;
- all practical recovery efforts have been exhausted; and
- there is no reasonable expectation of recovery (e.g., insolvency, sustained default, or balances overdue by more than 365 days).

The allowance for impairment is assessed both individually and collectively across receivable categories.

As at December 31, 2024, the allowance as a percentage of gross trade receivables was:

- 0.19% for receivables not yet due to 90 days past due;
- 5.32% for receivables 91 to 180 days past due; and
- 15.90% for receivables over 180 days past due.

For other receivables, related company balances, and cash, we apply the HKFRS 9 general approach, measuring 12-month expected credit losses unless a significant increase in credit risk is identified, in which case lifetime expected credit losses are recognized.

This assessment incorporates quantitative and qualitative inputs, historical experience, and forward-looking information.

Impairment losses are presented in the consolidated income statement within net impairment losses in Core Operating Profit. Subsequent recoveries of amounts previously written off are credited to the same line item.

Foreign Exchange Risk Management

Most of our cash balances are held in Hong Kong dollar and U.S. dollar deposits with reputable global financial institutions. The majority of our borrowings are denominated in U.S. dollars.

Since our revenues and expenses are predominantly in U.S. dollars, we do not consider our exposure to foreign exchange rate fluctuations to be significant.

For the relatively small proportion of sales and purchases conducted in other currencies, we hedge our exposures by entering into forward contracts.

Specifically, we:

- hedge exposures upon receipt of confirmed orders or execution of customer transactions; and
- regularly review operations in non-U.S. dollar countries to assess the need for further hedging measures.

We do **not** hedge the translation of local currency results of non-U.S. dollar operations for consolidation or equity reporting purposes.

Because our functional currency is the U.S. dollar, we are exposed to exchange risk when translating local currency balances into U.S. dollars at period-end rates. These translation differences are reflected as movements in the exchange reserve within the consolidated statement of changes in equity.

Over the medium to long term, we operate with a focus on minimizing operational costs within our network and **strictly prohibit** the use of derivatives for speculative purposes.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

Our consolidated financial statements have been prepared in accordance with HKFRS, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities at the reporting date, and reported amounts of revenues and expenses during the period.

These estimates are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates. For additional information related to our critical accounting policies, see Note 2 to the financial statements for 2024 and 2023 included elsewhere in this offering circular.

Below are key areas of significant judgment:

Estimated impairment of intangible assets including goodwill

We test goodwill and intangible assets with indefinite useful lives for impairment annually, or whenever impairment indicators arise.

Management identifies the trading business as the Group's single cash-generating unit ("CGU").

The recoverable amount of the CGU is determined using a value-in-use calculation that requires significant judgment, including:

- internal forecasts of operating results;
- the selection of an appropriate discount rate; and
- assumptions about long-term growth rates.

Based on our assessment of the CGU under the current operating structure of the Group, we have determined that there was no goodwill impairment as of December 31, 2024, as the recoverable amount of the 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.

Details of the methodology are set out in Note 1.6 of our consolidated financial statements for the year ended December 31, 2024 included elsewhere in this offering circular.

Income taxes

We are subject to income taxes in multiple jurisdictions, requiring judgment in determining worldwide provisions.

There are numerous transactions and calculations for which the ultimate tax determination is uncertain.

We recognize liabilities for anticipated tax audit issues based on estimates of additional taxes that may be due. If the final tax outcome differs from what was initially recognized, such differences will impact on the income tax and deferred tax provisions in the period of resolution.

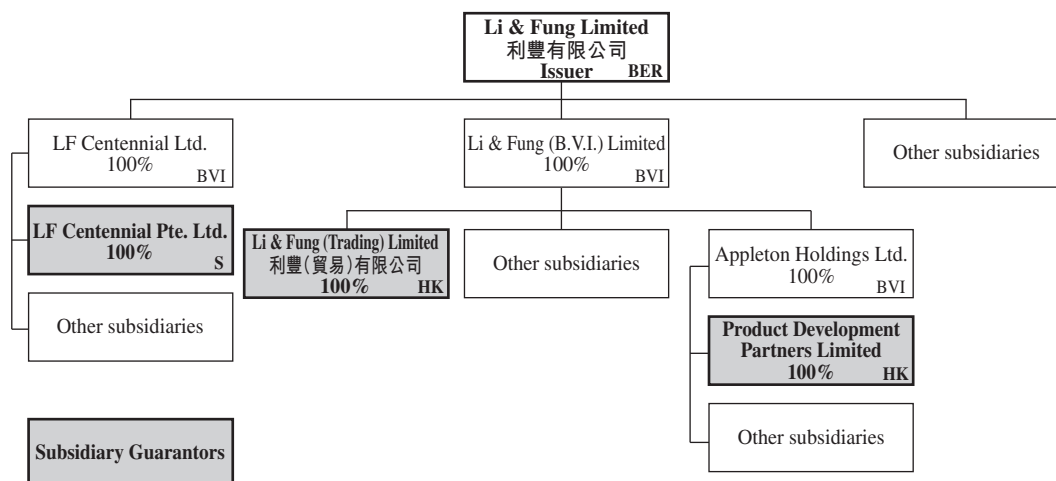
Measurement of expected credit loss on receivables

For trade receivables assessed collectively, we estimate lifetime expected credit losses using provision matrices based on historical experience, adjusted for forward-looking factors.

For receivables measured individually and for other financial assets at amortized cost, we apply the HKFRS 9 general approach, measuring 12-month expected credit losses unless there has been a significant increase in credit risk, in which case lifetime expected credit losses are recognized.

CORPORATE STRUCTURE

The following diagram illustrates our corporate structure as of the date of this offering circular:



Abbreviation at lower right hand corner of the box:

BER: Bermuda
BVI: British Virgin Islands
HK: Hong Kong
S: Singapore

The Notes will be guaranteed by the following wholly owned subsidiaries:

Company	Jurisdiction of Incorporation	Direct Parent
Li & Fung (Trading) Limited	Hong Kong	Li & Fung (B.V.I.) Limited
Product Development Partners Limited	Hong Kong	Appleton Holdings Ltd.
LF Centennial Pte. Ltd.	Singapore	LF Centennial Limited

Our subsidiaries that are not Subsidiary Guarantors generated 18% of our turnover for the year ended December 31, 2024.

A complete list of our subsidiaries as of December 31, 2024 is available in Note 36 of our consolidated financial statements for the year ended December 31, 2024 included elsewhere in this offering circular.

BUSINESS

OVERVIEW

We are one of the world's largest B2B supply chain service providers by turnover, servicing leading global retailers and brands. We specialize in delivering comprehensive, end-to-end supply chain solutions, including design, development, production, and delivery of high-volume, time-sensitive nonperishable consumer goods through an extensive global network spanning approximately 40 economies.

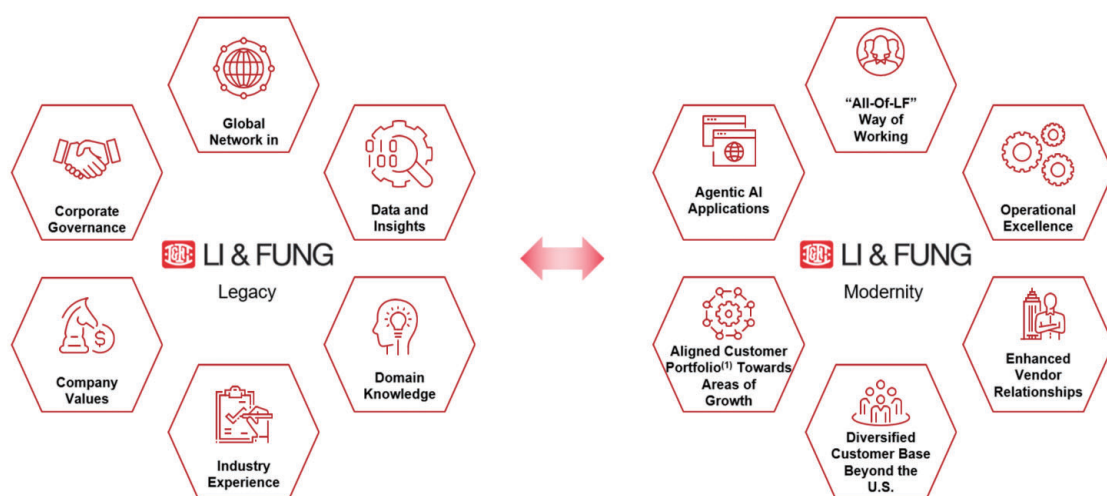
With more than a century of operating experience since 1906, we have been at the forefront of global supply chain evolution. From navigating the Multi-Fiber Agreement in the 1970s to China's WTO accession in 2001 and the recent COVID-19 pandemic, our business has demonstrated a consistent ability to adapt and thrive through major trade shifts and market disruptions, as we are experiencing today.

Our integrated operating model — local teams embedded in production countries and digitally connected through a unified global platform — reflects our philosophy of being local, global, and digital. This approach positions us as the digital gateway for borderless supply chains, enabling customers to gain visibility, speed, agility, and actionable insights across their sourcing operations. In an increasingly complex trade environment, we empower customers to navigate uncertainty with confidence, ensuring they receive products when and where they need them at competitive cost.

Our Transformation Journey

Since our privatization in May 2020, we have undertaken a comprehensive transformation, blending our legacy of strong corporate governance and a global network with modern innovation and digital leadership.

Central to this transformation has been the development of our AI-enabled technology ecosystem, equipping us with advanced tools that significantly enhance operational excellence, service quality, responsiveness, and cost efficiency. One of our core initiatives was the launch of a digital supply chain control tower — powered by proprietary data insights — which delivers end-to-end visibility, early warning alerts, and data-driven decision-making capabilities across our operations.



Note:

1. Specialty/Fast fashion, discounter, supermarkets/clubs

We have unified previously siloed functions into a single, agile “All-of-LF” operating model, fostering collaboration, and fully leveraging our scale. As a result, we have achieved substantial cost reductions: operating expenses declined by US\$310 million over five years, representing a 47% reduction from 2019 levels. The operating cost-to-turnover ratio improved from 6.4% in 2019 to 5.4% in 2024, creating a more competitive cost structure that strengthens profitability and cash generation.

Throughout our transformation journey, we have not only unified our operations and digitized our processes but also deepened strategic vendor relationships in key production hubs, leveraging our presence in approximately 40 economies to enhance supply chain agility and resilience. We have also reshaped our customer portfolio, reducing exposure to lower-growth department stores and increasing our focus on high-growth channels such as discounters, clubs, and specialty retail. Excluding department stores, turnover grew 17% and unit shipments rose 32% in 2024. Our geographic mix is increasingly diversified, with turnover from Europe and the rest of the world rising to 44% in 2024 from 31% in 2020. Our product mix has also shifted: in 2024, hard goods accounted for 44% of turnover, compared to 31% in 2020, reflecting a balanced and resilient portfolio.

These efforts have driven stronger customer trust and market share, exemplified by a 20% increase in unit shipments and a 13% reduction in average unit cost between 2023 and 2024. Looking ahead, with a cash balance (including short-term bank deposits) of US\$646 million as at December 31, 2024, we remain focused on driving growth through organic expansion and selective acquisitions that enhance our category expertise and channel presence.

RECENT DEVELOPMENTS

Recent U.S. tariff volatility and persistent global supply chain uncertainties have created new opportunities for us, as customers increasingly recognize the value of our global network and proven risk mitigation capabilities. The current complexity in the global trade environment reinforces our role as a trusted supply chain solutions partner to many of the world’s leading retailers and brands.

To help our customers navigate tariffs and regulatory uncertainties, we have implemented measures including:

- **Supply Chain Diversification** — Developing contingency plans and establishing geographically diverse supplier networks to mitigate risk.
- **Strategic Inventory Management** — Assisting customers in balancing inventory positions by shortening lead times, optimizing inventory positioning across bonded warehouses and free trade zones.
- **Regulatory Compliance Support** — Providing accurate product classification, identifying legitimate tariff optimization opportunities, and ensuring adherence to relevant regulations across all operating jurisdictions.
- **Enhanced Supply Chain Visibility** — Utilizing advanced analytics and AI to predict disruptions, recommend mitigation measures, and deliver end-to-end visibility across the supply chain through our tech-enabled control tower.

By leveraging these capabilities, we continue to demonstrate our value as an essential partner in today’s volatile trade environment, helping our customers maintain a competitive advantage despite tariff uncertainties.

For the six months ended June 30, 2025, we maintained stable turnover. Turnover is expected to be in the range of US\$2,915 million to US\$2,945 million, a slight 1% to 2% decline compared to US\$2,988 million for the same period last year. We continued to reduce exposure to high-risk department stores and increasing our focus on high-growth and healthy channels. Excluding department store customers, turnover is expected to increase approximately by 13% year-on-year, underscoring the continued traction of our strategy to focus on higher-growth and more resilient channels. We have continuously diversified our geographic reach, reducing dependence on the US market and improving resilience. Turnover in Europe and the rest of the world is expected to account for approximately 50% of the total turnover for the six months ended June 30, 2025, marking a significant increase from 40% for the same period in 2024.

As a result of our digital transformation and focus on operational excellence, EBITDA for the six months ended June 30, 2025 is expected to closely align with, and may be slightly improved over the EBITDA for the same period last year of US\$72 million. This achievement comes despite macroeconomic headwinds, supply chain volatility, and our ongoing reduction of exposure to department stores. These results underscore the resilience of our business model, the strength of our transformation strategy, and our readiness for the next phase of growth.

As of June 30, 2025, we maintained a robust financial position. Our cash and bank balances and short-term bank deposits are expected to be in the range of US\$605 million to US\$608 million. We had outstanding bonds of US\$313 million, and perpetual capital securities of US\$656 million. Our total committed facilities stand at US\$325 million, with US\$180 million unused. We have drawn US\$145 million from our committed facilities to provide further flexibility in managing upcoming bond refinancing. This strong liquidity and capital base provide us with significant flexibility to navigate volatility and invest in growth.

Concurrent Tender Offer

Concurrent with this offering, we commenced the **Concurrent Tender Offer** to purchase for cash up to US\$50,000,000 in aggregate principal amount of our 2016 Perpetual Securities (as defined below). We expect the source of funds for the Concurrent Tender Offer will be from internal resources.

The Concurrent Tender Offer is subject to the issuance and settlement of Notes in this offering. We expressly reserve the right to amend, subject to applicable law, the terms of the Concurrent Tender Offer in any respect, upon the terms and conditions set forth in the Tender Offer Memorandum. The Concurrent Tender Offer will expire at 5:00 p.m. Central European Summer Time (11:00 p.m. Hong Kong time) on July 31, 2025 unless extended, re-opened, amended and/or terminated by us as provided in the Tender Offer Memorandum. The Concurrent Tender Offer is being made only pursuant and subject to the terms conditions of the Tender Offer Memorandum. This offering circular does not constitute an offer to buy or a solicitation of an offer to sell any securities.

COMPETITIVE STRENGTHS

Holistic services across the entire supply chain delivered via a global sourcing network

We deliver end-to-end supply chain solutions across the entire value chain, from consumer insights and product design to vendor compliance, raw material and factory sourcing, manufacturing control, and logistics. Our unified digital platform supports transparency, agility, and real-time collaboration among all stakeholders. Our core value proposition lies in our ability to deliver products to customers with enhanced visibility, speed, agility, and actionable data insights.



Our extensive network spans approximately 40 economies, with deep, long-standing vendor relationships that enable us to navigate the increasing complexity of global supply chains. While China has traditionally been our primary sourcing country, we have strategically diversified. Between 2005 and 2024, the share of total FOB volume sourced from key developing markets sourcing countries, Vietnam, Bangladesh, India and Cambodia, increased significantly by 171%, 247%, 113% and 17%. Additionally, between 2015 and 2024, the share of total FOB volume sourced from emerging markets sourcing countries, Turkey, Jordan, and Egypt, increased significantly by 87%, 88%, and 6.7 times respectively. Reflecting this diversification, the proportion of U.S.-bound sourcing from China declined from 26% of turnover in 2019 to 18% in 2024. In 2024, only 14% of U.S.-bound soft goods were sourced from China.

Our integrated model — where teams in production countries are digitally connected through our unified platform — delivers unmatched visibility, agility, and efficiency. By tracking goods movement, monitoring vendor performance, and generating real-time alerts, we seamlessly navigate disruptions, optimize flows, and keep goods moving across borders.

Dynamically positioned towards a diversified and fast-growing customer base

We are dynamically positioned to serve a diversified, fast-growing customer base. Our resilient, asset-light, scalable business model offers customers a comprehensive suite of services across winning channels and product categories. In recent years, we have strategically shifted towards higher-growth retail channels, including discounters, clubs, and specialty and fast fashion retailers, while reducing our reliance on slower-growth department stores. This focus is reflected in the significant increase in turnover from discount and big box/club channels, which rose by approximately 47% in 2024 compared to 2023.

Geographically, we have made strong progress expanding our European presence, reducing exposure to the U.S. The proportion of turnover generated in the U.S. declined from approximately 66% in 2023 to 56% in 2024. Correspondingly, turnover from the EU and UK markets rose to approximately 36% in 2024, up from 26% in the prior year. In parallel, we have diversified our product mix, reducing overreliance on apparel and establishing a balanced split between soft and hard goods. In 2024, hard goods accounted for approximately 44% of turnover, while soft goods represented approximately 56%, further enhancing the resilience and growth potential of our business.

Proprietary AI-enabled technology ecosystem

We believe technology is fundamentally transforming global supply chains by enabling greater efficiency, resilience, and adaptability. By combining our proprietary AI-enabled ecosystem with our localized network, we are uniquely positioned to convert macro uncertainties into customer-specific advantages while driving operating leverage. Our AI-enabled technology ecosystem includes features and functionality such as: (i) trend engine and AI design application, (ii) supply chain control tower, and (iii) advance costing tool.

Enabled by this ecosystem, we have implemented the “All-of-LF” operating model, unifying operations into a single, agile platform. This has improved collaboration and allowed us to leverage our scale. Our digital initiatives have reduced operating costs by US\$310 million over five years (a 47% reduction) and improved our operating cost to turnover ratio from 6.4% in 2019 to 5.4% in 2024.

Our technology has also empowered customers to optimize inventory and strengthen relationships. For example, we recently reduced a customer’s lead time for certain programs from an industry average of 45 weeks to just 8.5 weeks.

Industry-leading ESG profile

The fragmented ESG regulatory landscape creates compliance complexity for retailers and suppliers. Our deep ESG expertise and integrated infrastructure allow us to turn this challenge into a strategic advantage. By embedding ESG data capture into production workflows, we enable real-time tracking, transparent reporting, and automated compliance.

Sustainability is a pillar of our strategy. We are committed to a responsible supply chain that meets evolving regulations, aligns with customer standards, and responds to growing consumer demand for ethically sourced products. Our ESG programs are guided by science-based targets, reinforced by partnerships with Cascal and Amfori, and validated by strong external ratings (CDP, Ecovadis).

We consistently deliver measurable results, including year-on-year reductions in emissions and waste. By turning compliance into an efficiency driver, we strengthen customers’ market positioning while reinforcing our role as a critical enabler of resilient, future-ready supply chains.

Prudent capital management and solid cash flow generation

We have always maintained a prudent approach to capital management and proactively optimize our capital structure to enhance flexibility. Our priorities include optimizing debt maturities, maintaining sufficient headroom in credit facilities, and preserving strategic liquidity with a mix of bank loans, long-term bonds, and perpetual capital securities to support growth. We balance debt leverage with business performance and EBITDA levels.

Following the disposal of our logistics business in 2022, we deployed US\$733 million to repurchase outstanding bonds to de-leverage and maintain a strong capital structure.

As at December 31, 2024, we had a strong net cash position of US\$188 million, after servicing all interest-bearing debt obligations with fixed maturities. Our total available liquidity including cash and bank deposits and unused committed facilities was US\$826 million, providing maximum financial flexibility to invest and expand our business and fully cover debt maturities. Operating cash flow reached US\$132 million in 2024, up 13% year-on-year, driven by EBITDA improvement. Net debt (excluding perpetual capital securities) to EBITDA was recorded at (1.4)x, (1.1)x and (1.3)x, as of December 31, 2022, 2023 and 2024, respectively.

We remain focused on operational excellence to drive margin improvement and free cash flow, while reinforcing our balance sheet. By extending debt maturity at appropriate rates, we maximize financial flexibility to weather downturns and support growth organically and via selective acquisitions.

Experienced management team with proven track record

Our management team is among the most experienced in the global supply chain industry, with a proven record of delivering growth and transformation across economic cycles. The team combines deep expertise in operations, digital transformation, sourcing, finance, and risk management. Our senior leaders each contribute decades of experience and are widely recognized for thought leadership and best practices. This depth allows us to execute complex supply chain operations with agility, drive digital initiatives, and maintain disciplined capital management.

BUSINESS STRATEGY

Invest in AI-enabled technology ecosystem

We are committed to further strengthening our AI ecosystem — our core differentiator — by leveraging proprietary global trade data and developing AI agents to drive intelligent automation. These agents capitalize on decades of domain knowledge, enhancing our asset-light model, while delivering enhanced client outcomes and maintaining flexibility without physical asset ownership.

Expand product expertise and customer portfolio

We aim to broaden our product expertise and diversify our customer portfolio to drive sustainable growth and reduce reliance on any single market. A key priority is expanding in Europe and targeting fast-growing retail segments, including discounters, big box, clubs, fast fashion and specialty retailers. We are also investing in adjacent categories such as footwear, denim, pharmacy retail, and pet products, emphasizing sustainable sourcing.

Broaden and diversify global sourcing network

We continue to strengthen long-term vendor relationships, expand and deepen our sourcing network and leverage our global presence to accelerate growth and enhance competitiveness. Our diversification allows us to redirect trade flows to lower-cost or lower-risk regions. We have increased sourcing from Vietnam, Bangladesh, India, Cambodia, Turkey, Jordan, and Egypt, reinforcing our ability to respond to shifting market dynamics. We actively support strategic Chinese vendors in establishing production outside China, managing their risk exposure.

Enhance our asset-light and flexible model

We remain committed to our asset-light approach — whether through Value Chain Management as a Service or Trading-as-a-Principal — enabling us to scale efficiently while preserving capital flexibility. This allows rapid responses to market opportunities without infrastructure constraints. Our multi-model transaction approach, including FOB sourcing and domestic replenishment, enables us to meet diverse customer needs with competitive pricing and fulfillment.

Accelerating growth through strategic investment

We are focused on deploying capital to deliver meaningful, long-term value. With our strong foundation and efficient operations, we believe we are well positioned to accelerate growth through targeted investments that strengthen our capabilities, expand our reach, and deepen our relevance to global customers.

Our M&A strategy targets acquisitions that bring tangible commercial benefits — whether by enhancing product specialization, expanding customer access, unlocking brand licensing opportunities, or entering high-growth geographies. Each potential investment is evaluated through the perspective of EBITDA contribution, strategic fit, and synergy potential.

Depending on the opportunity, we may seek majority ownership to drive integration and operational efficiencies, or take a significant minority stake with structured pathways to control. In some cases, we may enter as a commercial partner with potential equity returns. This flexible yet disciplined approach allows us to optimize capital deployment while managing risk.

Each investment decision is subject to our Investment Committee process which includes comprehensive due diligence, clearly defined evaluation criteria, and structured safeguards such as performance-linked earn-outs, phased payments, and measures to address underperforming investments. We prioritize alignment of interests, prudent use of capital, and return visibility.

We believe we have a solid operational and digital infrastructure, as well as the leadership focus to absorb and scale new businesses effectively. As global trade becomes more complex and fragmented, our goal is to help retailers and brands adapt. Our strategic investments will contribute to our broader transformation to grow and become a more agile, tech-enabled partner to our customers, adapting quickly to today's fast-changing environment.

OUR BUSINESS

Our Services and Products

We are one of the world's largest B2B supply chain service providers, delivering end-to-end services including design, production, and delivery of high-volume, time-sensitive consumer goods through a network spanning approximately 40 economies.

Following our transformation, our “All-of-LF” approach unified previously segmented operations into a single, integrated, agile platform, enhancing collaboration and fully leveraging our scale.

We now operate two integrated business models:

- **Supply Chain Solutions**, where we provide end-to-end solutions via Value Chain Management as a Service, ranging from design and vendor compliance to customs clearance and local logistics, on a fee basis with long-term contracts and recurring revenues.
- **Trading as a Principal**, where we act as an onshore wholesaler primarily in the Americas and Europe, assuming responsibility for product design to delivery under terms agreed per program.

We continue to develop expertise in adjacent and emerging categories, including footwear, denim, pharmacy retail, and pet products, with a focus on sustainable and ESG-aligned sourcing.

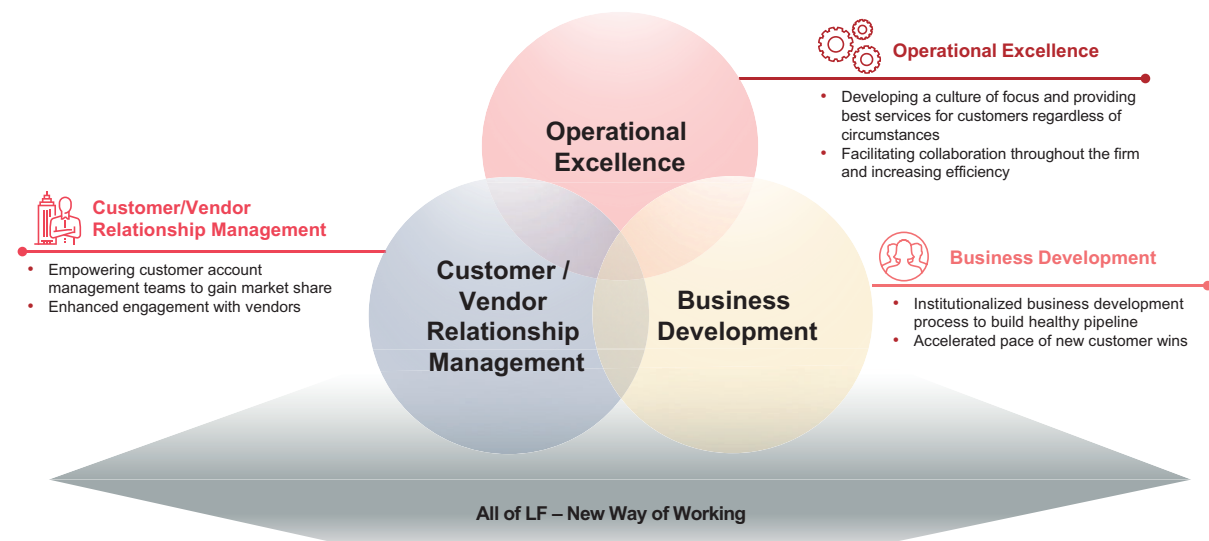
Our AI-enabled Technology Ecosystem

By combining our AI ecosystem with our global network, we serve as a digital gateway to borderless supply chains. Our ecosystem includes:

- **Trend Engine and AI Design Application** — Enabling customers to anticipate and respond to market trends by leveraging AI-driven analytics and real-time intelligence to generate designs, improve efficiency, and increase product hit rates.
- **Supply Chain Control Tower** — Delivering real-time visibility across the entire supply chain, facilitating predictive analysis, data-driven decisions, and enhanced quality assurance.
- **Advanced Costing Tool** — Enabling customers to secure optimal pricing, efficiently navigate tariffs, and mitigate risks. Key features include modules for macro factors (e.g. foreign exchange movements, minimum wage, etc.), fabric analytics, pricing benchmarking, and agentic AI for real-time costing and vendor insights.

Our New Operating Model: The All-of-LF Approach

Enabled by our AI-enabled technology ecosystem, we have implemented an “All-of-LF” operating model that unifies previously siloed operations into a single, agile platform. This integration has fostered greater collaboration across the organization and strengthened our ability to leverage global scale. The “All-of-LF” model is built on three key pillars:



Operating Excellence

We are committed to fostering a culture of focus and consistently delivering the highest level of service to our customers, regardless of circumstances. By promoting cross-functional collaboration and driving operational efficiency, we ensure our teams work seamlessly together to create exceptional value for clients.

Business Development

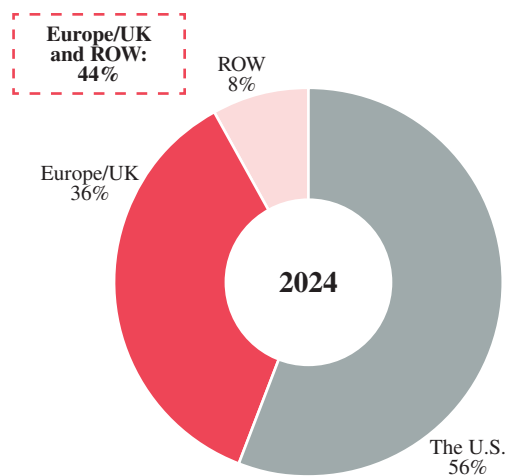
Our institutionalized business development process has established a robust and sustainable pipeline, accelerating new customer acquisition. This disciplined approach supports steady growth and reinforces our competitive position in the market.

Customer/Vendor Relationship Management

We empower our customer account management teams with the tools, data, and autonomy needed to identify opportunities, deepen relationships, and expand market share. Through strategic account management, we deliver tailored solutions, anticipate client needs, and increase customer retention. At the same time, we are strengthening vendor engagement by fostering open communication, setting clear expectations, and building collaborative partnerships. This not only ensures reliable service and operational efficiency but also cultivates mutual trust and creates opportunities for innovation and shared success.

Our Customers

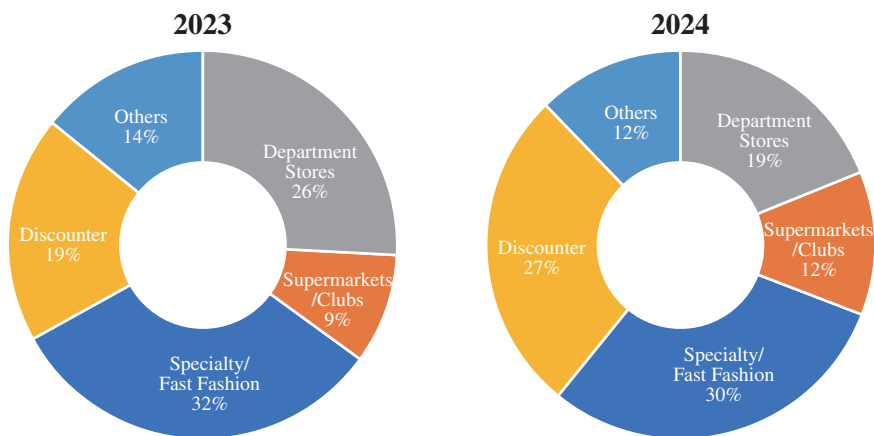
We serve a diversified global customer base, reducing reliance on any single geography or channel. Our expansion in Europe has further balanced our portfolio, with Europe/UK turnover rising to 36% in 2024 from 26% in 2023.



“ROW” = rest of world

Our customer mix includes discounters, big box, department stores, supermarkets/club stores, and specialty and fast fashion retailers, positioning us to capture growth in resilient channels.

Total Turnover by Customer Channels



Our current well-balanced portfolio of soft and hard goods, in contrast to our primary focus on apparel prior to our privatization, underscores our success in establishing a truly diversified customer base. This strategic diversification enhances our resilience, broadens our market reach, and positions us to capture growth opportunities across a wider range of product categories.

Our Suppliers

We maintain a diversified sourcing network across approximately 40 economies, supported by deep vendor relationships. This network provides flexibility to mitigate concentration risk — for example, U.S.-bound sourcing from China declined from 26% in 2019 to 18% in 2024. We continue to strengthen bases in Vietnam, Bangladesh, India, Cambodia, Turkey, Jordan, and Egypt.

RISK MANAGEMENT

We have strict policies governing risk management. Ultimate responsibility for risk management and effective internal controls rests with the Board of Directors. We have an internal audit team which independently reviews policies and guidelines in addition to legal and regulatory requirements, and whether internal controls are operating effectively to manage risks. Any material findings are reported to the Audit Committee, a sub-committee of the Board of Directors.

Credit Risk Management

For information in relation to Credit Risk Management, please refer to the section entitled *“Management’s Discussion and Analysis of Financial Condition and Results of Operations — Qualitative and Quantitative Disclosures about Market Risks — Credit Risk Management”*.

Foreign Exchange Risk Management

For information in relation to Foreign Exchange Risk Management, please refer to the section entitled *“Management’s Discussion and Analysis of Financial Condition and Results of Operations — Qualitative and Quantitative Disclosures about Market Risks — Foreign Exchange Risk Management”*.

Operations Risk Management

Our Group has adopted a tailored governance structure with defined lines of responsibility and appropriate delegation of authority. This is characterized by the establishment of a functions group to process centrally business support activities and exercise control over global treasury activities, financial and management reporting, human resources and information technology systems. All these controls of major operations are supplemented by written policies and Key Operating Guidelines (“KOGs”) tailored to the needs of respective operating groups in the markets in which we operate.

Financial and Capital Risk Management

The Board of Directors approves our financial budgets and reviews its operating and financial performance and key performance indicators against the budget on a semi-annual basis. Management closely monitors actual financial performance at both the Group and operating group levels on a quarterly and monthly basis. The Group has adopted a principle of minimizing financial and capital risks.

Investment Risk Management

The Investment Committee develops investment control procedures and monitors and approves major investments and acquisitions. Significant investments and acquisitions (with consideration above a threshold) require Board approval.

Management also monitors the integration process of newly acquired businesses through a structured post-acquisition integration program focusing on the alignment of operational and financial controls with the Group's standards and practices. Any significant integration issues must be reported to the Investment Committee.

Reputation Risk Management

The reputation capital of the Group is built on its long-established standards of ethics in conducting business. Our core ethical practices as endorsed by the Board of Directors are set out in the Group's Code of Conduct and Business Ethics for all Directors and employees. A number of accompanying policies, guidelines and procedures covering anti-bribery, gifts, entertainment and hospitality, declaration of interest, trade compliance and whistleblowing were created to set a framework to help our people make decisions and comply with both the ethical and behavioral standards of the Group.

Regulatory Compliance Risk Management

The Corporate Compliance group is comprised of the Corporate Governance and Corporate Secretarial teams. In conjunction with designated internal and external legal advisors, the team regularly reviews adherence to relevant laws and regulations, public disclosure requirements and our standards of compliance practices.

Information Technology Risk Management

The Group continues to invest in information technology systems to support transactional volume growth with improved information availability and controls, and to enhance the security of systems to manage cybersecurity risks.

Enhancement of the Group's overall system security continues to receive high attention. Actions taken include further investments in people and enhanced security processes, engaging external companies to review and provide additional managed services including vulnerability scan and security awareness training. Moreover, we have a Network Operation Centre ("NOC") to closely monitor network devices and servers on 24 hours a day, seven days a week, basis. NOC also improves visibility and responsiveness in case of any system or network failure.

Mitigating cybersecurity risks continues to be our strategic focus. To protect the company from financial loss and significant reputational damage due to the sophisticated and ever-evolving cyberattacks, we have taken a three-tiered approach to protect us from cybercrime: user awareness, technology and incident response. We continue to provide security awareness training to educate our people. We also invested in several state-of-the-art protection tools and managed security services to enhance and to ensure our infrastructure availability. By leveraging security vendors' expertise, we have developed comprehensive security incident handling procedures to cope with various types of security incidents, allowing us to respond to security incidents 24/7 effectively. With the evolving cyber-threat and the importance of protecting our business partners and employee data, we continue to invest in cybersecurity by aggressively enhancing our technical and human capabilities to ensure protection and business continuity.

In 2024, our Information Security Management System was re-certified for ISO 27001. We also recognize that our employees serve as one of our most vital defenses against newly emerging and evolving cybersecurity threats. Hence, we have further strengthened our resources, particularly in the Information Security area with an extended global team structure, skills and experience. Security awareness training has also become a significant activity that takes place for all employees. This training focuses on their responsibilities in protecting the company's information against cybersecurity threats, and how they are one of the critical safeguards.

To maintain an influential threat-prevention culture and prevent threats from reaching our users, a more robust authentication mechanism has been adopted with cutting-edge international standards to safeguard our company against breaches due to lost or stolen credentials.

Cloud computing plays a more significant role for businesses relying on data being available to perform business operations that meet customers' expectations. The adoption of cloud technology is modernizing our business and enabling us to provide more stable and robust systems.

We strive to uphold and continually evolve our capabilities to prevent, detect, and respond to cyber threats and safeguard the needs of our customers and employees in an ever-evolving threat landscape.

COMPETITION

We believe we have no direct competitor offering the same scope of services on our scale. Competitors typically fall into three categories: smaller trading companies, outsourcing agents, and other importers. Many are manufacturers or exporters whose sourcing activities are ancillary to their core business.

Large retailers' in-house sourcing functions often operate on a smaller scale and frequently collaborate with us for broader programs. Most industry participants are small or medium-sized enterprises.

Our differentiation comes from our scale, global reach, and AI-enabled platform, which allow us to deliver fully integrated, end-to-end digital supply chain solutions. Our diversification across geographies, channels, and categories provides an advantage that is difficult to replicate.

INDUSTRY TRENDS

Tariffs and Geopolitical Uncertainty

Heightened U.S. tariffs and geopolitical tensions continue to disrupt trade, driving increased costs, delays, and compliance complexities. Our diversified sourcing network and capabilities position us to capitalize on demand for resilient solutions.

Outsourcing Trend to Continue

We expect the outsourcing trend to accelerate, further reinforced by ongoing geopolitical uncertainties and evolving tariff policies in the United States. Many retailers are consolidating operations to refocus on their core competencies and see clear strategic value in partnering with experienced supply chain providers. This creates significant opportunities for us to meet the rising demand for external outsourcing expertise.

Digitalization and AI Adoption

Digital transformation has become indispensable, with AI integration now critical to enhance supply chain resilience and driving customer operational efficiency. Global companies are reporting substantial improvements in performance and risk management by leveraging AI-driven insights to increase visibility across inventory and shipments. This enables companies to anticipate disruptions, optimize demand forecasting, and mitigate risks related to tariffs, geopolitical shocks, and climate events. These developments have created new opportunities for us to capture the growing demand for actionable data and intelligence solutions through our comprehensive suite of AI-enabled technologies and our unparalleled access to proprietary trade flow data.

Sourcing Diversification

Customers are increasingly diversifying sourcing into emerging economies such as Vietnam, India, Turkey, and Bangladesh to reduce reliance on China. This shift is driven by rising tariffs, geopolitical tensions, and supply chain vulnerabilities associated with concentrated manufacturing in China. While China remains a key sourcing hub, customers are adopting a “China Plus One” strategy — maintaining operations in China while expanding into alternative locations to build more robust and flexible supply chains. As this transition accelerates, we are well positioned to support customers effectively through our established presence and deep vendor relationships across key emerging economies.

Shifts in Customer Landscape

Off-price retailers, discounters, supermarkets, and clubs have emerged as clear channel winners, delivering convenience and value to consumers in a rapidly evolving retail environment. Our strategic focus on growing these channels since our privatization has allowed us to build deep expertise and unique capabilities to serve these fast-growing segments and meet their evolving needs.

REGULATORY ENVIRONMENT

The sourcing and export trade industry is not subject to specific industry regulatory oversight. Nevertheless, as a global business, we closely monitor developments in trade regimes and regulatory requirements relevant to the markets in which we operate, including those relating to approvals, licenses, and permits necessary for market entry and ongoing operations. We also track changes in global trade arrangements and supply chain disruptions, particularly those affecting the multilateral trading system and the export of individual products, which may arise from proposed bilateral agreements between countries. The United States, China, and Europe are our key markets, and we pay particular attention to developments in their respective trade policies, including tariffs, anti-dumping measures, and production quotas.

We also recognize that our supply chain partners are subject to regulations in their respective jurisdictions, including local labor and occupational health and safety requirements. While our supply and manufacturing partners are responsible for their own compliance, we actively monitor and assess their adherence to relevant regulations as part of our role as a supply chain manager, in accordance with our Supplier Code of Conduct and on behalf of our customers. This approach ensures we uphold the highest standards of regulatory compliance and responsible business practices throughout our global supply chain.

HUMAN RESOURCES

As of December 31, 2024, the Group employed a total workforce of 3,694. We are committed to strengthening the core functional and management capabilities of our people through comprehensive learning and development programs. These initiatives provide flexible learning channels, including digital and classroom-based courses, on-the-job experience, networking, coaching and mentoring, as well as cross-border opportunities, ensuring our employees are equipped to excel in a dynamic global environment. As part of our ongoing transformation, we have eliminated organizational silos and integrated customer-facing and backend support functions, fostered synergistic collaboration and maximized the potential of our deep bench of talent. This integrated approach supports both individual growth and the Group’s long-term success.

PROPERTY

Consistent with our asset-light approach, we lease our real estate and physical infrastructure assets. Our property footprint remains limited, reflecting our ongoing commitment to an asset-light model. For further information in relation to real estate transactions, please refer to the section entitled “*Related Party Transactions*”.

INSURANCE

We maintain comprehensive insurance coverage for our business operations in accordance with prevailing market practice. Our insurance portfolio includes coverage for property damage and business interruption at our locations, public and product liability, stock throughput, export credit, directors’ and officers’ liability, employment practice liability, crime, cyber, employee compensation, group life, group medical, and travel insurance. These policies are underwritten by reputable insurance companies and are structured with commercially reasonable limits and deductibles, ensuring robust protection for the Group’s assets, operations, and personnel.

CORPORATE RESPONSIBILITY

Corporate Governance

Governance is the foundation of our sustainable business operations. In an ever-changing global landscape, we endeavor to uphold principles of good corporate governance with an emphasis on independence, transparency, and accountability. We strictly abide by all laws and regulations in our operations in the countries in which we operate.

Our Board of Directors comprises three executive directors and two non-executive directors. They have diverse professional experience, skills, ethnicity, and culture to ensure a diversity of perspectives and backgrounds. The well-balanced board composition reinforces a strong independent review and monitoring function of overall management practices.

The Board is responsible for setting the overall values and strategies of Li & Fung and overseeing our operations, financial performance, and corporate governance. To effectively discharge their duties, the Board has established four committees: Audit Committee, Risk Management and Sustainability Committee, Nomination Committee, and Remuneration Committee. Each committee has defined terms of reference.

Risk management and internal control are integral to our approach to good governance. Risk management is the culture, capabilities, and practices that Li & Fung integrates into our strategy, while internal control is the process effected by the Board, management, and our people to provide reasonable assurance that we achieve our financial, operational, and compliance objectives.

The Corporate Governance Division (“**CGD**”), as endorsed by an Internal Audit Charter, is empowered to audit operations regularly to ensure compliance with Li & Fung’s policies, KOGs, and applicable laws and regulations.

Our policies and KOGs are tailored to the needs of the respective operating groups in the markets in which we operate. They cover key risk management and control standards for our operations worldwide, including credit control, procurement and payment, trade compliance, capital expenditure, commitments, business travel, and employee expense claims. They also address relevant administrative processes in key support functions, including IT and HR.

Environmental Protection

We are committed to reducing our environmental footprint by collaborating with stakeholders across the value chain. Our internal environmental policy sets clear commitments in areas including greenhouse gas emissions, energy, water, chemicals, raw materials and products, packaging, waste and circularity, and biodiversity. This policy is communicated to all employees, suppliers, and supply chain partners and is mandatory for all suppliers involved in the production of merchandise or materials for our customers and us. Our sustainability team provides on-site training, webinars, and e-learning materials, and we continuously monitor and analyze environmental risks throughout our supply chain. In addition to regular audits, we conduct unannounced spot checks as part of our ongoing due diligence. Our employees receive training in international environmental standards and best practices to raise awareness and identify potential misconduct.

Social Responsibility

We actively participate in partnerships and organizations dedicated to social responsibility and responsible corporate stewardship. We are engaged with the American Apparel and Footwear Association (AAFA), representing over 1,000 globally recognized brands, retailers, and manufacturers, where we participate in the Social Responsibility Committee and the Forced Labor Working Group and are signatories to the enhanced AAFA Commitment of Responsible Recruitment — an industry-wide initiative to address forced labor risks for migrant workers. As a Buyer Partner of Better Work, a collaboration between the International Labor Organization and the IFC, we work alongside governments, employers, workers, and international buyers to support improved working conditions throughout our supply chain.

We are also members of The Centre for Child Rights & Business, a social enterprise focused on upholding children's rights in supply chains. Through participation in The Centre's Business Working Group, we share resources and best practices to address common challenges. Our commitment to eradicating modern slavery is further demonstrated by our involvement in The Mekong Club's Manufacturing & Retail Working Group.

As a member of Cascale (formerly the Sustainable Apparel Coalition), we have played an active role in developing the Higg Index and are signatories to the Social and Labor Convergence Project. Our leadership in child labor remediation was recognized in 2024 when we ranked first among 12 companies benchmarked by The Centre. We are committed to the UN Global Compact principles and the Sustainable Development Goals (SDGs), working collaboratively with customers and suppliers to advance a more sustainable industry.

As set out in our Code of Conduct and Business Ethics, we uphold the International Labor Organization's core conventions, including eliminating forced, compulsory, or underage labor, eliminating discrimination in employment and occupation, and respecting freedom of association and collective bargaining. These commitments are integral to our operations and reflect our dedication to responsible business practices across our global value chain.

Community Engagement

We recognize that our long-term success is intrinsically linked to the well-being of the communities in which we operate. Caring for and investing in these communities is fundamental to our sustainability strategy. By leveraging our global networks and strong relationships, we are committed to building sustainable communities and delivering a positive impact. In 2024, our colleagues organized and participated in over 40 community engagement activities, including blood donation camps, warm clothing drives, fabric upcycling workshops, volunteering, supporting International Down Syndrome

Day, and fundraising for the Los Angeles wildfire relief effort. Through these efforts, we demonstrate our dedication to fostering sustainable development and enhancing the quality of life in the regions where we operate.

LEGAL PROCEEDINGS

We are not currently involved in any litigation or similar proceedings that would have a material adverse effect on our financial condition, results of operations, or prospects.

CORPORATE INFORMATION

Our Company is incorporated in Bermuda with limited liability. Our principal executive offices are at 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong, and our registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. Incorporated in 1991 to operate as the trading arm of Li & Fung, we trace our origins back to 1906, when Li & Fung was founded by Fung Pak-liu, an English teacher, and Li To-ming, a merchant, as one of the first companies financed solely by Chinese capital to export to the West.

Our shares were listed on the Main Board of the Stock Exchange of Hong Kong from 1992 until 2020. On March 20, 2020, the Company received a privatization proposal from a special purpose vehicle established by the Fung family and GLP Pte. Ltd., effected by way of a scheme of arrangement. Following completion of the privatization on May 27, 2020, we became an indirect subsidiary of Golden Lincoln Holdings II Limited. The Fung family holds 60% of the voting shares in the holding company of the Company. In connection with privatization, non-voting shares were issued to GLP and JD.com. See “*Principal Shareholders*”.

DIRECTORS AND SENIOR MANAGEMENT

THE BOARD OF DIRECTORS

The Board of the Company currently comprises five Directors.

Name	Position
Spencer Theodore FUNG	Director, Group Executive Chairman
Joseph C. PHI	Director, Group Chief Executive Officer
Edward LAM Sung Lai	Director, Executive Committee
Ming Zhi MEI	Director
Michihiro HIGASHI	Director

The biographies of the Directors of the Company as at the date of this offering circular are as follows:

Spencer Theodore FUNG

Mr. Fung has been a director of Li & Fung Limited since 2008 and has served as Group Executive Chairman since 2020. He was previously Group Chief Executive Officer from 2014 to 2020. He joined the Group in 2001 and has held several leadership roles, including Group Chief Operating Officer and President of LF Europe. He began his career at PricewaterhouseCoopers in Boston and co-founded HelloAsia.com in 1999. Mr. Fung is an independent non-executive director of Swire Properties Limited and serves on multiple industry and educational boards. He holds a Bachelor of Arts degree from Harvard University and a Master of Science in Accounting and Master of Business Administration from Northeastern University.

Joseph C. PHI

Mr. Phi has been a director of Li & Fung Limited since 2018 and has served as Group Chief Executive Officer since 2020. He was appointed Group President in 2019 and previously served as Chief Executive Officer of LF Logistics, leading its growth into a regional leader before its sale to Maersk in 2022. He joined the Group in 1999 and has held prominent advisory roles, including Chairman of GS1 Hong Kong. Mr. Phi holds a Bachelor of Science degree in Industrial Engineering (magna cum laude) and a Master of Business Administration degree (topnotcher), both from the University of the Philippines.

Edward LAM Sung Lai

Mr. Lam has been a director of Li & Fung Limited since 2020 and also a member of the Executive Committee, overseeing strategy, capital structure, and digital ventures. He also serves as Chief Executive Officer of LFX since 2021 and previously served as Chief Financial Officer of Li & Fung. Mr. Lam serves on the board of DBS (HK). Prior to joining Li & Fung in 2012, he held senior roles at Citi and Morgan Stanley. Mr. Lam holds a Master of Business Administration degree with high honors from The University of Chicago and a Bachelor of Business Administration degree with highest honors from The University of Texas at Austin. He is a US Certified Public Accountant.

Ming Zhi MEI

Mr. Mei has been a director of Li & Fung Limited since 2020. He is Co-Founder and Chief Executive Officer of GLP and Chief Executive Officer of GLP Capital Partners. Mr. Mei serves on the boards of China Merchants Capital and Hongkong Land Holdings Limited. He holds a Master of Business Administration from Kellogg School of Management at Northwestern University and School of Business and Management at the Hong Kong University of Science and Technology and a Bachelor of Science degree in Finance from the Indiana University School of Business.

Michihiro HIGASHI

Mr. Higashi has been a director of Li & Fung Limited since 2020. He is Chief Strategy Officer of GLP China and is in charge of overseeing and setting the investment strategy. Earlier in his career, he worked at Nomura Research Institute and Oita Bank. Mr. Higashi holds a Bachelor of Law degree from Wuhan University and a Master of Economics degree from Oita University.

SENIOR MANAGEMENT

The Board is supported by the following Senior Management team:

Name	Position
Justin Bruce KENT	President, Apparel and Home & Accessories
Destan Fuad BEZMEN.	President, LF Europe
Jason Eric KRA Ph.D.	President, LF Markets USA
Fanny CHENG Pui Wah.	President, Apparel
Deepika RANA.	Chief Operating Officer
IP Ho Lam (Keith)	Chief Technology Officer
WONG Mun Yee, Eva	Chief Human Resources Officer
ZHANG Yugang (Gary)	Head of Global FNA

The biographies of the Senior Management team as at the date of this offering circular are as follows:

Justin Bruce KENT

Mr. Kent joined Li & Fung in 2020 and leads Apparel and Home & Accessories. He previously served as Group Managing Director at William E. Connor & Associates Ltd. and Chief Executive Officer of RT Sourcing Asia Limited. He holds a Bachelor of Arts degree from Arizona State University and a Master of Business Administration degree in International Management from Thunderbird.

Destan Fuad BEZMEN

Mr. Bezmen joined Li & Fung in 2006 and leads LF Europe. He has held senior roles across Hong Kong, Turkey, and the UK, looking after apparel, footwear accessories as well as General Merchandise. He holds a Bachelor of Business Administration in International Business from the American InterContinental University in London.

Jason Eric KRA Ph.D.

Mr. Kra oversees LF Markets USA. He joined Li & Fung in 2012 via the acquisition of Foreign Resources Corporation, where he served as Chief Executive Officer. He holds a Bachelor of Science degree in Business Administration in Marketing from American University and a Ph.D. in Business Administration from Florida Atlantic University. He also completed the Advanced Management Program at Harvard Business School.

Fanny CHENG Pui Wah

Ms. Cheng leads the Apparel business globally. She joined Li & Fung in 2000 after the acquisition of Colby International. She has over 20 years of experience in global sourcing. She was educated in Hong Kong.

Deepika RANA

Ms. Rana serves as Chief Operating Officer and joined Li & Fung in 2003. She previously led the Indian Subcontinent and sub-Saharan Africa operations. She holds a Master of Arts degree in Business Economics from the University of Delhi.

IP Ho Lam (Keith)

Mr. Ip leads technology and AI initiatives. He joined Li & Fung in 2022. Previously, he held leadership roles at S.F. Express and Oracle. He holds an Executive Master of Business Administration from Northwestern University's Kellogg School of Management (a joint program with HKUST), a Master of Science degree in Mechanical Engineering from Stanford University, and a Bachelor of Science in Mechanical Engineering from the University of California, Berkeley.

WONG Mun Yee, Eva

Ms. Wong currently serves as Chief Human Resources Officer at Li & Fung, a position she resumed in 2025 upon rejoining Li & Fung. She originally joined Integrated Distribution Services Group Limited in 2007, which later merged with Li & Fung in 2010. Following the acquisition of LF Logistics by Maersk in 2022, Ms. Wong transitioned to Maersk before returning to Li & Fung. She holds a Higher Diploma in Business Studies from City Polytechnic of Hong Kong (now known as City University of Hong Kong) and a Master of Arts degree in Management from Macquarie University.

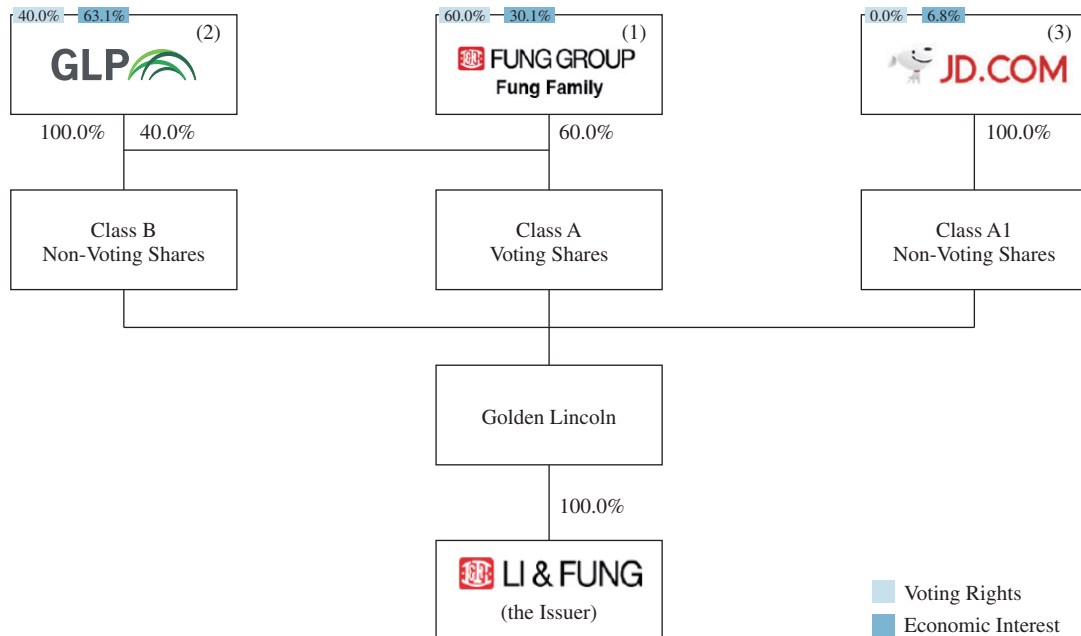
ZHANG Yugang (Gary)

Mr. Zhang oversees finance as Head of Global FNA. He joined Li & Fung in 2021 and previously served as Chief Financial Officer of QI Group and Sino Gas International. He is a certified Chartered Financial Analyst and holds a Master of Business Administration degree from Clark University and a Bachelor of Science degree from the Harbin Institute of Technology.

PRINCIPAL SHAREHOLDERS

Following completion of the privatization on May 27, 2020, we became an indirect subsidiary of Golden Lincoln Holdings II Limited. The deemed interests of Dr. Victor Fung Kwok King (through a trust of which HSBC Trustee (C. I.) Limited is the trustee) and the indirect interests of Dr. William Fung Kwok Lun in the Company currently represent approximately 60% of the voting interest in the Company, while GLP has 40% of the voting interest of the Company. In connection with privatization, non-voting shares were issued to GLP and JD.com. See also “*Risk Factors — Risks Relating to Our Business — Interests of major shareholders*”.

As of the date of this offering circular, our current shareholding structure is as follows:



- (1) The Fung Family's interest in the Company is held indirectly via Fung Lincoln Holdings Limited, which in turn holds Class A Voting Shares in Golden Lincoln Holdings II Limited (“**Golden Lincoln II**”), an intermediate company indirectly holding 100% of the share capital of the Company. The Fung Family owns 60% of the voting interest and 30.14% of the economic interest in the Company.
- (2) GLP has indirect voting and non-voting interests in the Company. The 40% indirect voting interest in the Company is held via GLP Golden Lincoln A Holdings Limited, which in turn holds Class A Voting Shares in Golden Lincoln II. The 63.08% indirect economic interest in the Company is held via GLP Golden Lincoln A Holdings Limited and GLP Golden Lincoln B Holdings Limited, each of which in turn holds Class A Voting Shares and Class B Non-Voting Shares, respectively, in Golden Lincoln II.
- (3) JD has an indirect non-voting interest in the Company. The 6.78% indirect economic interest in the Company is held via JD Sunrise Investment Limited, which in turn holds Class A1 Non-Voting Shares in Golden Lincoln II.

RELATED PARTY TRANSACTIONS

In the ordinary course of our business, we transact with certain related parties, including in relation to the distribution and sales of goods, operating leases, agency-based sourcing activities, services (including freight-forwarding) and office administration. The Group had the following material transactions with its related parties during the years ended December 31, 2024, 2023 and 2022:

		Twelve months ended December 31,		
		2022	2023	2024
		US\$'000	US\$'000	US\$'000
Distribution and sales of goods	<i>(i)</i>	7,290	7,771	3,628
Total value of right-of-use assets relating to leases	<i>(ii)</i>	443	16,979	984
Operating leases rental and license fee received	<i>(iii)</i>	5,205	3,053	2,700
Underlying FOB value of ordered products/ services fee paid	<i>(iv)</i>	62,985	74,562	85,936
Office administrative expenses paid	<i>(v)</i>	9,844	591	4,278
Office administrative cost recovery	<i>(vi)</i>	12,588	21,061	17,391
Business operation supporting service income .	<i>(vii)</i>	2,846	1,260	1,397

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- i. Distribution and sales of goods to the subsidiaries of a major shareholder and its associates were made on mutually agreed normal commercial terms.
 - ii. Value of right-of-use assets acquired from related companies was calculated based on rental charged for certain properties leased from the subsidiaries of a major shareholder which were based on mutually agreed normal commercial terms.
 - iii. Operating leases rental and license fee received from the subsidiaries/associates of a major shareholder were based on mutually agreed normal commercial terms.
 - iv. Agency-based sourcing activities and other services fee (including freight-forwarding) paid to the subsidiaries of a major shareholder based on normal commercial terms agreed between the parties.
 - v. The subsidiaries of a major shareholder charged the Group for certain centralized office support functions on an actual costs recovery basis.
 - vi. Office administrative cost recovery from the subsidiaries/associates of a major shareholder were made on actual cost recovery basis.
 - vii. Business operation supporting services income from a subsidiary of the shareholder were based on mutually agreed normal commercial terms.

In October 2023, the Company entered into an agreement (the “**Property Agreement**”) with a subsidiary of a major shareholder for the acquisition of property for a consideration of US\$50 million. A deposit of US\$50 million has been paid during the year ended December 31, 2023. The US\$50 million is the full payment of the purchase price by the Company, and there are no further payments required. The transaction will be completed upon the satisfaction of the conditions stipulated in the Property Agreement and the Company shall acquire either (i) a proportionate equity interest in the company that owns the Property or (ii) title to the floor area of the Property based on the mechanism set out in the Property Agreement. The closing of the transaction shall take place within seventy (70) business days after May 30, 2028 or any earlier date mutually agreed by both Parties.

Same as disclosed above, the Group had no material related party transactions during the years highlighted above.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

The following is a summary of the material terms of our principal financing arrangements. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual underlying loan agreements and other documentation.

4.50% NOTES DUE 2025

On August 18, 2020, we issued an aggregate principal amount of US\$300 million 4.50% notes due 2025 (the “**2025 Notes**”) under our US\$2,000,000,000 Medium Term Note and Perpetual Securities Program. On August 24, 2020, October 29, 2020 and January 27, 2021, we carried further drawdowns and issued additional 2025 Notes in aggregate principal amounts of US\$100 million, US\$100 million and US\$100 million, respectively. As of the date of the offering circular, the aggregate principal amount of 2025 Notes outstanding was US\$313,316,000.

Interest

In 2025 Notes bear an interest rate of 4.50% per annum, payable semi-annually in arrears. The interest rate of the 2025 Notes were adjusted to 5.0% per annum with effect from February 18, 2023 pursuant to the terms of the 2025 Notes.

Covenants

The 2025 Notes contain a negative pledge covenant whereby so long as any 2025 Note remains outstanding, we shall not, and we shall procure that none of our material subsidiaries will, create or permit to subsist any security interest upon the whole or any part of our assets to secure any listed bonds or other instruments with a maturity of more than one year unless the 2025 Notes are equally and rateably secured or the holders of the 2025 Notes approve in accordance with the terms of the 2025 Notes.

Events of Default

The 2025 Notes contain certain customary events of default, including default in the payment of principal, or of any premium, on the 2025 Notes, when such payments become due, default in payment of interest which continues for a certain period, breaches of covenants, insolvency and other events of default specified in the 2025 Notes.

Maturity and Redemption

Unless previously redeemed, or purchased and cancelled, the 2025 Notes shall be finally redeemed at its principal amount on August 18, 2025.

We may redeem the 2025 Notes at our option in whole, but not in part, at their principal amount (together with interest accrued to (but excluding)) the date fixed for redemption in the event of certain changes affecting taxes of the relevant taxation jurisdictions as described in the terms and conditions of the 2025 Notes.

We may redeem the 2025 Notes at our option in whole, but not in part, at any time prior to July 18, 2025, at their principal amount plus the Applicable Premium (as defined in the terms and conditions of the 2025 Notes) as of (together with interest accrued to (but excluding)) the date fixed for redemption.

We may redeem the 2025 Notes at our option in whole, but not in part, at any time on or after July 18, 2025, at their principal amount (together with interest accrued to (but excluding)) the date fixed for redemption.

FIXED-FOR-LIFE PERPETUAL CAPITAL SECURITIES

On November 3, 2016, we issued an aggregate principal amount of US\$650,000,000 of 5.25% subordinated perpetual capital securities (“**2016 Perpetual Securities**”) under our US\$2,000,000,000 Medium Term Note and Perpetual Securities Program. The 2016 Perpetual Securities have no fixed maturity date and no step-up distributions. They are classified as equity for accounting purposes. As of the date of this offering circular, the entire aggregate principal amount of the 2016 Perpetual Securities remains outstanding.

Distributions

The 2016 Perpetual Securities confer a right to receive distributions semi-annually in arrears at a distribution rate of 5.25% per annum from and including the issue date to and excluding the next distribution payment date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which are otherwise scheduled to be paid on a distribution payment date to the next distribution payment date, unless during the three months ending on the day before that scheduled distribution payment date we have declared or paid dividends on, or redeemed or bought back, any junior obligations or parity obligations, including our ordinary shares. In addition, if a distribution is deferred or has not been made in full, we may not declare or pay dividends on, or redeem or buyback, any junior obligations or parity obligations, including our ordinary shares, unless and until we have satisfied in full all distribution payments previously deferred or holders of the 2016 Perpetual Securities approve by an extraordinary resolution.

Maturity and Redemption

There is no fixed maturity date for the 2016 Perpetual Securities. We may redeem the 2016 Perpetual Securities, in whole, but not in part, on November 3, 2021 and any distribution payment date thereafter at their principal amount plus distributions accrued to the date fixed for redemption.

The 2016 Perpetual Securities may also be redeemed at our option in whole, but not in part, at their principal amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after November 3, 2016, (b) upon the occurrence of any amendment, clarification or change in the rules of relevant rating agencies or any of their respective successors, which amendment, clarification or change results in a lower equity credit for the 2016 Perpetual Securities than the equity credit assigned on the November 3, 2016, (c) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2016 Perpetual Securities must not or must no longer be recorded as our “equity” pursuant to the relevant accounting standard, or (d) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

BANK AND OTHER FACILITIES

As at December 31, 2024, we had available bank loans and overdraft facilities totaling US\$580 million, of which US\$325 million were committed facilities with maturities extending to 2030. During 2024, we drew US\$145 million from these committed facilities to provide further flexibility in managing times of uncertainty. The weighted average tenor of our total borrowing of US\$145 million is over two years. No drawdowns were made under uncommitted facilities as at December 31, 2024. Shortly after the issuance of the Notes, we plan to repay (i) any remaining outstanding short-term debt (after application of the proceeds from the issuance of the Notes in this offering) and (ii) at least approximately US\$120 million of our long-term debt from our cash on hand and short term bank deposits.

DESCRIPTION OF THE NOTES

For purposes of this “*Description of the Notes*”, the term “**Company**” refers only to Li & Fung Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company that Guarantees the Notes is referred to as a “**Subsidiary Guarantor**”, and each such guarantee is referred to as a “**Subsidiary Guarantee**”.

The Notes are to be issued under an indenture (the “**Indenture**”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “**Trustee**”).

The following is a summary of certain provisions of the Indenture, the Notes and the Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Subsidiary Guarantees. It does not restate those agreements in their entirety. We urge you to read the Indenture (including the forms of the Notes) because the Indenture, and not this description, defines your rights as Holders of the Notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference.

BRIEF DESCRIPTION OF THE NOTES

The Notes will, upon issuance:

- be general obligations of the Company;
- be senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- rank at least *pari passu* with all existing and future unsecured and unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);
- be guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under “— *The Subsidiary Guarantees*” and in “*Risk Factors — Risks Relating to the Notes and the Subsidiary Guarantees*”;
- be effectively subordinated to secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below).

The Notes will mature on February 5, 2029, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “**Additional Notes**”), subject to certain limitations described under “— *Further Issues*”. Unless the context requires otherwise, references to the “**Notes**” for all purposes of the Indenture and this “*Description of the Notes*” include the Notes and any Additional Notes that are actually issued.

The Notes will bear interest at 8.375% per annum from the Original Issue Date, or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on February 5 and August 5 of each year (each an “**Interest Payment Date**”), commencing on February 5, 2026. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Notes will be paid to the Holders of record at the close of business on January 21 or July 21 immediately preceding an Interest Payment Date (each, a “**Record Date**”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Global Note is held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Global Note will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Date before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except December 25 and January 1. In any case in which the date of the payment of principal of, premium (if any) on, or interest on, the Notes is not a Business Day (as defined below), then payment of principal, premium (if any) or interest need not be made in such place on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in US dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be an office of the Paying Agent, currently located at One North Wall Quay, Dublin 1, Ireland, Attention: Agency & Trust), and the Notes may be presented for registration of transfer or exchange at such office or agency; **provided that**, if the Notes are in definitive form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed (at the expense of the Company) to the address of the Holders as such address appears in the Note register maintained by the Registrar or by wire transfer. Interest payable on the Notes held through Euroclear and Clearstream will be available to participants on the Business Day following payment thereof.

THE SUBSIDIARY GUARANTEES

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of Li & Fung (Trading) Limited, Product Development Partners Limited and LF Centennial Pte. Ltd.

As described below under “— *Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries*”, certain Restricted Subsidiaries that guarantee certain other Indebtedness permitted under the Indenture shall also enter into a supplemental indenture as Guarantor of the Notes. Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date is referred to as a “**Future Subsidiary Guarantor**” and, upon execution of the applicable supplemental indenture to the Indenture, will be a “**Subsidiary Guarantor**”.

No existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries that are not Subsidiary Guarantors (“**Non-Guarantor Subsidiaries**”) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

The Subsidiary Guarantee of each Subsidiary Guarantor will each:

- be a general obligation of such Subsidiary Guarantor;
- be effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- rank at least *pari passu* with all existing and future unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, and subject to the limitations set out below, each of the Subsidiary Guarantors will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in US dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, unfair preference, financial assistance, absence or inadequacy of corporate benefit, insolvency or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including Guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "*Risk Factors — Risks Relating to the Notes and the Subsidiary Guarantees — Enforcing your rights as a holder of the Notes or under the Subsidiary Guarantees across multiple jurisdictions may be difficult*".

RELEASE OF THE SUBSIDIARY GUARANTEES

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance or discharge as described under "*— Defeasance — Defeasance and Discharge*" or "*— Satisfaction and Discharge*";

- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- in the case of any Restricted Subsidiary, that, after the Original Issue Date, is required to Guarantee the Notes pursuant to the covenant described under “— *Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries*”, upon the release or discharge of all Guarantees by such Restricted Subsidiary (other than its Subsidiary Guarantee) which resulted in the obligation to Guarantee the Notes;
- as described under “— *Amendments and Waiver*”;
- upon a transaction in compliance with the terms of the Indenture (including the covenants under “— *Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*”, “— *Certain Covenants — Limitation on Asset Sales*” and “— *Consolidation, Merger and Sale of Assets*”) resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary; or
- as otherwise permitted in accordance with the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the holders of the Notes until the Company has delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

As of the date of the Indenture, all of the Company’s Subsidiaries will be “**Restricted Subsidiaries**”. However, under the circumstances described below under “— *Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*”, the Company will be permitted to designate Restricted Subsidiaries as “Unrestricted Subsidiaries”. The Company’s Unrestricted Subsidiaries will not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not Guarantee the Notes.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions) (a “**Further Issue**”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; **provided that**, the issuance of any such Additional Notes will then be permitted under the “*Limitation on Indebtedness*” covenant described below and the other provisions of the Indenture.

OPTIONAL REDEMPTION

On or after August 5, 2027, the Company may on any one or more occasions redeem all or any part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the applicable

redemption date, if redeemed during the period beginning on August 5 of the year indicated below (subject to the rights of holders of Notes on the relevant Record Date to receive interest on the relevant Interest Payment Date):

<u>Year</u>	<u>Redemption Price</u>
2027	104.188%
2028 and thereafter	102.094%

The Company may at its option redeem the Notes, in whole but not in part, at any time prior to August 5, 2027, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date (subject to the rights of holders of Notes on the relevant Record Date to receive interest on the relevant Interest Payment Date). Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the Applicable Premium.

At any time prior to August 5, 2027, the Company may at its option, on any one or more occasions, redeem up to 40% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in one or more Equity Offerings at a redemption price of 108.375% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the applicable redemption date (subject to the rights of holders of Notes on the relevant Record Date to receive interest on the relevant Interest Payment Date); **provided that** at least 60% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the Equity Offering.

The Company will give not less than 10 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes will be selected for redemption as follows:

- (1) if the Notes are listed on any securities exchange and/or are held through the clearing systems, in compliance with the requirements of the principal securities exchange on which the Notes are listed and/or in compliance with the requirements of the clearing systems; or
- (2) if the Notes are not listed on any securities exchange and/or are not held through the clearing systems, on a *pro rata* basis, by lot or by such other method as the Company in its sole and absolute discretion shall deem to be fair and appropriate unless otherwise required by law.

A notice of redemption may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, completion of an equity or debt offering, a financing, or other corporate transactions. In addition, if such notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Company's discretion, the redemption date may be delayed until such time as any or all of such conditions are satisfied (or waived by the Company in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all of such conditions are not satisfied (or waived by the Company in its sole discretion) by the redemption date, or by the redemption date so delayed.

No Note of US\$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Holders or any other person for not doing so.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “**Change of Control Offer**”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in clause (2) of the definition of “Offer to Purchase”).

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

The Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “*Risk Factors — Risks Relating to the Notes and the Subsidiary Guarantees — We may not be able to finance a change of control offer required by the Indenture*”.

The definition of Change of Control includes a phrase relating to the sale of “all or substantially all” the assets of the Company. Although there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder’s Notes as a result of a sale of less than all the assets of the Company to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Company has occurred.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred or to monitor the occurrence of any Change of Control Triggering Event and shall not be liable

to the Holders or any person for any failure to do so. Neither the Trustee or any Agent will be required to facilitate any payment with respect to any repurchase of Notes by the Company in connection with a Change of Control Triggering Event.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holders' right to require the Company to repurchase Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control Triggering Event.

The Company will comply, to the extent applicable, with any securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption payments or sinking fund payments with respect to the Notes.

OPEN MARKET PURCHASES

The Company or any of its affiliates may purchase Notes in the open market or by tender or by any other means at any price, so long as such purchase does not otherwise violate the terms of the Indenture.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under "*— Consolidation, Merger and Sale of Assets*") or an applicable Subsidiary Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a "**Relevant Taxing Jurisdiction**") or any jurisdiction from or through which payment is made by or on behalf of the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the "**Relevant Jurisdictions**"), unless such withholding or deduction is required by applicable law or by regulation or governmental policy having the force of applicable law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holder of each Note, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

- (a) any tax, duty, assessment or governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national,

domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

- (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on the last date of such 30-day period; or
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor, addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the domestic tax laws of a Relevant Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder, if (a) compliance is required by law as a precondition to, exemption from, or reduction in the rate of, the tax and (b) the Company, Surviving Person or Subsidiary Guarantor, as applicable, has given the Holder at least 30 days' notice that the Holder will be required to provide such certification, identification, documentation or other requirement;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or governmental charge or any tax imposed other than by deduction or withholding from payments on or in respect of the Notes;
 - (c) any tax, duty, assessment or governmental charge to the extent such tax, duty, assessment or governmental charge results from the presentation of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere; or
 - (d) any combination of taxes, duties, assessments or governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Notwithstanding anything to the contrary in this "*Description of the Notes*", the Company, each Subsidiary Guarantor, the Trustee and the Paying Agent shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 ("**FATCA**") of the US Internal Revenue Code of 1986, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Company, a Subsidiary Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Company, a Subsidiary Guarantor, the Paying Agent, the Trustee or any other person shall be required to pay any additional amounts with respect to any FATCA withholding or deduction imposed on or with respect to any Note.

The Company will (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Company will furnish to the Holders and the Paying Agent, within 90 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be as soon as practicable thereafter), the Company will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on such payment date.

In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction, including any applicable treaty with the Relevant Jurisdiction, affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the jurisdictions of the Company or any initial Subsidiary Guarantor, on or after the date of this offering circular, or (ii) with respect to any other jurisdiction, on or after the date such jurisdiction became a Relevant Jurisdiction, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on a subsequent Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be (including for the avoidance of doubt, appointment of a new Paying and Transfer Agent where such appointment is

reasonable); **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change or amendment referred to in this section entitled "*Redemption for Taxation Reasons*" has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, taking reasonable measures; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in this section entitled "*Redemption for Taxation Reasons*".

The Trustee shall conclusively rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness); **provided that** the Company and its Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (a) no Default has occurred and is continuing and (b) the Fixed Charge Coverage Ratio would not be less than (i) 2.0 to 1.0 from the Original Issue Date to August 5, 2026 and (ii) 2.25 to 1.0 after August 5, 2026 with respect to any Incurrence of Indebtedness.
- (2) Notwithstanding the foregoing, the Company and any Restricted Subsidiary may Incur, to the extent provided below, each and all of the following ("**Permitted Indebtedness**"):
 - (a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;
 - (b) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date;
 - (c) Indebtedness of the Company or any Restricted Subsidiary Incurred pursuant to (i) term loan Credit Facilities (whether newly Incurred or in existence on the Original Issue Date) in an aggregate principal amount (together with any refinancings thereof) not to exceed the greater of (x) US\$25.0 million and (y) 1.5% of Turnover of the Company for the then most recent two semi-annual periods prior to the Incurrence of such Indebtedness and (ii) revolving Credit Facilities (whether newly Incurred or in existence on the Original Issue Date) in an

aggregate principal amount (together with any refinancings thereof) not to exceed the greater of (x) US\$75.0 million and (y) 2.5% of Turnover of the Company for the then most recent two semi-annual periods prior to the Incurrence of such Indebtedness;

- (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; **provided that** (i) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness (and none of the Subsidiary Guarantors is the obligee on such Indebtedness), such Indebtedness by its terms must be expressly subordinated in right of payment to the Notes, and if any Subsidiary Guarantor is the obligor on such Indebtedness (and none of the Company or any other Subsidiary Guarantor is the obligee on such Indebtedness), such Indebtedness by its terms must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;
- (e) Indebtedness (“**Permitted Refinancing Indebtedness**”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, “**refinance**” and “**refinances**” and “**refinanced**” shall have a correlative meaning), then outstanding Indebtedness Incurred under clause (1) above or clauses (2)(a), (b), (c), (e), (k) or (l) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); **provided that** (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, as the case may be, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced and (iii) in no event may Indebtedness of any Subsidiary Guarantor be refinanced pursuant to this clause (e) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations (i) entered into in the ordinary course of business for *bona fide* purposes to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation or (ii) designed to reduce or manage interest expenses;

- (g) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently, except in the case of daylight overdrafts, drawn against insufficient funds in the ordinary course of business; **provided that** this Indebtedness is extinguished within five Business Days;
- (h) Indebtedness of the Company or any Restricted Subsidiary in respect of (i) workers' compensation claims and claims arising under similar legislation, or in connection with self-insurance or similar requirements, in each case in the ordinary course of business; (ii) the financing of insurance premiums in the ordinary course of business and (iii) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;
- (i) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for customary guarantees, indemnification, adjustment of purchase price, earn-out or other similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary, in any case Incurred in connection with the disposition of any business, assets of the Company or of a Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of any of the Company's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; **provided that** the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and/or the relevant Restricted Subsidiary in connection with the disposition;
- (j) obligations with respect to letters of credit, bankers' acceptances, performance and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiary securing obligations or liabilities, entered into in the ordinary course of business or in respect of any governmental requirement, to the extent the letters of credit, bonds or guarantees are not drawn upon or, if and to the extent drawn upon is honored in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt of a demand for reimbursement following payment on the letter of credit, bond or guarantee;
- (k) Indebtedness of the Company or any Restricted Subsidiary:
 - (i) representing Capitalized Lease Obligations incurred in the ordinary course of business; or
 - (ii) constituting purchase money Indebtedness incurred to finance (x) all or any part of the purchase price of equipment, property or assets to be used in the ordinary course of a Permitted Business of the Company or any Restricted Subsidiary (including the purchase of Capital Stock of any Person holding such equipment, property or assets that is, or will upon such purchase become, a Restricted Subsidiary) or (y) the cost of development, construction or improvement of equipment, property or assets to be used in the ordinary course of a Permitted Business by the Company or a Restricted Subsidiary;

provided that (A) such purchase money Indebtedness shall not exceed the purchase price of such equipment, property or assets so acquired, (B) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets and (C) on the date of the Incurrence of any Indebtedness permitted by this clause (k), and after giving effect thereto, the sum of the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (k) (together with any refinancings thereof, but

excluding any Guarantee Incurred under such clause to the extent the amount of such Guarantee is otherwise reflected in such aggregated principal amount) does not exceed US\$10.0 million (or the Dollar Equivalent thereof);

- (l) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancings thereof) not to exceed US\$10.0 million (or the Dollar Equivalent thereof); and
 - (n) Guarantees by (i) any Non-Guarantor Subsidiary of any Indebtedness of any other Non-Guarantor Subsidiary and (ii) the Company or any Subsidiary Guarantor of any Indebtedness of the Company or any Restricted Subsidiary; **provided that**, in each case, the Indebtedness guaranteed is permitted to be Incurred under the Indenture.
- (3) For purposes of determining compliance with this “*Limitation on Indebtedness*” covenant:
- (a) in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness, or of Indebtedness described in the proviso in paragraph (1) of this covenant and one or more types of Permitted Indebtedness, the Company, in its sole discretion, except with respect to Indebtedness Incurred under clause (2)(c) of this covenant, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above;
 - (b) Guarantees of, or obligations in respect of letters of credit, bankers’ acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
 - (c) if obligations in respect of letters of credit, bankers’ acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clauses (2)(c), (2)(j) or (2)(l) of this covenant or clause (1) of this covenant and the letters of credit, bankers’ acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
 - (d) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof; and
 - (e) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.
- (4) Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in GAAP will not be deemed to be an incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

- (5) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, **provided that** such Indebtedness was permitted to be Incurred at the time of such Incurrence. For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; **provided that** if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “**Restricted Payments**”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable solely in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (2) purchase, redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Restricted Subsidiary (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur immediately as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under proviso (b) in paragraph (1) of the covenant described under “— *Limitation on Indebtedness*”; or

- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7) and (8) of the next succeeding paragraph), shall exceed the sum (without duplication) of:
- (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the calendar year during which the Measurement Date occurs and ending on the last day of the Company's most recently ended fiscal semi-annual period for which consolidated financial statements of the Company (which may be internal financial statements) are available; plus
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Restricted Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company or any Restricted Subsidiary; plus
 - (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); **provided, however, that** the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any Restricted Subsidiary from the Incurrence of such Indebtedness; plus
 - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus
 - (v) US\$50.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); **provided that**, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); **provided that**, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any Restricted Subsidiary to allow the payment of cash in lieu of fractional shares; **provided that**, any such cash payment shall not be for the purpose of evading the limitation of this “*Limitation on Restricted Payments*” covenant (as determined in good faith by the Board of Directors of the Company);
- (7) payments, including distributions, made under or in connection with the Existing Perpetual Securities pursuant to the terms thereof or in connection with a repurchase or redemption thereof; and
- (8) the payments of dividends by the Company in an aggregate principal amount not to exceed US\$30 million at any time, **provided that** after giving *pro forma* effect to any such dividend payments, the short-term bank deposits and cash and bank balances as shown on the Company’s most recent consolidated balance sheet, of the Company shall be not less than US\$200 million.

provided that, in the case of clauses (2), (3), (4) and (8) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any

assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or an appraisal issued by an accounting, appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment (other than those made pursuant to clauses (5) through (8) of the second paragraph of this “— *Limitation on Restricted Payments*” covenant) in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “— *Limitation on Restricted Payments*” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, including in the Notes, the Subsidiary Guarantees or the Indenture, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not Incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or

the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— *Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*”, “— *Limitation on Indebtedness*” and “— *Limitation on Asset Sales*” covenants;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clauses (1), (2)(c), (2)(e), (2)(k) or (2)(l) of the “— *Limitation on Indebtedness*” covenant (or any Guarantee thereof, if such Guarantee is permitted under the “— *Limitation on Indebtedness*” covenant) if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such type of agreement and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company or any Subsidiary Guarantor to make required payment on the Notes or its Subsidiary Guarantee, as the case may be, and any extensions, refinancings, renewals or replacements thereof; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no less favorable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (g) existing in customary provisions in shareholder agreements, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes or (y) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee;
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions,

refinancings, renewals or replacements thereof; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (i) existing in customary provisions in leases, contracts and licenses permitted under the Indenture including, without limitation, with respect to any intellectual property, entered into in the ordinary course of business; or
- (j) restrictions on cash or other deposits or net worth imposed by customers or suppliers under contracts entered into in the ordinary course of business permitted under the Indenture.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); **provided that**, the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "*— Limitation on Asset Sales*" covenant to the extent required thereunder; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "*Limitation on Restricted Payments*" covenant if made on the date of such issuance or sale and **provided that**, the Company complies with the "*— Limitation on Asset Sales*" covenant to the extent required thereunder.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company or any Subsidiary Guarantor, unless (1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary or (2) such Guarantee is permitted by clauses (2)(b), (2)(d) or (2)(f) under the "*— Limitation on Indebtedness*" covenant.

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each, an “**Affiliate Transaction**”) involving aggregate value in excess of US\$10.0 million (or the Dollar Equivalent thereof), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not such a holder or an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$15.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$25.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of (x) the Company or (y) any Restricted Subsidiary whose securities are listed on any national or other securities exchange, who are not employees of the Company or such Restricted Subsidiary;
- (2) transactions between or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of the covenant described above under the “— *Limitation on Restricted Payments*” covenant if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, which as of the Original Issue Date requires a majority shareholder approval of any such scheme;
- (6) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary, restricted stock plans, long-term incentive plans, stock

appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

- (7) the entry into and performance of obligations of the Company or any Restricted Subsidiary under the terms of any transaction or agreement pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any transaction (including transactions in the ordinary course of business of the Company or any Restricted Subsidiary) or agreement or instrument in effect as of or on the Original Issue Date, as any such transaction, agreement or instrument is described under the caption "*Related party transactions*" in this offering circular, and as these transactions, agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect;
- (8) pledges of Capital Stock in Unrestricted Subsidiaries; and
- (9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Company that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (a) Investments (other than Permitted Investments) not prohibited by the "*— Limitation on Restricted Payments*" covenant; and (ii) if and for so long as the Common Stock of the Company are listed on a Qualified Exchange, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of a Qualified Exchange.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except: (a) Permitted Liens or (b) Liens other than Permitted Liens; **provided that** with respect to clause (b) that (i) in the case of Liens securing Subordinated Indebtedness, the Notes or the applicable Guarantee of a Subsidiary Guarantor, as the case may be, are secured by a Lien on such property or assets that is senior in priority to such Liens; and (ii) in all other cases, the Notes or the applicable Subsidiary Guarantee of a Subsidiary Guarantor, as the case may be, are equally and rateably secured.

Any such Lien created in favor of the Notes or a Subsidiary Guarantee will be automatically and unconditionally released and discharged upon the release and discharge of the initial Lien to which it relates.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company or such Subsidiary Guarantor may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by

this paragraph among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; **provided that** the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary, as the case may be, could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under “— *Limitation on Indebtedness*” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under “— *Limitation on Liens*”, in which case, the corresponding Indebtedness shall be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described below under “— *Limitation on Asset Sales*”.

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of (as determined in good faith by the Company at the time of contractually agreeing to such Asset Sale); and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); **provided that**, in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall

deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

- (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and
- (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

Within 450 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or any Restricted Subsidiary may apply an amount equal to such Net Cash Proceeds to:

- (a) permanently repay secured Indebtedness of the Company or any Subsidiary Guarantor, Senior Indebtedness of the Company or any Subsidiary Guarantor or Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto), in each case, owing to a Person other than the Company or a Restricted Subsidiary;
- (b) (i) acquire properties and assets (other than current assets, except for inventory which may be acquired), including any shares of Capital Stock in a Person holding such properties or assets that is primarily engaged in a Permitted Business, that will be used in the Permitted Businesses (**provided that** if such investment is in the form or the acquisition of the Capital Stock of a Person, such Person is or becomes a Restricted Subsidiary of the Company) and (ii) fund the operating requirements and the development costs and expenses of the Company and/or the Restricted Subsidiaries in connection with the Permitted Business ("**Replacement Assets**"); or
- (c) consummate any combination of the foregoing;

provided that, pending the application of Net Cash Proceeds in accordance with sub-clauses (a) or (b) of this paragraph, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the foregoing paragraph will constitute "**Excess Proceeds**". Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within ten days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (a) accumulated Excess Proceeds, multiplied by

- (b) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Company will select the Notes to be purchased on a *pro rata* pass-through distributions of principal basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered in accordance with the procedures of Euroclear and Clearstream. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole; **provided, further, that** the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made under the “— *Limitation on Restricted Payments*” covenant.

Limitation on Use of Proceeds

The Company will not use the net proceeds from the sale of the Notes issued on the Original Issue Date, and will not permit any Restricted Subsidiary to use the net proceeds from the sale of the Notes issued on the Original Issue Date, for any purpose other than (1) for the purposes specified under the heading “*Use of Proceeds*” in this offering circular and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; **provided that:**

- (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation;
- (2) such Restricted Subsidiary does not own any Disqualified Stock of the Company or any Subsidiary Guarantor or Disqualified or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under “— *Limitation on Indebtedness*” or such Lien would violate the covenant described under “— *Limitation on Liens*”;

- (3) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph;
- (4) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary and none of the Company or any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; and
- (5) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— *Limitation on Restricted Payments*”.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; **provided that**

- (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation;
- (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under “— *Limitation on Indebtedness*”;
- (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under “— *Limitation on Liens*”; and
- (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary).

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect such governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with the laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the Indenture or the relevant Subsidiary Guarantee.

Anti-Layering

The Company will not permit any Subsidiary Guarantor to, and no Subsidiary Guarantor shall, Incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated in right of payment to any Senior Indebtedness of such Subsidiary Guarantor unless such Indebtedness is *pari passu* with the Guarantee of such Subsidiary Guarantor or is also by its terms (or by the terms of any agreement governing such Indebtedness) made subordinated in right of

payment to the Subsidiary Guarantee of such Subsidiary Guarantor; **provided that** the foregoing limitation shall not apply to distinctions between categories of Senior Indebtedness that exist by reason of (x) any Liens or guarantees arising or created in respect of some but not all such Senior Indebtedness or (y) being secured on a junior priority basis; **provided, further, that** Indebtedness under a Credit Facility that is Senior Indebtedness of a Subsidiary Guarantor may provide for an ordering of payments among the tranches of such Credit Facility.

Suspension of Certain Covenants when the Notes Achieve Investment Grade Status

If on any date following the date of the Indenture, the Notes (A)(i) are rated by two Rating Agencies and have a rating of Investment Grade from both of the Rating Agencies or (ii) are rated by three Rating Agencies and have a rating of Investment Grade from two out of the three Rating Agencies, and (B) no Default has occurred and is continuing (a “**Suspension Event**”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— *Limitation on Indebtedness*”;
- (2) “— *Limitation on Restricted Payments*”;
- (3) “— *Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*”;
- (4) “— *Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*”;
- (5) “— *Limitation on Issuances of Guarantees by Restricted Subsidiaries*”;
- (6) “— *Limitation on Transactions with Shareholders and Affiliates*”;
- (7) “— *Limitation on Business Activities*”;
- (8) “— *Limitation on Sale and Leaseback Transactions*”;
- (9) “— *Limitation on Asset Sales*”; and
- (10) clauses (3), (4) and (5)(x) under the first and second paragraphs of the covenant described “*Consolidation, Merger and Sale of Assets*”.

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under “— *Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*” or the definition of “Unrestricted Subsidiary”.

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “— *Certain Covenants — Limitation on Restricted Payments*” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee (it being understood that the Trustee shall have no responsibility to determine whether any filings have been made) and furnish to the Holders upon request:
 - (a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally recognized firm of independent accountants; and
 - (b) as soon as they are available, but in any event within 75 calendar days after the end of the semi-annual period of each fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally recognized firm of independent accountants.

provided that if at any time the common stock of the Company or its direct or indirect Parent is listed on a Qualified Exchange, the Company may satisfy the requirement to furnish report or information as described by (a) and (b) above by furnishing, or making available, such required report or information on the website of the stock exchange. The Trustee and the Agents are not obliged to monitor or verify the Company's compliance with the publication of such required report or information or statements on its website or the website of the stock exchange where applicable. In addition, prior to the time the common stock of the Company or its direct or indirect Parent is listed on a Qualified Exchange the Company shall in good faith regularly hold live conference calls for Holders with the opportunity to ask questions of management. The Trustee and the Agents are not required to attend such conference calls or report on such conference calls to Holders.

- (2) In addition, so long as any Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; **provided that** the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default and/or an Event of Default, an Officers' Certificate setting forth the details of the Default and/or the Event of Default, and the action which the Company proposes to take with respect thereto.

EVENTS OF DEFAULT

The following events will be defined as "**Events of Default**" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

- (2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenant described under “— *Consolidation, Merger and Sale of Assets*”, the failure by the Company to make or consummate an Offer to Purchase in the manner described under “— *Repurchase of Notes upon a Change of Control Triggering Event*” or “— *Certain Covenants — Limitation on Asset Sales*” or “— *Certain Covenants — Limitation on Restricted Payments*” or “— *Certain Covenants — Limitation on Liens*”;
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clauses (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$30.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$30.0 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Restricted Subsidiary, (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary (other than, in each case, any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a *pro rata* basis or on a basis more favorable to the Company) or (c) effects any general assignment for the benefit of creditors; or

- (9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or will for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clauses (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders, subject to being pre-funded, indemnified and/or secured to its satisfaction, shall declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clauses (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of more than 50% in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premiums and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of more than 50% in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that pre-funding or satisfactory indemnification and/or security is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder has or Holders have provided the Trustee pre-funding, indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the provision of pre-funding, indemnity and/or security pursuant to clause (3) above, whichever occurs later; and
- (5) during such 60-day period, the Holders of more than 50% in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment from the Company on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

An Officer of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date and/or within 14 days of demand, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under the Indenture and the Notes and that the Company and each Restricted Subsidiary have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture and the Notes. See "*— Provision of Financial Statements and Reports*".

Neither the Trustee nor any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing or to monitor or shall be charged with actual or constructive knowledge or deemed with notice with respect to the occurrence of any Event of Default or Default and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Company and the Subsidiary Guarantors are performing all of their obligations under the Indenture and the Notes unless the Trustee or an Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Company and the Subsidiary Guarantors are not performing all of their obligations under the Indenture and/or the Notes.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and the Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "**Surviving Person**") shall be a company incorporated and validly existing under the laws of the British Virgin Islands, Bermuda, the Cayman Islands or Hong Kong and shall expressly assume, by a supplemental indenture to the

Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or from or through which payment is made, and the Indenture and the Notes, shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under proviso (b) of paragraph (1) of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”;
- (5) the Company shall deliver to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under “— *Consolidation, Merger and Sale of Assets*”, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Subsidiary Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless each of the following conditions is met:

- (1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction in accordance with the Indenture by a supplemental indenture to the Indenture, executed and delivered to the Trustee;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US\$1.00 of Indebtedness under proviso (b) of paragraph (1) of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”;
- (5) the Company shall deliver to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— *Certain Covenants — Limitation on Asset Sales*” covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under “— *The Subsidiary Guarantees — Release of the Subsidiary Guarantees*”.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger. The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company or the Subsidiary Guarantors that may adversely affect Holders.

NO PAYMENTS FOR CONSENTS

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, subject to applicable law, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with a tender offer or an exchange offer, the Company and any Subsidiary of the Company may exclude or modify the offer or payment to: (i) holders or beneficial owners of the Notes that are located in the United States or “US persons” as defined in Regulation S of the Securities Act, and (ii) holders or beneficial owners of the Notes in any jurisdiction, in either case where the inclusion of such holders or beneficial owners would, without such modification if applicable, require the Company or any Subsidiary of the Company to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion and the Trustee shall not have any responsibility or liability for such determination by the Company.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among

other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, cash in US dollars, US Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the US Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;
- (3) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and
- (4) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture will further provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4) and (5)(x) under the first and second paragraphs under “— *Consolidation, Merger and Sale of Assets*” and all the covenants described herein under “— *Certain Covenants*”, other than as described under “— *Certain Covenants — Government Approvals and Licenses; Compliance with Law*”, and (ii) clause (3) under “*Events of Default*” with respect to such clauses (3), (4) and (5)(x) under the first and second paragraphs under “— *Consolidation, Merger and Sale of Assets*” and with respect to such other events set forth in clause (i) above, clause (4) under “— *Events of Default*” with respect to such other covenants set forth in clause (i) above and clauses (5), (6), (7), (8) and (9) under “— *Events of Default*” (except for, with respect to clauses (7) and (8), the Company) shall be deemed not to be Events of Default, upon, among other things, the deposit with the Trustee (or its agent), in trust, of cash in US dollars, US Government Obligations or a combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph under “— *Defeasance and Discharge*”.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in US dollars and/or US Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

SATISFACTION AND DISCHARGE

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (1) either:
 - (i) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or
 - (ii) all Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Paying Agent for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable written instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (2) the Company or any Subsidiary Guarantor has paid all other sums payable under the Indenture;
- (3) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any other deposit relating to other Indebtedness being defeased, discharged or replaced substantially concurrently with the Notes) and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound (other than any instrument governing or evidencing Indebtedness being defeased, discharged or replaced substantially concurrently with the Notes).

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Company has delivered to the Trustee an Officers' Certificate and Opinion of Counsel stating that all conditions precedent to satisfaction and discharge have been satisfied. The Trustee is entitled to conclusively rely (without any liability and without any further investigation or enquiry) on such Officers' Certificate and Opinion of Counsel

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture, the Notes and the Subsidiary Guarantees may be amended, without the consent of any Holder:

- (1) to cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes or the Subsidiary Guarantees;
- (2) to comply with the provisions described under “— *Consolidation, Merger and Sale of Assets*”;
- (3) to evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (5) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (6) to effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;
- (7) to add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (8) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “*Description of the Notes*” to the extent that such provision in this “*Description of the Notes*” was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Subsidiary Guarantees;
- (9) to add any additional collateral to secure the Notes or any Subsidiary Guarantee; or
- (10) to make any other change that does not materially and adversely affect the rights of any Holder.

Amendments with Consent of Holders

Subject to certain exceptions, amendments of the Indenture, the Notes and the Subsidiary Guarantees may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of more than 50% in aggregate principal amount of the then outstanding Notes, and the Holders of more than 50% in principal amount of the then outstanding Notes may waive future compliance by the Company with any provision of the Indenture or the Notes; **provided, however, that** no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);
- (7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (8) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
- (9) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale;
- (11) change the redemption date or the redemption price of the Notes from that stated under “— *Optional Redemption*” or “— *Redemption for Taxation Reasons*”;
- (12) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company and the Subsidiary Guarantors for the payment of principal, or premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any Subsidiary Guarantor in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Subsidiary Guarantor or of any successor Person thereof.

Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

CONCERNING THE TRUSTEE AND THE AGENTS

Citicorp International Limited is to be appointed as the Trustee under the Indenture, and Citibank, N.A., London Branch is to be appointed as the paying agent (the “**Paying Agent**”) and transfer agent (the “**Transfer Agent**”) with regard to the Notes and as registrar (the “**Registrar**” and together with the Paying Agent and Transfer Agent, the “**Agents**”) under the Indenture. Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture or the Notes, and no implied covenant or obligation shall be read into the Indenture or the Notes, against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; **provided, however, that** if it becomes aware it has acquired any conflicting interest, it must eliminate such conflict or resign.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture or the Notes for the benefit of the Holders unless the requisite number of Holders have instructed the Trustee in writing and provided to the Trustee pre-funding, indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment under the Indenture or in respect of the Notes or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Company, any Subsidiary Guarantor, any Holder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

Notwithstanding any provision to the contrary in the Notes or the Indenture, whenever the Trustee is required or entitled by the terms and provisions of the aforesaid documents to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Holders and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages expenses (including, but not limited to, legal fees and expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

The Trustee may rely, without liability to the Holders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisors, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to conclusively rely (without liability and without any further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Company, the Subsidiary Guarantors and the Holders.

The Trustee and the Agents will be entitled to be indemnified, secured and/or pre-funded and relieved from responsibility in certain circumstances and to be paid or reimbursed for any liabilities incurred by it in priority to the claims of the Holders.

Each of the Trustee and the Agents is entitled to enter into business transactions with the Company and the Subsidiary Guarantors and any affiliate of the Company and the Subsidiary Guarantors without accounting for any profit.

In connection with the exercise by it of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and in particular, but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Holders (whatever their number) resulting from their being for any purposes domiciled or resident in, or otherwise connected with, or subject to the jurisdiction or, any country, state or territory and a Holder shall not be entitled to require, nor shall any Holder be entitled to claim, from the Company, the Subsidiary Guarantors, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent provided for in the Indenture.

BOOK-ENTRY; DELIVERY AND FORM

The certificates representing the Notes will be issued in fully registered form without interest coupons. The Notes will initially be represented by one or more permanent global notes in registered form without interest coupons (each a “**Global Note**”) and will be deposited with a common depositary, and registered in the name of a common depositary or its nominee, for the accounts of Euroclear and Clearstream.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under “*Transfer Restrictions*”.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with Euroclear or Clearstream (“**participants**”) or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear or Clearstream (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Beneficial owners may hold their interests in a Global Note directly through Euroclear or Clearstream if they are participants in such systems, or indirectly through organizations which are participants in such systems.

So long as the common depositary for Euroclear and Clearstream, or its nominee, is the registered owner or holder of a Global Note, the common depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under

the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with Euroclear's or Clearstream's applicable procedures, in addition to those provided for under the Indenture.

Payments of the principal of, and interest on, a Global Note will be made to the common depositary for Euroclear and Clearstream or its nominee, as the case may be, as the registered owner thereof. Neither the Company nor any of the Subsidiary Guarantors, the Trustee nor any of the Agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that the common depositary for Euroclear and Clearstream or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of Euroclear and Clearstream. The Company also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

The Company expects that Euroclear and Clearstream will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the Euroclear and Clearstream interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, any of the Subsidiary Guarantors, the Trustee or the Agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If (1) the common depositary for Euroclear and Clearstream is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor common depositary is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "*— Events of Default*" and the Company has received a written request from a Holder, the Company will issue Certificated Notes in registered form, which may bear the legend referred to under "*Transfer Restrictions*", in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under "*Transfer Restrictions*".

THE CLEARING SYSTEMS

General

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

None of the Company, the Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Initial Settlement

Initial settlement of the Notes will be made in immediately available funds. Investors' interests in Notes held in book-entry form by Euroclear and Clearstream will be represented through financial institutions acting on their behalf as direct and indirect participants in Euroclear and Clearstream, and will follow the settlement procedures applicable to conventional eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear Holders and of Clearstream Holders on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or mails (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at its principal office; if intended for the Trustee, at the corporate trust office of the Trustee; and if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Company and each Subsidiary Guarantor will in the Indenture irrevocably submit to the non-exclusive jurisdiction of any US federal or New York state court located in the Borough of Manhattan, The City of New York, New York, in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby. The Indenture will provide that the Company will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture and the Notes brought in any US federal or New York state court located in the Borough of Manhattan, The City of New York, New York.

GOVERNING LAW

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “*Description of the Notes*” for which no definition is provided.

“**Acquired Indebtedness**” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“**Adjusted Treasury Rate**” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after August 5, 2027, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“**Affiliate**” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step child, parent or step parent, brother, sister, step brother or step sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note at August 5, 2027 (such redemption price being described in the first paragraph in the *“Optional Redemption”* section exclusive of any accrued interest), plus all required remaining scheduled interest payments due on such Note (but excluding accrued and unpaid interest to the redemption date) through August 5, 2027, computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; **provided that** “Asset Sale” shall not include:

- (1) sales, transfers or other dispositions of inventory, receivables and other current assets in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made by the covenant described under “— *Certain Covenants — Limitation on Restricted Payments*”;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant described under “— *Consolidation, Merger and Sale of Assets*” or a transaction that constitutes a Change of Control;
- (7) sales or other dispositions of cash or of Temporary Cash Investments;
- (8) a sale, transfer or other disposition to the Company or a Restricted Subsidiary, including, without limitation, an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

- (9) licenses, sub-licenses, leases or subleases of tangible property, in each case, in the ordinary course of business;
- (10) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (11) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (12) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (13) an issuance or sale by a Restricted Subsidiary of Preferred Stock that is permitted by the covenant described above under “— *Certain Covenants — Limitation on Indebtedness*”; and
- (14) sales, transfers or other dispositions of Investments in joint ventures that are not Restricted Subsidiaries entered into prior to the Original Issue Date to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; **provided that** any cash or Temporary Cash Investments received in such sale, transfer or disposition is applied in accordance with the “— *Certain Covenants — Limitation on Asset Sales*” covenant.

“**Attributable Indebtedness**” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“**Average Life**” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“**Board of Directors**” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“**Board Resolution**” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“**Business Day**” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Singapore or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized or required by law or governmental regulation to close.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the direct or indirect sale of all or substantially all the consolidated assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are the beneficial owners of less than 40% (and if at any time the common stock of the Company or its direct or indirect Parent is listed on a Qualified Exchange, 30%) of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) other than the Permitted Holders is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election or nomination to the Board of Directors was approved by a vote of at least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, **provided that** the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Commodity Hedging Agreement” means any commodities swap agreement, commodities cap agreement, commodities floor agreement, commodities futures agreement, commodities option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage commodities prices and commodities price risk.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the US Treasury security having a maturity comparable to August 5, 2027 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to August 5, 2027.

“**Comparable Treasury Price**” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Company, Reference Treasury Dealer Quotations for such redemption date.

“**Consolidated EBITDA**” means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); plus
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income; plus
- (4) any costs, fees and expenses (including any break costs, unwind or termination costs and/or other costs of a similar nature) and taxes on them or any tender offer(s) and/or consent solicitation(s) fees or expenses and all stamp duty, registration and other similar taxes in connection with any refinancing, replacement or restructuring, in each case, (whether in part or in full) of Indebtedness; plus
- (5) any management fees, dividends or royalties payable to the Company or another Restricted Subsidiary,

all as determined on a consolidated basis for such Person and its Subsidiaries (excluding Unrestricted Subsidiaries) in conformity with GAAP; **provided that** if any Restricted Subsidiary is not a Wholly-Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary.

“**Consolidated Fixed Charges**” means, with respect to any Person for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of such Person or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly-Owned Restricted Subsidiary. For the avoidance of doubt, distributions incurred, accrued or payments on the Existing Perpetual Securities shall not be included in the calculation of Consolidated Fixed Charges.

“**Consolidated Interest Expense**” means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of such Person and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by such Person and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees),

(6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, such Person or any Restricted Subsidiary and (7) any capitalized interest; **provided that** interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period, and **provided further** that, for the avoidance of doubt, distributions incurred, accrued or payments on the Existing Perpetual Securities shall not be included in the calculation of Consolidated Interest Expense.

“Consolidated Net Income” means, with respect to any Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; **provided that** the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of the Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or asset of the Company or any Restricted Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or of any Restricted Subsidiary);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects;
- (7) any net after-tax extraordinary or non-recurring gains including but not limited to those arising from the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring, disposals, revaluations or impairment of non-current assets, and disposals of assets associated with discontinued operations, and any non-cash gain, impairment or loss associated with strategic disposals of businesses or operations;

- (8) any non-cash interest expense and non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be;
- (9) any unrealized gains or losses in respect of Hedging Obligations or other derivative instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations or other derivative instruments; and
- (10) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions.

provided that for the purpose of the Consolidated Net Income calculation (but not for purposes of Consolidated EBITDA and Fixed Charge Coverage Ratio) any net after tax gains realized on the sale or other disposition of any property or asset of the Company or any Restricted Subsidiary used in the Permitted Business (including any Capital Stock of any Person engaged in such Permitted Business) shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of the Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contingent Obligations” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (**“primary obligations”**) of any other Person (the **“primary obligor”**), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
 - (a) for the purchase or payment of any such primary obligation; or
 - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“Credit Facility” means, with respect to the Company or any Restricted Subsidiary, one or more credit facilities, debt facilities, loan agreements, indentures, financing trust deeds, commercial paper facilities, overdraft facilities, note purchase agreements or other financing arrangements, in each case with banks, lenders, purchasers, funds, investors, trustees, agents or other representatives of any of the foregoing, providing for revolving credit loans, term loans, capital market financings, securitizations, factoring or receivable financings (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any

Liens in respect of such receivables or assets in favor of such institutions), notes, capital leases, letters of credit or other borrowings or other extensions of credit, including convertible or exchangeable debt instruments, any related notes, mortgages, guarantees, collateral documents, instruments, agreements and other documents executed and delivered pursuant to or in connection therewith, and in each case any amendments, supplements, waivers, modifications, extensions, replacements, renewals, restatements, refundings, restructurings, increases or refinancings thereof in whole or in part from time to time, including any replacement, refunding or refinancing facility, agreement or indenture that increases the amount borrowable or issuable thereunder or alters the maturity thereof or adds entities as additional borrowers, issuers or guarantors thereunder or otherwise alters the terms and conditions thereof and whether by the same or any other agent, lender, group of lenders or otherwise.

“Currency Hedging Agreement” means any currency swap agreement, currency cap agreement, currency floor agreement, currency futures agreement, commodity option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage currencies and currency risk.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; **provided that** any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— *Limitation on Asset Sales*” and “— *Repurchase of Notes upon a Change of Control Triggering Event*” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants described under “— *Certain Covenants — Limitation on Asset Sales*” and “— *Repurchase of Notes upon a Change of Control Triggering Event*”.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than US dollars, at any time for the determination thereof, the amount of US dollars obtained by converting such foreign currency involved in such computation into US dollars at the noon buying rate for US dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

“Equity Offering” means a public or private sale by the Company of Common Stock (other than Disqualified Stock) of the Company.

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the US Securities Exchange Act of 1934, as amended.

“Existing Perpetual Securities” means the US\$650 million 5.25 per cent. subordinated perpetual capital securities issued by the Company on November 3, 2016.

“**Fair Market Value**” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“**Family Members**” means, in relation to any natural Person, such Person, his or her parents, brothers, sisters and lineal descendants, and any trust or other similar entity established for the sole benefit of or the sole beneficial owner(s) of which (directly or indirectly) are any or all of the foregoing, any of their respective lineal descendants, estate or any executor of their respective estate, and/or (in the case of any such trust or similar entity) any trustee in bankruptcy or similar officer in respect of any such trust or such other similar entity.

“**Financing Subsidiary**” means a direct Wholly-Owned Subsidiary of the Company that is a Subsidiary Guarantor and is formed for the purpose of borrowing funds or issuing securities and lending the proceeds to the Company and that conducts no business other than as may be reasonably incidental to, or related to, the foregoing.

“**Fitch**” means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation, and its successors.

“**Fixed Charge Coverage Ratio**” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company are available (which may be internal consolidated financial statements) (the “**Two Semi-annual Period**”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the “**Reference Period**”) commencing on and including the first day of the Two Semi-annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; **provided that**, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;
- (b) *Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;*
- (c) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

- (e) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the two full semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“**GAAP**” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); **provided that** the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“**Hedging Obligation**” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

“**Holder**” means, the Person in whose name a Note is registered in the Note register.

“**Incur**” means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness; **provided that** (1) any Indebtedness and Disqualified Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence”, “Incurred” and “Incurring” have meanings correlative with the foregoing.

“**Indebtedness**” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;

- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; **provided that** the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations;
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and
- (10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; **provided** (a) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP and (b) that the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to clause (2)(f) under the “*Limitation on Indebtedness*” covenant or (ii) equal to the net amount payable by such Person if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (a) any capital commitments, deferred payment obligation or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business;
- (b) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to pre-fund the payment of the interest on such Indebtedness *provided* such money is held to secure the payment of such interest;
- (c) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under GAAP as in effect on the Original Issue Date;
- (d) prepayments of deposits received from clients or customers in the ordinary course of business;
- (e) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Original Issue Date or in the ordinary course of business; and

- (f) Contingent Obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Interest Rate Hedging Agreement” means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate future contract, interest rate option agreement or any other similar agreement or arrangement which may consist of one or more of any of the foregoing agreements, designed to manage interest rates and interest rate risk.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under “— *Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*” and “— *Certain Covenants — Limitation on Restricted Payments*”: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company’s proportionate interest in the assets (net of the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation; (2) if the Company or any Restricted Subsidiary sells or otherwise disposes of any Investment of any Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Restricted Subsidiary is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of such sale or disposition equal to the Fair Market Value of the Investments in such former Restricted Subsidiary that were not sold or disposed of; (3) the acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person; and (4) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of “Aaa”, “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns, a rating of “AAA,” “AA,” “A,” “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“**Lien**” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“**Measurement Date**” means the Original Issue Date.

“**Moody’s**” means Moody’s Investors Service, Inc. and its successors.

“**Net Cash Proceeds**” means:

- (1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP and reflected in an Officers’ Certificate delivered to the Trustee; and
- (2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“**Offer to Purchase**” means an offer to purchase Notes by the Company from the Holders commenced by the Company sending a notice to the Trustee and each Holder at its last address appearing in the Note register stating:

- (1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “**Offer to Purchase Payment Date**”);

- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “*Option of the Holder to Elect Purchase*” on the reverse side of the Note completed, to a tender agent appointed by the Company (the “**Tender Agent**”) at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; **provided that** each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or any amount in excess thereof which is an integral multiple of US\$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase and (b) deliver, or cause to be delivered, to the Tender Agent all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly transfer to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer, the Registrar shall promptly authenticate and deliver to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; **provided that** each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or any amount in excess thereof which is an integral multiple of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with any securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“**Officer**” means one of the executive officers of the Company or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary.

“Officers’ Certificate” means a certificate signed by two Officers; provided, however, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel, which is in form and substance reasonably acceptable to the Trustee and where applicable that meets any specific requirements set out in the Indenture.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Permitted Businesses” means any business, service or activity which is the same as, an extension of or otherwise related, ancillary, complementary, incidental or similar to any of the businesses or scope of business of the Company and the Restricted Subsidiaries on the Original Issue Date as described in this offering circular, including, for the avoidance of doubt, investing in, acquiring, holding, or selling interests in businesses, services, or activities that are existing, an extension of, complementary, or ancillary to, or otherwise related to, the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date as described in this offering circular.

“Permitted Holders” means each of Dr. Victor Fung Kwok King (through a trust of which HSBC Trustee (C. I.) Limited is the trustee) and Dr. William Fung Kwok Lun and their respective Family Members.

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) cash or Temporary Cash Investments;
- (3) payroll, travel, relocation, entertainment and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) any Investment pursuant to a Hedging Obligation designed (i) solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates or (ii) to reduce or manage interest expenses;
- (6) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (7) Investments consisting of consideration received in connection with an Asset Sale under clause (3)(b) of, and made in compliance with, the covenant described under “— *Certain Covenants — Limitation on Asset Sales*”;
- (8) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under “— *Certain Covenants — Limitation on Liens*”;

- (9) loans or advances to vendors, contractors, suppliers or distributors, including advance payments for equipment and machinery made to the manufacturer thereof, of the Company or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms;
- (10) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business of the Company or any Restricted Subsidiary;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the acquisition of assets in the Permitted Business by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;
- (13) Guarantees of Indebtedness of the Company or its Restricted Subsidiaries permitted to be Incurred by the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (14) Investments in existence on the Original Issue Date or any Investment that has been agreed to or is otherwise obligated to be made pursuant to an agreement or similar instrument in existence on the Original Issue Date; and
- (15) Investments in businesses or other Persons that are primarily engaged in a Permitted Business (each a “Strategic Minority Investment”), taken together with all other Investments made pursuant to this clause (15) and at any time outstanding, in an aggregate principal amount not to exceed US\$100 million at any time, provided that (i) such Investment, as expected in good faith by the Company, will confer new business partnership or opportunities for the Company, including but not limited to new customer relationships, sourcing, distribution and licensing rights, and geographical expansion, that are reasonably expected to contribute to the Company's EBITDA and turnover in the ordinary course of business; and (ii) such Investment, including the formation of joint ventures, is subject to due diligence by, and the investment assessment policies of, the Company, including the approval by the Company's executive investment committee; *provided* that in the case of (ii), any Investment in excess of US\$35 million (or the Dollar Equivalent thereof) shall require the approval of the Board of Directors of the Company; and *provided further* that if the Company or any Restricted Subsidiary at any time after an Investment is made in a Strategic Minority Investment, directly or indirectly, owns more than 50% of the Capital Stock and Voting Stock of such Strategic Minority Investment, the Company or Restricted Subsidiary, as the case may be, shall procure that such Strategic Minority Investment become a Restricted Subsidiary, and such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (15), and the aggregate amount of Investments made under this clause (15) shall be reduced by an amount equal to the amount of Investment made in such Strategic Minority Investment prior to it becoming a Restricted Subsidiary.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) Leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights) granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;
- (5) Liens on property or other assets of, or on shares of Capital Stock of, any Person existing at the time such Person (i) becomes a Restricted Subsidiary or (ii) is merged with or into or consolidated with the Company or any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such Person (if such Person becomes a Restricted Subsidiary) or the property or assets acquired by the Company or such Restricted Subsidiary (if such Person is merged with or into or consolidated with the Company or such Restricted Subsidiary); provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (6) Liens in favor of the Company or any Restricted Subsidiary;
- (7) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;
- (8) Liens securing reimbursement obligations with respect to letters of credit, performance and surety bonds and completion guarantees that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (9) Liens existing on the Original Issue Date;
- (10) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”, provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) securing the Indebtedness being refinanced;
- (11) Liens securing Hedging Obligations permitted to be Incurred under clause (2)(f) of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”, provided that (i) Indebtedness relating to any such Hedging Obligation is, and is permitted under the covenant

described under “— *Certain Covenants — Limitation on Indebtedness*” to be, secured by a Lien on the same property securing such Hedging Obligation or (ii) such Liens are encumbering customary initial deposits or margin deposits or are otherwise within the general parameters customary in the industry and incurred in the ordinary course of business or (iii) such Liens secure obligations set forth under Interest Rate Hedging Agreements designed to reduce or manage interest expenses;

- (12) Liens securing Attributable Indebtedness that is permitted to be Incurred under the Indenture;
- (13) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing any Capitalized Lease Obligation or purchase money Indebtedness permitted to be Incurred under clause (2)(k) of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”; provided, however, that the Liens do not extend to any property or assets which is not subject to such Capitalized Lease Obligation or purchase money Indebtedness;
- (14) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers’ compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (17) Liens on deposits securing letters of credit (and reimbursement obligations relating thereto) incurred in the ordinary course;
- (18) Liens securing Indebtedness Incurred pursuant to clause (2)(k) of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”; provided that such Lien (i) covers only the equipment, property or assets acquired, developed, constructed or improved with such Indebtedness and (ii) is created within 180 days of such acquisition, development, construction or improvement;
- (19) Liens securing Indebtedness Incurred pursuant to clause (2)(c) of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”;
- (20) Liens on proceeds loans made by a Financing Subsidiary to the Company to secure Indebtedness of such Financing Subsidiary permitted to be Incurred in accordance with covenant described under “*Certain Covenants — Limitation on Indebtedness*”;
- (21) Liens securing Indebtedness Incurred pursuant to clause (1) of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”;
- (22) Liens arising by virtue of any statutory or common law provisions relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;
- (23) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the

Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

- (24) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (25) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (26) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (27) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (28) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (29) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures; and
- (30) Liens; provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed US\$15 million.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Rating Agencies” means (1) S&P, (2) Moody’s and (3) Fitch; **provided that** if S&P, Moody’s, Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s, two of any of the three or all three of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB”, “B”, “CCC”, “CC”, “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba”, “B”, “Caa”, “Ca”, “C” and “D” (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D”

(or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1", "2" and "3" for Moody's; "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB", as well as from "BB-" to "B+", will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under "*— Consolidation, Merger and Sale of Assets*", that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under "*— Consolidation, Merger and Sale of Assets*", the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by all the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary US Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“**S&P**” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

“**Sale and Leaseback Transaction**” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“**Securities Act**” means the US Securities Act of 1933, as amended.

“**Senior Indebtedness**” means, whether outstanding on the Original Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all Indebtedness of the Company or any Restricted Subsidiary, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or such Restricted Subsidiary at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; **provided, however, that** Senior Indebtedness will not include:

- (1) any Indebtedness Incurred in violation of the Indenture;
- (2) any obligation of the Company or any Subsidiary Guarantor to the Company or any Restricted Subsidiary;
- (3) any liability for taxes owed or owing by the Company or any Restricted Subsidiary;
- (4) any account payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);
- (5) any Indebtedness, guarantee or obligation of any Subsidiary Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, guarantee or obligation of such Subsidiary Guarantor; or
- (6) any Capital Stock.

“**Significant Restricted Subsidiary**” means any Restricted Subsidiary (or any group of Restricted Subsidiaries taken together) that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5%.

“**Stated Maturity**” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“**Subordinated Indebtedness**” means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or to any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; **provided, however, that** with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of “*Designation of Restricted and Unrestricted Subsidiaries*” covenant.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means the initial Subsidiary Guarantors named herein and any other Restricted Subsidiary that Guarantees the obligations of the Company under the Indenture and the Notes; **provided that** “Subsidiary Guarantor” does not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, United Kingdom, Australia, Canada, any state of the European Union, Hong Kong, Singapore, the PRC or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, United Kingdom, Australia, Canada, any state of the European Economic Area, Hong Kong, Singapore, Japan, the PRC or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Union, shall be rated at least “A” by S&P or Moody’s;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof, United Kingdom, Australia, Canada, any state of the European Union, Hong Kong, Singapore, Japan or the PRC and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act);
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;

- (5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or other financial institutions organized under the laws of the United States of America, any state thereof, the PRC, Hong Kong, the European Union, United Kingdom, Singapore, Japan, Australia or any other jurisdiction where the Company or any Restricted Subsidiary conducts business; and
- (8) any corporate debt securities which, at the time of the investment in such corporate debt securities, are rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) under the Exchange Act).

“**Trade Payables**” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“**Transaction Date**” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“**Turnover**” means, on any Transaction Date, revenue generated from sales and services rendered at invoiced value to customers outside the Company less discounts and returns, as set out in the Company’s consolidated financial statements for the then most recent Two Semi-annual Period.

“**Unrestricted Subsidiary**” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

“**US Government Obligations**” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such US Government Obligation or a specific payment of interest on or principal of any such US Government Obligation held by such custodian for the account of the holder of a depository receipt; **provided that** (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the US Government Obligation or the specific payment of interest on or principal of the US Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Restricted Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law or regulation) by the Company or one or more Wholly Owned Subsidiaries of the Company.

TAX CONSIDERATIONS

The following summary of certain Bermuda and Hong Kong consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Instruments and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

BERMUDA

Subject to CITA (defined below), in Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated, and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the “**Government Fee**”), which is determined on a sliding scale by reference to a company’s authorized share capital and share premium account, with the minimum fee being BD\$2,095 and the maximum fee being BD\$32,676 (the Bermuda dollar (“**BD**”) is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorized share capital and share premium account as they stood at August 31 in the preceding year. The Bermuda government has enacted the Exempted Undertakings Tax Protection Act 1966 (as amended) (“**EUTPA**”), under which the Minister of Finance in Bermuda is authorized to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax shall not be applicable to the shares, debentures or other obligations of such entities. Any such exemption shall not prevent the application of any such tax or duty to such persons as are ordinarily resident in Bermuda, shall not prevent the application of any tax payable in accordance with the provisions of the Land Tax Act 1967 (as amended) of Bermuda or otherwise payable in relation to land in Bermuda leased to the Company and is subject to the Corporate Income Tax Act 2023 (as amended) of Bermuda. Noting the disclosure regarding CITA below, this assurance has been obtained by the Company for a period ending on March 31, 2035.

Bermuda’s Corporate Income Tax Act 2023 (“**CITA**”) came into operation in its entirety on January 1, 2025 along with corresponding changes to the EUTPA. As a result, for tax years starting on or after January 1, 2025, there may be an imposition of corporate income tax to certain Bermuda constituent entities of certain multinational groups with annual revenues of at least EUR 750 million in the consolidated financial statements of their ultimate parent entity for at least two of the four fiscal years immediately preceding the applicable fiscal year. Tax under CITA is charged at a rate of 15% of the net taxable income of such Bermuda constituent entities as determined in accordance with and subject to the adjustments set out in CITA (including in respect of foreign tax credits applicable to the Bermuda constituent entities). Any liability for tax imposed under the CITA shall apply notwithstanding any assurance given pursuant to the EUTPA.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Instruments or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Law of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, interest on the Notes is not subject to Hong Kong profits tax except under the following circumstances:

- (a) interest on the Notes derived from Hong Kong is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong;
- (b) interest on the Notes derived from Hong Kong is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (c) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (d) interest on the Notes is received by or accrues to a corporation (other than a financial institution) and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of Section 16(3) of the Inland Revenue Ordinance).

Sums derived from the sale, disposal or redemption of Notes (other than capital gains) will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of, including where such activities were undertaken.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to profits tax.

Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of Section 16(3) of the Inland Revenue Ordinance) from the sale, disposal and redemption of Notes will be subject to profits tax.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112 of the Law of Hong Kong) (the “**Amendment Ordinance**”) came into effect on January 1, 2023. Under the Amendment Ordinance, certain foreign-sourced income accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is to be regarded as arising in or derived from Hong Kong and chargeable to profits tax when it is received in Hong Kong.

In certain circumstances, Hong Kong profits tax exemptions may be available to certain qualifying investors. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual positions.

Stamp Duty

No stamp duty is payable on the issue of the Notes.

Stamp duty may be payable on any transfer of the Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of the Notes, provided that either:

- (a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of the Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Notes if the relevant transfer is required to be registered in Hong Kong.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated as of July 29, 2025 (the “**Purchase Agreement**”) between the Company and Citigroup Global Markets Limited, DBS Bank Ltd., MUFG Securities EMEA plc, Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc and Standard Chartered Bank (collectively, the “**Initial Purchasers**”), the Initial Purchasers have severally agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, the principal amount of Notes set forth opposite their names below:

<u>Initial Purchaser</u>	<u>Principal Amount</u>
Citigroup Global Markets Limited	US\$87,000,000
DBS Bank Ltd.	US\$72,000,000
MUFG Securities EMEA plc	US\$72,000,000
Goldman Sachs (Asia) L.L.C.	US\$30,000,000
Morgan Stanley & Co. International plc	US\$30,000,000
Standard Chartered Bank	US\$9,000,000
Total	<u>US\$300,000,000</u>

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are several and subject to the approval of certain legal matters by its counsel and certain other conditions. The Initial Purchasers are committed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers.

We have agreed to provide to the Initial Purchasers certain customary fees or discounts for their services in connection with the offering of the Notes in this offering and to reimburse the Initial Purchasers for certain out-of-pocket expenses in respect of the Notes offering.

We and the Subsidiary Guarantors have agreed, jointly and severally, to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof.

The Notes are a new issue of securities with no established trading market. We have been advised that the Initial Purchasers presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market-making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers appointed and acting in its capacity as a stabilization manager, may, on behalf of the Initial Purchasers, engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may over-allot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and certain of their respective affiliates have performed in the past and may perform in the future certain investment banking, lending, arranging, commercial/corporate banking and advisory services for the Company and/or its affiliates, from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform

banking and advisory services for the Company and/or its affiliates in the ordinary course of business. Certain affiliates of the Initial Purchasers are arrangers and lenders under our loan facilities. In addition, certain affiliates of the Initial Purchasers may from time to time hold positions in the Company, including the 2025 Notes, which will be refinanced in part with the proceeds from the offering of the Notes. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

The Initial Purchasers or their respective affiliates may purchase the Notes and/or other securities of the Company for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering circular, which will be on or about the fifth business day following the pricing date of the Notes (this settlement cycle is referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business day should consult their own legal advisor.

SELLING RESTRICTIONS

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered except outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

As used herein, the term “United States” has the meaning given to it in Regulation S.

EEA

The Notes which are the subject of the offering contemplated by this offering circular may not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (iii) not a qualified investor as defined in the Prospectus Regulation.

United Kingdom

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”) or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the EUWA.

Hong Kong

Each Initial Purchaser has represented and agreed that:

- (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

IMPORTANT NOTICE TO CMIs (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, the Subsidiary Guarantors, a CMI or its group companies would be considered under the SFC Code as having an Association with the Company, the Subsidiary Guarantors, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Company, the Subsidiary Guarantors or any CMI (including its group companies) and inform the Initial Purchasers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this offering circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Initial Purchasers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Initial Purchaser(s) (if any) to categorize it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any “Associations” (as used in the SFC Code);
- whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code); and
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: DCM.Omnibus@citi.com, DCMOmnibus@db.com, Asia-Syndicate@hk.sc.mufg.jp, gs-hk-dcm-omnibus@gs.com and omnibus_debt@morganstanley.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and

transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Company, the Subsidiary Guarantors, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Initial Purchasers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Initial Purchasers with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Initial Purchasers that it is not a Sanctions Restricted Person. A “Sanctions Restricted Person” means an individual or entity (a “**Person**”): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current “Specially Designated Nationals and Blocked Persons” list (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/sdnlist.pdf>) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current “Consolidated list of persons, groups and entities subject to EU financial sanctions” (which as of the date hereof can be found at: <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en>); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i)–(vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current “Sectoral Sanctions Identifications” list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the “**SSI List**”), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the “**EU Annexes**”), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce’s Bureau of Industry and Security (“**BIS**”) under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of June 3, 2021 entitled “Addressing the Threat from Securities Investments that Finance Certain Companies of the People’s Republic of China” (known as the Non-SDN Chinese Military — Industrial Complex Companies List), which amends the Executive Order 13959 of November 12, 2020 entitled “Addressing the threat from Securities Investments that Finance Chinese Military Companies”; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk’s People’s Republic or Luhansk People’s Republic. “**Sanctions Authority**” means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People’s Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty’s Treasury.

Singapore

Each Initial Purchaser has acknowledged that this offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) and, accordingly, each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws, regulations and ministerial guidelines of Japan.

Bermuda

No offer or invitation may be made to the public in Bermuda to subscribe for the Notes. Each Initial Purchaser has represented, warranted and undertaken that the public in Bermuda will not be invited to subscribe for the Notes.

TRANSFER RESTRICTIONS

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Notes have not been and will not be registered under the Securities Act or any other applicable securities laws;
 - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
 - the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf, and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.
3. You acknowledge that none of us, the Initial Purchasers, or any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering circular. You represent that you are relying only on this offering circular in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.
5. You also acknowledge that: each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be rated BB by Standard & Poor's Ratings Services and Ba2 by Moody's Investors Service as of the date of this offering circular. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any additional amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised, suspended or withdrawn by such rating agencies in the future if in their judgment, circumstances so warrant. Additionally, other nationally recognized statistical ratings organizations may issue an unsolicited rating. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from those ratings assigned by Standard & Poor's Ratings Services or Moody's Investors Service. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to us may materially and adversely affect the market price of the Notes.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Clifford Chance as to matters of United States federal law and New York state law and Appleby as to matters of Bermuda law.

Certain legal matters in connection with the offering will be passed upon for the Initial Purchasers by Mayer Brown as to matters of United States federal law and New York state law.

INDEPENDENT AUDITORS

The Company's auditors are PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

The consolidated financial statements as at and for each of the financial years ended December 31, 2023 and 2024 included in this offering circular have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein. The consolidated financial statements and the audit reports have not been specifically prepared for inclusion in this Offering Circular.

LISTING AND GENERAL INFORMATION

LISTING OF THE NOTES

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

AUTHORIZATIONS

The Company has obtained all necessary consents, approvals and authorizations in connection with the issue of the Notes. The entering into of the Indenture and the issue of the Notes have been authorized by the minutes of a meeting of the Board of Directors of the Company dated July 18, 2025. The giving of the Subsidiary Guarantees and the entering into the Indenture have been authorized by the relevant corporate authorizations of the Subsidiary Guarantors, each dated July 21, 2025.

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this offering circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2024 that is material in the context of the issue of the Notes.

CLEARING SYSTEM AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

ISIN	Common Code
XS3130021366	313002136

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

The Legal Entity Identifier (LEI) code of the Company is 254900B5ACVOJC6VNM71.

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes may be made available to Holders electronically via e-mail free of charge during normal business hours on any weekday (except public holidays) from the Trustee. For so long as any of the Notes is outstanding, the Company intends to continue to make available its annual audited financial statements and half-yearly unaudited financial statements on its website to existing and (at the discretion of the Company) prospective noteholders.

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The independent auditor's reports and audited consolidated financial statements of the Issuer as at and for the years ended December 31, 2023 and 2024 included in this offering circular are reproduced from the audited consolidated financial statements of the Group for the years ended December 31, 2023 and 2024. Page references referred to in the independent auditor's reports and audited consolidated financial statements refer to pages set out in such consolidated financial statements of the Group for the years ended December 31, 2023 and 2024. The consolidated financial statements have not been specifically prepared for inclusion in this offering circular.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED**
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Li & Fung Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 8 to 91, comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the impairment assessment of intangible assets, including goodwill.

Key Audit Matter

Impairment assessment of intangible assets, including goodwill

Refer to Notes 1.6, 2(a) and 9 to the consolidated financial statements.

Included on the consolidated balance sheet is an intangible assets balance of US\$1,598 million as of 31 December 2024, which relates to goodwill of US\$1,569 million, and system development, software, other license costs and other intangible assets of US\$29 million, which arose mainly from past acquisitions.

The Group is required to perform impairment assessment on goodwill that have an indefinite useful life at least annually, and when there is an indication of impairment. Intangible assets with finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

How our audit addressed the Key Audit Matter

We have obtained an understanding of management's processes for determining the recoverable amount and we assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied.

We assessed the appropriateness of the valuation methodology used (value-in-use calculations based on future discounted cash flows) in the impairment assessment.

We obtained management's value-in-use calculations, agreed the underlying cash flows to the approved budget and cash flow forecast prepared by management, and tested the mathematical accuracy of the value-in-use calculations. We also compared the current year actual results with the prior year's financial forecasts to assess the reasonableness of management financial budgets.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

Key Audit Matters (Continued)

Key Audit Matter

For the purpose of performing impairment assessment of all intangible assets including goodwill, management identifies the trading business as a single cash generating unit ("CGU"). The recoverable amount of the underlying CGU is supported by value-in-use calculations which are based on future discounted cash flows. Management concluded that the intangible assets, including goodwill, were not impaired as of 31 December 2024.

We focused on this area as the impairment assessment made by management are subject to a high degree of uncertainty. The inherent risk in relation to the estimation of recoverable amounts for impairment assessment is considered significant as the assessment involved significant estimates and judgements, including the determination of certain key assumptions such as sales growth rates, perpetual growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGU. These estimates and judgements may be affected by unexpected changes in future market or economic conditions.

**How our audit addressed the
Key Audit Matter**

We also assessed the reasonableness of key assumptions used in the calculations, comprising sales growth rates, perpetual growth rates and discount rates. We discussed with management to understand and evaluate management's basis for determining the assumptions, and, on a sample basis, compared the assumptions to industry outlook reports and economic growth forecasts from external sources. We also engaged our internal valuation expert to assess value-in-use calculation methodology and the reasonableness of the discount rates used by management with reference to market data.

We obtained and tested management's sensitivity analysis around the key assumptions, to support that any reasonably foreseeable changes to key assumptions would not cause the carrying amount of intangible assets, including goodwill, to exceed the recoverable amount.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

Key Audit Matters (Continued)

Key Audit Matter

**How our audit addressed the
Key Audit Matter**

Based on the procedures performed, we consider the management's impairment assessment of intangible assets, including goodwill, are appropriate, and the Group's significant assumptions and data used in the impairment assessment to be supported by the available evidence.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wan Sau Mei.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2025

LI & FUNG LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 US\$'000	2023 US\$'000
Turnover	3	6,591,103	6,138,135
Cost of sales		(6,148,877)	(5,721,689)
Gross profit		442,226	416,446
Other income and gains		31,706	38,231
Total margin		473,932	454,677
Selling and distribution expenses		(78,243)	(73,054)
Merchandising and administrative expenses		(275,583)	(276,549)
Core operating profit		120,106	105,074
Amortization of other intangible assets	4	(10,082)	(11,694)
Other non-core operating (expenses net of gains)/gains net of expenses	4	(3,763)	5,894
Operating profit	4	106,261	99,274
Interest income		15,403	24,784
Interest expenses	5		
Non-cash interest expenses		(2,413)	(3,507)
Cash interest expenses		(30,869)	(36,257)
		(33,282)	(39,764)
Share of net profits of associated companies	12	12	19
Profit before taxation		88,394	84,313
Taxation	6	(22,355)	(29,030)
Net profit for the year		66,039	55,283
Attributable to:			
Shareholders of the Company		31,734	21,195
Holders of perpetual capital securities		34,125	34,125
Non-controlling interests		180	(37)
		66,039	55,283

The notes on pages 16 to 91 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024**

	2024 US\$'000	2023 US\$'000
Net profit for the year	66,039	55,283
Other comprehensive (expense)/income:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax	(104)	184
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	937	(81)
Total items that will not be reclassified subsequently to profit or loss	833	103
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences*	2,205	27,327
Net fair value gains on cash flow hedges, net of tax	3,429	602
Total items that may be reclassified subsequently to profit or loss	5,634	27,929
Total other comprehensive income for the year, net of tax	6,467	28,032
Total comprehensive income for the year	72,506	83,315
Attributable to:		
Shareholders of the Company	38,232	49,226
Holders of perpetual capital securities	34,125	34,125
Non-controlling interests	149	(36)
Total comprehensive income for the year	72,506	83,315

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

The notes on pages 16 to 91 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2024**

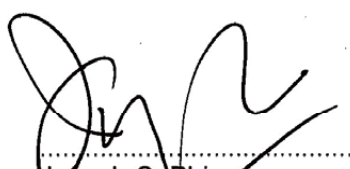
		As at 31 December	
		2024	2023
	Note	US\$'000	US\$'000
Non-current assets			
Intangible assets	9	1,598,395	1,622,698
Property, plant and equipment	10	10,609	10,380
Right-of-use assets	11	37,639	40,117
Associated companies	12	436	432
Financial assets at fair value through other comprehensive income	13	3,370	3,421
Financial assets at fair value through profit or loss	13	21,866	16,351
Other receivables, prepayments and deposits	17	50,000	51,328
Deferred tax assets	26	9,269	10,436
		1,731,584	1,755,163
Current assets			
Inventories	14	97,580	98,892
Due from a Shareholder	15	100,000	100,000
Due from related companies	15	87,087	99,497
Trade and bills receivable	17	708,509	671,725
Other receivables, prepayments and deposits	17	45,343	61,814
Derivative financial instruments	16	5,088	-
Short-term bank deposits	18	194,487	238,454
Cash and bank balances	18	451,344	213,840
		1,689,438	1,484,222
Current liabilities			
Due to related companies	15	18,961	19,489
Derivative financial instruments	16	-	2,484
Trade and bills payable	19	867,017	863,675
Accrued charges and sundry payables	19	526,360	508,778
Taxation		44,314	37,774
Lease liabilities	24	19,440	18,919
Current portion of long-term notes	24	313,178	-
		1,789,270	1,451,119
Net current (liabilities)/assets		(99,832)	33,103
Total assets less current liabilities		1,631,752	1,788,266

The notes on pages 16 to 91 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

**CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2024**

		As at 31 December	
		2024	2023
	Note	US\$'000	US\$'000
Financed by:			
Share capital	21	14,686	14,686
Reserves		774,697	764,536
Shareholders' funds attributable to the Company's			
Shareholders		789,383	779,222
Holders of perpetual capital securities	23	655,687	655,687
Non-controlling interests		98	(4,109)
Total equity		1,445,168	1,430,800
Non-current liabilities			
Long-term notes	24	-	312,970
Lease liabilities	24	29,597	36,429
Long-term bank loans	20	145,000	-
Post-employment benefit obligations	25	1,900	3,028
Deferred tax liabilities	26	10,087	5,039
		186,584	357,466
		1,631,752	1,788,266


Joseph C. Phi
Director


Lam Sung Lai, Edward
Director

The notes on pages 16 to 91 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to Shareholders of the Company							
	Share capital US\$'000 (Note 21)	Share premium US\$'000	Other reserves US\$'000 (Note 22)	Accumulated losses US\$'000	Total US\$'000	Holders of perpetual capital securities US\$'000 (Note 23)	Non- controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2024	14,686	859,892	(1,014)	(94,342)	779,222	655,687	(4,109)	1,430,800
Comprehensive income								
Profit for the year	-	-	-	31,734	31,734	34,125	180	66,039
Other comprehensive income/(expense)								
Currency translation differences	-	-	2,236	-	2,236	-	(31)	2,205
Net fair value losses on financial assets at fair value through other comprehensive income, net of tax	-	-	(104)	-	(104)	-	-	(104)
Net fair value gains on cash flow hedges, net of tax	-	-	3,429	-	3,429	-	-	3,429
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	-	-	937	-	937	-	-	937
Total other comprehensive income/(expense), net of tax	-	-	6,498	-	6,498	-	(31)	6,467
Total comprehensive income	-	-	6,498	31,734	38,232	34,125	149	72,506
Hyperinflationary adjustments	-	-	-	(28,071)	(28,071)	-	-	(28,071)
Transactions with owners in their capacity as owners								
Distribution to holders of perpetual capital securities	-	-	-	-	-	(34,125)	-	(34,125)
Transfer from capital reserve	-	-	(22,847)	22,847	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	(65)	(65)
Disposal of a subsidiary	-	-	-	-	-	-	4,123	4,123
Total transactions with owners in their capacity as owners	-	-	(22,847)	22,847	-	(34,125)	4,058	(30,067)
Balance at 31 December 2024	14,686	859,892	(17,363)	(67,832)	789,383	655,687	98	1,445,168

The notes on pages 16 to 91 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to Shareholders of the Company							
	Share capital US\$'000 (Note 21)	Share premium US\$'000	Other reserves US\$'000 (Note 22)	Accumulated losses US\$'000	Total US\$'000	Holders of perpetual capital securities US\$'000 (Note 23)	Non- controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2023	14,686	859,892	(28,763)	(115,819)	729,996	655,687	(4,073)	1,381,610
Comprehensive income								
Profit/(loss) for the year	-	-	-	21,195	21,195	34,125	(37)	55,283
Other comprehensive income/(expense)								
Currency translation differences	-	-	27,326	-	27,326	-	1	27,327
Net fair value gains on financial assets at fair value through other comprehensive income, net of tax	-	-	184	-	184	-	-	184
Net fair value gains on cash flow hedges, net of tax	-	-	602	-	602	-	-	602
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	-	-	(81)	-	(81)	-	-	(81)
Total other comprehensive income, net of tax	-	-	28,031	-	28,031	-	1	28,032
Total comprehensive income/(expense)	-	-	28,031	21,195	49,226	34,125	(36)	83,315
Transactions with owners in their capacity as owners								
Distribution to holders of perpetual capital securities	-	-	-	-	-	(34,125)	-	(34,125)
Transfer from capital reserve	-	-	(282)	282	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	(282)	282	-	(34,125)	-	(34,125)
Balance at 31 December 2023	14,686	859,892	(1,014)	(94,342)	779,222	655,687	(4,109)	1,430,800

The notes on pages 16 to 91 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 US\$'000	2023 US\$'000
Operating activities			
Net cash generated from operations	27(a)	143,240	128,252
Hong Kong profits tax paid, net of refund		(2,087)	(840)
Overseas taxation paid		(8,687)	(10,407)
Net cash inflow from operating activities		132,466	117,005
Investing activities			
Additions of financial assets at fair value through profit or loss		(3,655)	(5,000)
(Additions)/disposal of financial assets at fair value through other comprehensive income		(53)	128
Deposit for acquisition of properties		-	(50,000)
Interest income		15,403	15,788
Purchases of property, plant and equipment		(4,289)	(2,861)
Payments for system development, software, license and other intangible assets		(761)	(1,303)
Increase in amount due from a Shareholder		-	(100,000)
Decrease/(increase) in short-term bank deposits		43,967	(238,454)
Net cash inflow/(outflow) from investing activities		50,612	(381,702)
Net cash inflow/(outflow) before financing activities		183,078	(264,697)

The notes on pages 16 to 91 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024**

	<i>Note</i>	2024 US\$'000	2023 US\$'000
Financing activities			
Distributions to holders of perpetual capital securities		(34,125)	(34,125)
Dividends to non-controlling interests		(65)	-
Interest paid	27(b)	(30,869)	(36,257)
Repayment of long-term notes	27(b)	-	(196,621)
Payment of lease liabilities	27(b)	(23,387)	(23,260)
Drawdown of bank loans	27(b)	145,000	-
Net cash inflow/(outflow) from financing activities		56,554	(290,263)
		<u>-----</u>	<u>-----</u>
Increase/(decrease) in cash and cash equivalents		239,632	(554,960)
		<u>=====</u>	<u>=====</u>
Cash and cash equivalent at 1 January		213,840	768,180
Increase/(decrease) in cash and cash equivalents		239,632	(554,960)
Effect of foreign exchange rate changes		(2,128)	620
		<u>-----</u>	<u>-----</u>
Cash and cash equivalents as of 31 December		451,344	213,840
		<u>=====</u>	<u>=====</u>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	18	451,344	213,840
		<u>=====</u>	<u>=====</u>

The notes on pages 16 to 91 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies

Li & Fung Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its Hong Kong office is at 11/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

The Group is principally engaged in managing the supply chain for retailers and brands worldwide across key production markets globally.

The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited until 27 May 2020. After the completion of a privatization put forward by Golden Lincoln Holdings I Limited, a wholly-owned subsidiary of Golden Lincoln Holdings II Limited. The Company has then become an indirect subsidiary of Golden Lincoln Holdings II Limited.

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

1.1 Basis of preparation

The consolidated financial statements of Li & Fung Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and certain financial assets and financial liabilities (including derivative instruments and financial assets at fair value through profit or loss) at fair value through profit or loss.

As at 31 December 2024, the Group recorded net current liabilities of US\$99,832,000 (31 December 2023: net current assets of US\$33,103,000) which was primarily due to the inclusion of long-term notes of US\$313 million in current liabilities which will become due in August 2025. The directors have reviewed the Group’s cash flow forecast prepared by management covering a period of at least twelve months from 1 January 2025 and are of the opinion that the Group has adequate resources to meet its liabilities as they fall due and continue its operations for the foreseeable future in the normal course of business mainly due to the Group’s projected profitability and positive operating cashflow and the Group has adequate committed bank facilities available as well as cash and bank balances and short-term bank deposits of US\$646 million as at 31 December 2024.

Accordingly, the directors have prepared the consolidated financial statements of Li & Fung Limited for the year ended 31 December 2024 on a going concern basis.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in *Note 2*.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.1 Basis of preparation (Continued)

- (a) Amendments to existing standards and interpretation adopted by the Group

The Group has applied the following amendments to existing standards and interpretation for the first time for their annual reporting period commencing 1 January 2024:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments) HKFRS 16 (Amendments) Hong Kong Interpretation 5 (2020)	Non-current Liabilities with Covenants Lease Liability in a Sale and Leaseback Presentation of Financial Statement – Classification by Borrower of Term Loan that Contains a Repayment on Demand Clause
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements

The application of the above amendments to existing standards and interpretation effective 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.

- (b) New standards and amendments to existing standards that have been issued but not yet effective and have not yet early adopted by the Group

The following new and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2025 or later periods, but the Group has not early adopted them:

HKAS 21 (Amendments) HKFRS 10 and HKAS 28 (Amendments)	Lack of Exchangeability ¹ Sale or Contribution of Assets between an Investor and its Associate and Joint Venture ⁴
HKFRS 9 and HKAS 7 (Amendments) HKFRS 18	Amendments to the Classification and Measurement of Financial Instruments ² Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
HK-Int 5 (Amendments)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

Notes:

- 1 Effective for financial periods beginning on or after 1 January 2025
2 Effective for financial periods beginning on or after 1 January 2026
3 Effective for financial periods beginning on or after 1 January 2027
4 Effective date to be determined

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2024.

(a) Subsidiaries

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

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

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in steps, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

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

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

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

(b) Transactions with non-controlling interests

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

(c) Associated companies

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

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.2 Consolidation (Continued)

(c) Associated companies (Continued)

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

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

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

1.3 Segment reporting

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

1.4 Foreign currency translation

(a) Functional and presentation currency

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.4 Foreign currency translation (Continued)

(b) Transactions and balances

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

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

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

(c) Group companies

The results and financial position of the Group entities (other than the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

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

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

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

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

(d) Hyper-inflationary economy

For accounting purposes, Turkey is considered a hyper-inflationary economy for accounting periods ended after 30 June 2022. HKAS 29 "Financial Reporting in Hyperinflationary Economies" requires financial statements of subsidiaries in Turkey whose functional currency is Turkish Lira to be restated into the current purchasing power at the end of the reporting period before being included in the Group's consolidated financial statements. Under this requirement, transactions during the reporting period and non-monetary balances at the end of the reporting period of these subsidiaries in Turkey have been restated to reflect a price index that is current at the consolidated statement of balance sheet date, using consumer price index published by The National Institute of Statistics and Censuses of Turkey for December 2024 (2023: Nil) as basis for hyperinflation adjustment calculation. All amounts, including income, expenses, assets, liabilities and equity items are then translated at the closing exchange rate into US dollar. The differences from retranslation of opening equity are directly recognised in equity. As required by HKAS 29, comparative amounts of these subsidiary companies included in the comparative consolidated financial statements of the Group are not restated and continue to be those previously presented.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.5 Property, plant and equipment

(a) Land and buildings

Freehold land is stated at cost less impairment.

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

(b) Other property, plant and equipment

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

(c) Depreciation and impairment

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

Leasehold land	shorter of lease term or useful life
Buildings and leasehold improvements	2% - 20%
Furniture, fixtures and equipment and Plant and machinery	6 ² / ₃ % - 33 ¹ / ₃ %
Motor vehicles and company boat	15% - 20%

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

(d) Gain or loss on disposal

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

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.6 Intangible assets

(a) Goodwill

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

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

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

(b) System development, software and other license costs

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

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

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

Brand licenses are license contracts entered into with the brandholders by the Group in the capacity as licensee. Brand licenses are capitalized based on the upfront costs incurred and the present value of guaranteed royalty payments to be made subsequent to the inception of the license contracts. Brand licenses are amortized based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 3 years.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.6 Intangible assets (Continued)

(c) Other intangible assets

Intangible assets, other than goodwill, identified on business combinations are capitalized at their fair values. They represent mainly trademarks, buying agency agreements secured, and relationships with customers. Intangible assets arising from business combinations with definite useful lives are amortized on a straight-line basis from the date of acquisition over their estimated useful lives ranging from 2 to 20 years.

1.7 Impairment of investments in associated companies and non-financial assets

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

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

1.8 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and;
- those to be measured at amortized cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.8 Financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.8 Financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in profit or loss.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the receivables. For other financial assets carried at amortized cost, the Group applies the HKFRS 9 general approach to measure 12-month expected credit losses unless there is a significant increase in credit risk since initial recognition for which the Group measures the loss allowance based on lifetime rather than 12-month expected credit losses. When determining the appropriate level of provision for impairment for individual trade categories, all relevant factors, generally for the Group or specifically for that financial asset category, will be considered. Indicators that there is no reasonable expectation of recovery include, amongst others, debtor insolvency proceedings, the failure of a debtor to make ongoing settlement with the Group, failure to make contractual payments for a period of greater than 365 days past due and failure to agree on a settlement plan. Further detail is set out in *Note 32(b)*.

1.9 Inventories

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.10 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

1.11 Share capital

Ordinary shares are classified as equity.

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

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and bank overdrafts.

1.13 Borrowings

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

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

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

Covenants that the group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the group is required to comply with after the reporting period do not affect the classification at the reporting date.

1.14 Current and deferred tax

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.14 Current and deferred tax (Continued)

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

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

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

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

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

1.15 Employee benefits

(a) Employee leave entitlements

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

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

(b) Discretionary bonus

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.15 Employee benefits (Continued)

(c) Post-employment benefit obligations

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

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

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.16 Provisions

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

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

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

1.17 Contingent liabilities and contingent assets

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

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

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.18 Total margin

Total margin includes gross profit and other recurring income relating to the business.

1.19 Core operating profit

Core operating profit is the profit before tax, excluding share of results of associated companies, interest income, interest expenses, material gains or losses which are of capital nature, non-operational related or acquisition related cost. This also excludes amortization of other intangible assets which is non-cash item, and other non-core operating gains/expenses which are non-operational items.

1.20 Revenue recognition

Turnover from sales of goods

Turnover are primarily generated from sales of goods by providing end-to-end sourcing solutions of goods through the global network and trading-as-principal to a diverse portfolio of global brands and retail customers.

Revenues are recognized when control of the goods has been transferred, being when the goods are delivered to the customers, the customers has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the goods. Delivery occurs when the goods have been shipped to the location specified by customer, the risks of obsolescence and loss have been transferred to the customers, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue is shown net of value-added tax, returns, claims and discounts and after eliminating sales within the Group.

The goods are often sold with volume rebate based on aggregate sales over a specific period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume rebate. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume rebate payable to customers in relation to sales made until the end of the reporting period.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.20 Revenue recognition (Continued)

Turnover from sales of goods (Continued)

A contract liability is also recognized when the customers pay deposits before the Group transfers control of the goods to the customers.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

No element of financing is deemed present as the sales are made with a credit term up to 120 days, which is consistent with market practice.

1.21 Borrowing costs

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

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.22 Leases

Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

- Assets leased to the Group

Leases are initially recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight line basis as an expense in the consolidated profit and loss account. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

- Assets leased out by the Group

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Where the Group leases out assets under operating leases, the assets are included in the consolidated balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.23 Derivative financial instruments and hedging activities

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

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in *Note 16*. Movements in the hedging reserve in shareholders' equity are shown in *Note 22*. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

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

The Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item subsequently results in the recognition of a non-financial asset, both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.23 Derivative financial instruments and hedging activities (Continued)

(a) Cash flow hedge (Continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset as inventory. When a forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated profit and loss account.

(b) Derivatives at fair value through profit or loss

Derivatives financial instruments recognized at fair value through profit or loss include certain derivative instruments that do not qualify for hedge accounting which is initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair values of derivative financial instruments are recognized immediately in the consolidated profit and loss account.

1.24 Trade payables

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

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

1.25 Dividend distribution

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.26 Financial guarantee contract

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees on initial recognition equals the present value of the premium in an arm's length transaction.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

1.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit and loss over the period necessary to match them with the costs that they intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credit to profit or loss on a straight-line basis over the expected lives of the related assets.

1.28 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

NOTES TO THE FINANCIAL STATEMENTS

2 Critical accounting estimates and judgments

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

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

(a) Estimated impairment of intangible assets including goodwill

The Group tests annually, or when there are impairment indicators, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in *Note 1.6*. Management identifies trading business as the single cash generating unit ("CGU") of the Group and the recoverable amount of the underlying CGU has been determined based on value-in-use calculations. These calculations require the use of significant judgements that are based on a number of factors including actual operating results, internal forecasts, determination of an appropriate discount rate and long-term growth rate (*Note 9*).

(b) Income taxes

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

(c) Measurement of expected credit loss on receivables

For trade receivables that are assessed collectively, the Group estimates lifetime expected credit losses using provision models based on the Group's historical credit loss experience, adjusted for forward looking factors.

For other financial assets measured at amortised cost and trade receivables assessed individually, the Group applies the HKFRS 9 general approach to measure 12-month expected credit losses unless there is a significant increase in credit risk since initial recognition, when the Group measures the loss allowance based on lifetime rather than 12-month expected credit losses.

Details of the assessment are set out in *Note 32(b)*.

NOTES TO THE FINANCIAL STATEMENTS

3 Segment information

The Group is principally engaged in managing the supply chain for retailers and brands worldwide across key production markets globally. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Group less discounts and returns.

In order to align with the Group's strategy to provide holistic and tailor made solutions to our customers, the Group's management (Chief Operating Decision Maker) decided to combine the Supply Chain Solution and Onshore Wholesale Segments and considers the operating results of the business as a single operating segment as the nature of businesses, the type of customers and the method used to provide the services and products is same in different regions. Accordingly, the Group has identified only one single operating segment, and the segment information has been presented in a manner consistent with the way in which information is reported internally to the Group's Chief Operating Decision Maker for the purpose of resource allocation and performance assessment. Prior year comparatives segment information has been restated to conform with the current year presentation accordingly.

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Segment information (Continued)

The geographical analysis of turnover to external customers and non-current assets (other than financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and deferred tax assets) is as follows:

	Turnover		Non-current assets (other than financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and deferred tax assets) As at 31 December	
	2024 US\$'000	2023 US\$'000	2024 US\$'000	2023 US\$'000
United States of America	3,721,446	4,042,516	759,025	901,620
Europe	2,357,732	1,585,644	823,893	695,506
Asia	91,407	86,006	29,782	34,690
Rest of the world	420,518	423,969	84,379	93,139
	<u>6,591,103</u>	<u>6,138,135</u>	<u>1,697,079</u>	<u>1,724,955</u>

Turnover to external customers consists of sales of soft goods and hard goods as follows:

	2024 US\$'000	2023 US\$'000
Sales of soft goods	3,676,579	4,029,438
Sales of hard goods	2,914,524	2,108,697
	<u>6,591,103</u>	<u>6,138,135</u>

For the year ended 31 December 2024, approximately 20% (2023: 11%), 15% (2023: 21%) and 10% (2023: 11%) of the total turnover of the Group were derived from three external customers respectively.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 Operating profit

Operating profit is stated after crediting and charging the following:

	2024 US\$'000	2023 US\$'000
<u>Crediting</u>		
Reversal of impairment losses on financial assets	-	15,778
Fair value gain on financials assets ⁽ⁱ⁾	1,860	-
Gain on disposals and modifications of right-of-use assets	309	120
Gain on early settlement of long-term notes (Note 24) ⁽ⁱ⁾	-	12,549
Net exchange gains	-	3,993
Net monetary gains	5,788	-
<u>Charging</u>		
Cost of inventories sold	6,148,877	5,721,689
Other reorganization costs ⁽ⁱ⁾	1,500	3,656
Depreciation of property, plant and equipment (Note 10)	3,487	4,088
Loss on disposal of property, plant and equipment (Note 10)	166	385
Write-off of system development, software and other license costs (Note 9)	57	116
Net increase/(decrease) in impairment losses on financial assets (Notes 17,32(b))	1,926	(2,636)
Amortization of system development, software and other license costs (Note 9)	962	2,265
Amortization of other intangible assets (Note 9)	10,082	11,694
Amortization of right-of-use assets (Note 11)	17,847	18,062
Loss on disposal of a subsidiary ⁽ⁱ⁾	4,123	-
Staff costs including directors' emoluments (Note 8) ⁽ⁱⁱ⁾	239,467	241,372
Net exchange losses	2,658	-

Note:

(i) Included in other non-core operating gains/expenses

(ii) Included staff costs incurred as other non-core operating expenses

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****4 Operating profit (Continued)**

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

	2024 US\$'000	2023 US\$'000
Audit services	2,378	2,390
Non-audit services		
- taxation services	852	466
- others	612	1,164
Total remuneration to auditors charged to consolidated profit and loss account	3,842	4,020

Note:

Of the above audit and non-audit services fees, US\$1,855,000 (2023: US\$1,855,000) and US\$1,464,000 (2023: US\$1,630,000), respectively are payable to the Company's auditor.

With the aim to mitigate the economic impact of the COVID-19 pandemic, many government aid packages have been offered globally since 2020. These aids range from tax changes, loans, direct payments and waivers of levy, social security savings and duties ("Subsidies"). Subsidies received/enjoyed by the Group were recognized in the profit or loss in accordance with the accounting policy (*Note 1.27*).

5 Interest expenses

	2024 US\$'000	2023 US\$'000
Non-cash interest expenses on long-term notes and lease liabilities	2,413	3,507
Cash interest on bank loans, overdrafts and long-term notes	30,869	36,257
	33,282	39,764

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2023: 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:

	2024 US\$'000	2023 US\$'000
Current taxation		
- Hong Kong profits tax	4,041	2,942
- Overseas taxation	16,252	20,931
(Over)/under provision in prior years	(2,652)	5,348
Deferred taxation (<i>Note 26</i>)	4,714	(191)
	<u>22,355</u>	<u>29,030</u>

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

	2024 %	2023 %
Calculated at a taxation rate of	16.5	16.5
Effect of different taxation rates in other countries	0.6	(1.5)
Expenses net of income not deductible for tax purpose	15.6	14.8
Withholding tax	0.7	-
(Over)/under provision in prior years	(3.0)	6.3
Utilization of previously unrecognized tax losses	(9.8)	(8.6)
Tax losses not recognized	4.7	6.9
	<u>25.3</u>	<u>34.4</u>
Effective tax rate		

The parent company of the Group, is within the scope of the OECD Pillar Two model rules. For certain jurisdictions where the Group has operations, Pillar Two legislation has been enacted or substantively enacted and would be effective for the Group's financial year beginning on 1 January 2024. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income Taxes, as provided in the amendments to HKAS 12.

Under the legislation, a top-up tax liability would arise when the effective tax rate ("ETR") of the parent company's operations in a jurisdiction is below 15% and potential tax exposure on each jurisdiction of the Group will be estimated on group basis at the parent company level. Based on the assessment for the year ended 31 December 2024 and information currently available, the Group is not expected to have material Pillar Two exposure arising in the relevant jurisdictions which have Pillar Two legislation enacted or substantively enacted.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 Taxation (Continued)

Due to the fact that various governments around the world have issued, or are in the process of issuing legislation on this, and the complexities in applying the legislation and calculating GloBE income, the Group will continue to closely monitor and assess the impact.

7 Dividends

	2024 US\$'000	2023 US\$'000
Final, proposed, of US\$0.00382 (2023: US\$Nil) per ordinary share(Note)	35,000	-

Note:

At the meeting held on 31 March 2025, the Directors proposed a final dividend of US\$0.00382 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 2025.

8 Staff costs and key management compensation

	2024 US\$'000	2023 US\$'000
Salaries and bonuses	214,887	214,771
Staff benefits	6,441	8,976
Pension costs of defined contribution plans	16,959	15,545
Pension costs of defined benefit plans	1,096	1,498
Long-service payments	84	582
	<u>239,467</u>	<u>241,372</u>
Including:		
<u>Key management compensation</u>		
Salary, bonuses, benefit, allowance and benefit	24,565	18,377
Pension costs of defined contribution plans, defined benefit plans and long-service payments	118	254
	<u>24,683</u>	<u>18,631</u>

Notes:

Staff costs amounted to US\$213,591,000 (2023: US\$212,853,000), US\$25,876,000 (2023: US\$25,519,000) and US\$Nil (2023: US\$3,000,000) have been expensed in merchandising and administrative expenses, selling and distribution expenses and other non-core operating expenses respectively.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Intangible assets

	Other intangible assets							
	System development, software and other license costs	Buying agency agreements	Customer relationships	Patents, trademarks and brand names	Others	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		US\$'000
At 1 January 2024								
Cost	1,582,902	17,321	67,867	191,294	25,301	301		1,884,986
Accumulated amortization	-	(15,908)	(61,620)	(160,516)	(23,943)	(301)		(262,288)
Net book amount	1,582,902	1,413	6,247	30,778	1,358	-		1,622,698
Year ended 31 December 2024								
Opening net book amount	1,582,902	1,413	6,247	30,778	1,358	-		1,622,698
Exchange differences	(13,960)	29	-	(32)	-	-		(13,963)
Additions	-	761	-	-	-	-		761
Amortization (Note 4)	-	(962)	(1,180)	(8,540)	(362)	-		(11,044)
Write-off (Note 4)	-	(57)	-	-	-	-		(57)
Closing net book amount	1,568,942	1,184	5,067	22,206	996	-		1,598,395
At 31 December 2024								
Cost	1,568,942	17,144	67,867	190,608	25,062	301		1,869,924
Accumulated amortization	-	(15,960)	(62,800)	(168,402)	(24,066)	(301)		(271,529)
Net book amount	1,568,942	1,184	5,067	22,206	996	-		1,598,395

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Intangible assets (Continued)

	Other intangible assets					
	Goodwill US\$'000	System development, software and other license costs US\$'000	Buying agency agreements US\$'000	Customer relationships US\$'000	Patents, trademarks and brand names US\$'000	Others US\$'000
At 1 January 2023						
Cost	1,560,294	24,036	67,867	189,521	25,076	301
Accumulated amortization	-	(21,771)	(60,080)	(151,639)	(23,154)	(301)
Net book amount	1,560,294	2,265	7,787	37,882	1,922	-
Year ended 31 December 2023						
Opening net book amount	1,560,294	2,265	7,787	37,882	1,922	-
Exchange differences						
Additions	22,608	226	-	2,483	3	-
Amortization (Note 4)	-	1,303	-	-	-	-
Write-off (Note 4)	-	(2,265)	(1,540)	(9,587)	(567)	-
		(116)	-	-	-	-
Closing net book amount	1,582,902	1,413	6,247	30,778	1,358	-
At 31 December 2023						
Cost	1,582,902	17,321	67,867	191,294	25,301	301
Accumulated amortization	-	(15,908)	(61,620)	(160,516)	(23,943)	(301)
Net book amount	1,582,902	1,413	6,247	30,778	1,358	-

Amortization of system development, software and other license costs of US\$962,000 (2023: US\$2,265,000) have been expensed in merchandising and administrative expenses.

9 Intangible assets (Continued)

Impairment test for goodwill

Goodwill is allocated to the Group's single cash-generating unit ("CGU") identified according to operating segment.

In accordance with HKAS 36 "Impairment of Assets" the Group completed its annual impairment test for goodwill by comparing the recoverable amount to the carrying amount as at the balance sheet date. The recoverable amount of the Group's trading business has been determined based on value-in-use calculations. These calculations use cash flow projections prepared by management based on a one-year approved budget, four-year estimates and another five-year projections, which is considered appropriate in view of the management's anticipated business environment, long-term business strategy and business developments. These cash flow projections are extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 5%. The pre-tax discount rate used was 12.09% (2023: ranged 11.5% - 13.5%) and reflects specific risks related to the relevant segments. The budgeted sales growth rates are determined by management based on past performance and its expectations for market development. Management believes that any reasonably foreseeable changes in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Property, plant and equipment

	Leasehold improvements US\$'000	Furniture, fixtures and equipment US\$'000	Plant and machinery US\$'000	Motor vehicles and company boat US\$'000	Total US\$'000
At 1 January 2024					
Cost	22,267	40,340	4,088	1,278	67,973
Accumulated depreciation	(17,244)	(35,295)	(3,904)	(1,150)	(57,593)
Net book amount	5,023	5,045	184	128	10,380
Year ended 31 December 2024					
Opening net book amount	5,023	5,045	184	128	10,380
Exchange differences	(23)	(260)	(115)	(9)	(407)
Additions	1,991	2,127	80	91	4,289
Disposals (<i>Note 4</i>)	(85)	(81)	-	-	(166)
Depreciation (<i>Note 4</i>)	(1,451)	(1,927)	(57)	(52)	(3,487)
Closing net book amount	5,455	4,904	92	158	10,609
At 31 December 2024					
Cost	22,939	37,223	3,888	1,350	65,400
Accumulated depreciation	(17,484)	(32,319)	(3,796)	(1,192)	(54,791)
Net book amount	5,455	4,904	92	158	10,609

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NOTES TO THE FINANCIAL STATEMENTS

10 Property, plant and equipment (Continued)

	Leasehold improvements US\$'000	Furniture, fixtures and equipment US\$'000	Plant and machinery US\$'000	Motor vehicles and company boat US\$'000	Total US\$'000
At 1 January 2023					
Cost	22,172	44,233	3,782	1,439	71,626
Accumulated depreciation	(16,264)	(38,446)	(3,633)	(1,269)	(59,612)
Net book amount	<u>5,908</u>	<u>5,787</u>	<u>149</u>	<u>170</u>	<u>12,014</u>
Year ended 31 December 2023					
Opening net book amount	5,908	5,787	149	170	12,014
Exchange differences	(9)	(22)	10	(1)	(22)
Additions	1,088	1,667	103	3	2,861
Disposals (Note 4)	(257)	(124)	-	(4)	(385)
Depreciation (Note 4)	(1,707)	(2,263)	(78)	(40)	(4,088)
Closing net book amount	<u>5,023</u>	<u>5,045</u>	<u>184</u>	<u>128</u>	<u>10,380</u>
At 31 December 2023					
Cost	22,267	40,340	4,088	1,278	67,973
Accumulated depreciation	(17,244)	(35,295)	(3,904)	(1,150)	(57,593)
Net book amount	<u>5,023</u>	<u>5,045</u>	<u>184</u>	<u>128</u>	<u>10,380</u>

Depreciation of US\$3,487,000 (2023: US\$4,088,000) has been expensed in merchandising and administrative expenses.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Right-of-use assets

	Land and buildings US\$'000	Equipment and others US\$'000	Total US\$'000
At 1 January 2024			
Cost	108,912	6,377	115,289
Accumulated amortization	(71,095)	(4,077)	(75,172)
Net book amount	<u>37,817</u>	<u>2,300</u>	<u>40,117</u>
Year ended 31 December 2024			
Opening net book amount	37,817	2,300	40,117
Exchange differences	(971)	(158)	(1,129)
Additions	17,554	1,281	18,835
Disposals and modifications	(2,272)	(65)	(2,337)
Amortization (<i>Note 4</i>)	(16,322)	(1,525)	(17,847)
Closing net book amount	<u>35,806</u>	<u>1,833</u>	<u>37,639</u>
At 31 December 2024			
Cost	91,752	6,508	98,260
Accumulated amortization	(55,946)	(4,675)	(60,621)
Net book amount	<u>35,806</u>	<u>1,833</u>	<u>37,639</u>

LI & FUNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
11 Right-of-use assets (Continued)

	Land and buildings US\$'000	Equipment and others US\$'000	Total US\$'000
At 1 January 2023			
Cost	106,097	5,951	112,048
Accumulated amortization	(72,902)	(2,796)	(75,698)
Net book amount	<u>33,195</u>	<u>3,155</u>	<u>36,350</u>
Year ended 31 December 2023			
Opening net book amount	33,195	3,155	36,350
Exchange differences	(138)	11	(127)
Additions	22,563	519	23,082
Disposals and modifications	(1,117)	(9)	(1,126)
Amortization (<i>Note 4</i>)	(16,686)	(1,376)	(18,062)
Closing net book amount	<u>37,817</u>	<u>2,300</u>	<u>40,117</u>
At 31 December 2023			
Cost	108,912	6,377	115,289
Accumulated amortization	(71,095)	(4,077)	(75,172)
Net book amount	<u>37,817</u>	<u>2,300</u>	<u>40,117</u>

12 Associated companies

	2024 US\$'000	2023 US\$'000
Beginning of the year	432	445
Share of net profits of associated companies	12	19
Exchange differences	(8)	(32)
End of the year	<u>436</u>	<u>432</u>

Details of principal associated company are set out in *Note 36*.

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NOTES TO THE FINANCIAL STATEMENTS

13 Financial assets at fair value through other comprehensive income and through profit or loss

(a) Financial assets at fair value through other comprehensive income

	2024 US\$'000	2023 US\$'000
Beginning of the year	3,421	3,365
Fair value (losses)/gains, net of tax (<i>Note 22</i>)	(104)	184
Additions	53	-
Disposal	-	(128)
End of the year	<u>3,370</u>	<u>3,421</u>

Financial assets at fair value through other comprehensive income are club debentures (*Note 34*) and denominated in HK dollars.

(b) Financial assets at fair value through profit or loss

	2024 US\$'000	2023 US\$'000
Beginning of the year	16,351	11,351
Additions	3,655	5,000
Fair value gains	1,860	-
End of the year	<u>21,866</u>	<u>16,351</u>

Financial assets at fair value through profit or loss are investment funds held by the Group (*Note 34*) and denominated in US dollars.

14 Inventories

	2024 US\$'000	2023 US\$'000
Finished goods	92,039	94,350
Raw materials	5,541	4,542
	<u>97,580</u>	<u>98,892</u>

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NOTES TO THE FINANCIAL STATEMENTS

15 Due from/(to) related companies

	2024 US\$'000	2023 US\$'000
<u>Trade</u>		
Due from:		
Associated companies	-	261
Other related companies	3,354	3,719
	<u>3,354</u>	<u>3,980</u>
	-----	-----
<u>Non-trade</u>		
Due from:		
A Shareholder	100,000	100,000
Other related companies	83,733	95,517
	<u>183,733</u>	<u>195,517</u>
	-----	-----
	<u>187,087</u>	<u>199,497</u>
	=====	=====
Due to:		
Other related companies	(18,961)	(19,489)
	<u>(18,961)</u>	<u>(19,489)</u>
	=====	=====

These amounts (net of provision for impairment) are unsecured, interest free and repayable on demand. The fair values of amounts due from/(to) related companies are approximately the same as their carrying values.

The Group applies the HKFRS 9 general approach to measure expected credit losses for the amounts due from related companies unless there is a significant increase in credit risk since initial recognition for which the Group measures the loss allowance based on lifetime rather than 12-month expected credit losses. As at 31 December 2024 and 2023, there were no loss allowance for impairment from related companies measured at lifetime expected credit loss.

Movements in the Group's provision for impairment of amounts due from related companies are as follows:

	2024 US\$'000	2023 US\$'000
As at 1 January	-	569,227
Write-off against amount due from related companies	-	(569,227)
	<u>-</u>	<u>-</u>
As at 31 December	<u>-</u>	<u>-</u>
	=====	=====

Details of the assessment are set out in *Note 32(b)*.

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NOTES TO THE FINANCIAL STATEMENTS

16 Derivative financial instruments

	2024 US\$'000	2023 US\$'000
Foreign exchange forward contracts - assets/(liabilities)	5,088	(2,484)

Gain in equity of US\$1,978,000 (2023: loss in equity of US\$1,451,000) on foreign exchange forward contracts as of 31 December 2024 will be released to the consolidated profit and loss account at various dates between one month to one year from the balance sheet date (*Note 22*).

For the years ended 31 December 2024 and 2023, no material amounts were recognized in the consolidated profit and loss account arising from ineffective cash flow hedges.

17 Trade and other receivables

	2024 US\$'000	2023 US\$'000
Trade and bills receivable – net of provision for impairment	708,509	671,725
Other receivables, prepayments and deposits – net of provision for impairment	95,343	113,142
	803,852	784,867
Less: non-current portion other receivables, prepayments and deposits	(50,000)	(51,328)
	753,852	733,539

The fair values of the Group's trade and other receivables were approximately the same as their carrying values as at 31 December 2024.

The Group's 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 and bills receivable, as the Group has a large number of customers internationally dispersed.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Details of the assessment are set out in *Note 32(b)*.

As of 31 December 2024, outstanding trade receivables of US\$4,891,000 (2023: US\$6,068,000) and other receivables of US\$3,641,000 (2023: US\$3,649,000) were considered impaired and were fully provided for.

The non-current portion of other receivables, prepayments and deposits includes a deposit of US\$50,000,000 for the acquisition of certain units of a property in Hong Kong (the "Property") from a subsidiary of a major shareholder (*Note 31*).

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NOTES TO THE FINANCIAL STATEMENTS

17 Trade and other receivables (Continued)

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

	2024 US\$'000	2023 US\$'000
As at 1 January	9,717	150,918
Net increase/(decrease) in impairment loss allowance for trade receivables and other receivables (<i>Note 4</i>)	1,926	(2,636)
Write-off against trade and other receivables (<i>Note 32(b)</i>)	(3,068)	(138,591)
Exchange difference	(43)	26
As at 31 December	<u>8,532</u>	<u>9,717</u>

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

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

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

	2024 US\$'000	2023 US\$'000
US dollar	653,667	640,003
HK dollar	2,579	4,408
Euro	51,358	50,399
Pound sterling	11,061	4,012
Renminbi	16,455	16,484
Indian rupee	6,483	6,447
Others	12,249	11,786
	<u>753,852</u>	<u>733,539</u>

The Group has recognized return assets in relation to expected refunds from customers amounting to US\$4,955,000 (2023: US\$2,138,000).

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NOTES TO THE FINANCIAL STATEMENTS

18 Cash and cash equivalents and short-term bank deposits

	2024 US\$'000	2023 US\$'000
Cash and bank balances	451,344	213,840
Short-term bank deposits	194,487	238,454
	<u>645,831</u>	<u>452,294</u>

The effective interest rate at the balance sheet date on bank balances and bank deposits were 3.9% (2023: 3.8%) per annum; these deposits have an average maturity period of 54 days (2023: 197 days).

19 Trade and other payables

	2024 US\$'000	2023 US\$'000
Trade and bills payable	867,017	863,675
Accrued charges and sundry payables	526,360	508,778
	<u>1,393,377</u>	<u>1,372,453</u>

The fair values of the Group's trade and other payables were approximately the same as their carrying values as at 31 December 2024.

The Group has recognized revenue related refund liabilities amounting to US\$37,352,000 (2023: US\$22,037,000).

20 Bank borrowings

	2024 US\$'000	2023 US\$'000
Long-term bank loans		
- Unsecured (<i>Note 24</i>)	<u>145,000</u>	<u>-</u>

The fair values of the Group's borrowings were approximately the same as their carrying values as at 31 December 2024. The carrying amounts of the borrowings are denominated in US dollar.

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

	2024	2023
Long-term bank loan	<u>5.9%</u>	<u>-</u>

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

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21 Share Capital

	No. of shares (in thousand)	HK\$'000	Equivalent US\$'000
<u>Authorized</u>			
At 1 January 2023, ordinary shares of HK\$0.0125 each	12,000,000	150,000	19,231
At 31 December 2023, ordinary shares of HK\$0.0125 each	12,000,000	150,000	19,231
At 1 January 2024, ordinary shares of HK\$0.0125 each	12,000,000	150,000	19,231
At 31 December 2024, ordinary shares of HK\$0.0125 each	12,000,000	150,000	19,231
<u>Issued and fully paid</u>			
At 1 January 2023 and 31 December 2023, ordinary shares of HK\$0.0125 each	9,159,927	114,499	14,686
At 1 January 2024 and 31 December 2024, ordinary shares of HK\$0.0125 each	9,159,927	114,499	14,686

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22 Reserves

	Capital reserve US\$'000 (Note (i))	Contribution surplus US\$'000 (Note (ii))	Revaluation reserve US\$'000	Hedging reserve US\$'000	Defined benefit obligation reserve US\$'000	Exchange reserve US\$'000	Total US\$'000
Balance at 1 January 2024	31,722	190,451	3,070	(1,451)	(16,494)	(208,312)	(1,014)
Other comprehensive income/(expense)							
Currency translation differences	-	-	-	-	-	2,236	2,236
Net fair value losses on financial assets at fair value through other comprehensive income, net of tax (Note 13)	-	-	(104)	-	-	-	(104)
Net fair value gains on cash flow hedges, net of tax	-	-	-	3,429	-	-	3,429
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	-	-	-	-	937	-	937
Transactions with owners in their capacity as owners							
Transfer from capital reserve	(22,847)	-	-	-	-	-	(22,847)
Balance at 31 December 2024	8,875	190,451	2,966	1,978	(15,557)	(206,076)	(17,363)

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NOTES TO THE FINANCIAL STATEMENTS

22 Reserves (Continued)

	Capital reserve US\$'000 (Note (i))	Contribution surplus US\$'000 (Note (ii))	Revaluation reserve US\$'000	Hedging reserve US\$'000	Defined benefit obligation reserve US\$'000	Exchange reserve US\$'000	Total US\$'000
Balance at 1 January 2023	32,004	190,451	2,886	(2,053)	(16,413)	(235,638)	(28,763)
Other comprehensive income/(expense)							
Currency translation differences	-	-	-	-	-	27,326	27,326
Net fair value gains on financial assets at fair value through other comprehensive income, net of tax (Note 13)	-	-	184	-	-	-	184
Net fair value gains on cash flow hedges, net of tax	-	-	-	602	-	-	602
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	-	-	-	-	(81)	-	(81)
Transactions with owners in their capacity as owners							
Transfer from capital reserve	(282)	-	-	-	-	-	(282)
Balance at 31 December 2023	31,722	190,451	3,070	(1,451)	(16,494)	(208,312)	(1,014)

Notes:

- (i) Capital reserve represents amount set aside from the profit of certain overseas subsidiaries of the Group in accordance with local statutory requirements.
- (ii) Contribution surplus arises from the transfer from share premium of US\$3,000,000,000 offset by the distribution in specie of US\$2,290,000,000 in prior years and the distribution of a special dividend of US\$519,549,000 in 2018.

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23 Perpetual capital securities

On 3 November 2016, the Company issued perpetual subordinated capital securities (the “Perpetual Capital Securities”) with an aggregate principal amount of US\$650 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities were classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2024 and 2023 included the accrued distribution payments.

24 Long-term liabilities

	2024 US\$'000	2023 US\$'000
Long-term notes – unsecured	313,178	312,970
Long-term bank loans	145,000	-
Lease liabilities	49,037	55,348
	<u>507,215</u>	<u>368,318</u>
Current portion of lease liabilities	(19,440)	(18,919)
Current portion of long-term notes – unsecured	(313,178)	-
	<u>174,597</u>	<u>349,399</u>

During the year ended 31 December 2023, the Group redeemed certain unsecured long-term notes issued to independent third parties amounting to US\$209,170,000. After such redemption and as at 31 December 2023, the Group had unsecured long-term notes issued to independent third parties amounting to US\$312,970,000 and a gain of US\$12,549,000 was recognized. The remaining notes will mature in 2025 with annual coupon at 5.5%.

The maturity of financial liabilities is as follows:

	2024 US\$'000	2023 US\$'000
Within 1 year	332,618	18,919
Between 1 and 2 years	131,640	329,385
Between 2 and 5 years	17,957	20,014
	<u>482,215</u>	<u>368,318</u>
Wholly repayable within 5 years	482,215	368,318
Over 5 years	25,000	-
	<u>507,215</u>	<u>368,318</u>

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NOTES TO THE FINANCIAL STATEMENTS

24 Long-term liabilities (Continued)

The fair values of long-term financial liabilities are as follows:

	2024 US\$'000	2023 US\$'000
Long-term notes – unsecured	311,373	301,567
Long-term bank loans	145,000	-
Lease liabilities	49,037	55,348
	<u>505,410</u>	<u>356,915</u>

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

	2024 US\$'000	2023 US\$'000
US dollar	481,999	342,604
HK dollar	2,569	4,984
Euro	9,016	3,517
Pound sterling	2,913	3,283
Renminbi	4,226	6,697
Vietnamese dong	2,076	2,515
Others	4,416	4,718
	<u>507,215</u>	<u>368,318</u>

25 Post-employment benefit obligations

	2024 US\$'000	2023 US\$'000
Pension obligations (<i>Note</i>)	752	1,891
Long-service payment liabilities	1,148	1,137
	<u>1,900</u>	<u>3,028</u>

Note:

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

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25 Post-employment benefit obligations (Continued)

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

	2024 US\$'000	2023 US\$'000
Present value of funded obligations	15,302	18,986
Fair value of plan assets	(15,458)	(17,465)
Effect of asset ceiling	908	370
	<u>752</u>	<u>1,891</u>
Net liabilities in the consolidated balance sheet	<u>752</u>	<u>1,891</u>

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

	2024 US\$'000	2023 US\$'000
Current service cost	732	891
Past service cost and gains on settlements	-	12
Administrative expenses	205	192
Net interest expense	159	403
	<u>1,096</u>	<u>1,498</u>
Total, included in staff costs	<u>1,096</u>	<u>1,498</u>

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

	2024 US\$'000	2023 US\$'000
At 1 January	17,465	14,652
Interest income	748	580
Exchange differences	(654)	568
Administrative expenses	(205)	(192)
Contributions	2,399	3,351
Benefits paid	(3,461)	(2,072)
Actuarial (losses)/gains on plan assets	(834)	578
	<u>15,458</u>	<u>17,465</u>
At 31 December	<u>15,458</u>	<u>17,465</u>

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25 Post-employment benefit obligations (Continued)

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

	2024 US\$'000	2023 US\$'000
At 1 January	18,986	20,026
Current service cost	732	891
Interest cost	907	983
Past service cost and gains on settlements	-	12
Actuarial losses from changes in experiences	1,112	711
Actuarial gains from changes in financial assumptions	(1,184)	(227)
Actuarial gains from changes in demographic assumptions	(115)	(243)
Exchange differences	(838)	303
Benefits paid	(3,910)	(2,661)
Transfer out	(388)	(809)
At 31 December	<u>15,302</u>	<u>18,986</u>

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

	2024 US\$'000	2023 US\$'000
At 1 January	1,891	5,374
Exchange differences	(184)	(265)
Total expense charged in the consolidated profit and loss account	1,096	1,498
Remeasurement losses/(gains) recognized in other comprehensive income	647	(337)
Contributions paid	(2,399)	(3,351)
Benefits paid	(449)	(589)
Transfer out, net	(388)	(809)
Effect of asset ceiling	538	370
At 31 December	<u>752</u>	<u>1,891</u>

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

	2024 %	2023 %
Discount rate	1.7-12.5	1.2-16.0
Salary growth rate	2.0-15.0	2.0-15.0
Pension growth rate	3.0-5.0	2.0-5.0

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NOTES TO THE FINANCIAL STATEMENTS

25 Post-employment benefit obligations (Continued)

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

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	<u>±0.25%</u>	<u>-3.35%</u>	<u>3.48%</u>

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

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

- (vii) Plan assets comprised:

	2024 US\$'000	2023 US\$'000
<u>Quoted assets</u>		
Cash and cash equivalents	6,433	7,672
Equity instruments		
European	142	161
American	1,074	994
Asian	126	131
Global	277	298
Debt instruments		
Government securities	2,962	3,932
Other securities and debt instruments	4,444	4,277
	<u>15,458</u>	<u>17,465</u>

The weighted average duration of the defined benefit obligation ranges from 4.0 to 10.6 years as at 31 December 2024.

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NOTES TO THE FINANCIAL STATEMENTS

25 Post-employment benefit obligations (Continued)

(viii) Expected maturity analysis of benefit payments:

	Within 10 years US\$'000	Between 10-20 years US\$'000	Beyond 20 years US\$'000
At 31 December 2024			
Expected benefit payments	14,879	12,690	8,404

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

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

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

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****26 Deferred taxation**

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

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

	2024 US\$'000	2023 US\$'000
At 1 January	(5,397)	(7,982)
Charged/(credited) to consolidated profit and loss account (<i>Note 6</i>)	4,714	(191)
Charged to other comprehensive income	1,348	2,917
Exchange differences	153	(141)
At 31 December	<u>818</u>	<u>(5,397)</u>

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The Group has unrecognized tax losses of US\$286,866,000 (2023: US\$296,043,000) to carry forward against future taxable income, out of which US\$1,948,000 will expire during 2025-2029. Deferred tax assets for these tax losses are not recognized as it is not probable that related tax assets will be utilized in the foreseeable future.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Deferred taxation (Continued)

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

	Provisions		Decelerated tax depreciation allowances		Tax losses		Others		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Deferred tax assets	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January	1,846	647	1,645	1,710	22,123	22,712	1,759	3,668	27,373	28,737
Credited/(charged) to consolidated profit and loss account	1,101	1,168	(1,404)	(65)	2,066	(769)	1,947	(1,899)	3,710	(1,565)
Credited to other comprehensive income	-	11	-	-	-	-	-	-	-	11
Exchange differences	(711)	20	3	-	(656)	180	2	(10)	(1,362)	190
At 31 December	2,236	1,846	244	1,645	23,533	22,123	3,708	1,759	29,721	27,373

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Deferred taxation (Continued)

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

	Accelerated tax depreciation allowances		Intangible assets arising from business combinations		Others		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Deferred tax liabilities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January	49	71	15,292	14,620	6,635	6,064	21,976	20,755
(Credited)/charged to consolidated profit and loss account	(35)	(20)	8,435	681	24	(2,417)	8,424	(1,756)
Charged to other comprehensive income	-	-	-	-	1,348	2,928	1,348	2,928
Exchange differences	-	(2)	-	(9)	(1,209)	60	(1,209)	49
At 31 December	14	49	23,727	15,292	6,798	6,635	30,539	21,976

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

	2024 US\$'000	2023 US\$'000
Deferred tax assets	9,269	10,436
Deferred tax liabilities	(10,087)	(5,039)
	<u>(818)</u>	<u>5,397</u>

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

	2024 US\$'000	2023 US\$'000
Deferred tax assets to be recovered after more than 12 months	7,876	10,272
Deferred tax assets to be recovered within 12 months	1,393	164
Deferred tax liabilities to be settled after more than 12 months	(8,563)	(5,012)
Deferred tax liabilities to be settled within 12 months	<u>(1,524)</u>	<u>(27)</u>

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash generated from operations

	2024 US\$'000	2023 US\$'000
Profit before taxation	88,394	84,313
Interest income	(15,403)	(24,784)
Interest expenses	33,282	39,764
Depreciation of property, plant and equipment	3,487	4,088
Amortization of system development, software and other license costs	962	2,265
Amortization of other intangible assets	10,082	11,694
Amortization of right-of-use assets	17,847	18,062
Share of net profits of associated companies	(12)	(19)
Loss on disposal of property, plant and equipment	166	385
Loss on disposal of a subsidiary	4,123	-
Write-off of system development, software and other license costs	57	116
Gain on disposals and modifications of right-of-use assets	(309)	(120)
Gain on early settlement of long-term notes	-	(12,549)
Fair value gains on financial assets	(1,860)	-
Net monetary gains	(5,788)	-
Operating profit before working capital changes	135,028	123,215
Decrease in inventories	1,312	48,330
(Increase)/decrease in trade and bills receivable, other receivables, prepayments and deposits and amounts due from related companies	(13,027)	166,557
Increase/(decrease) in trade and bills payable, accrued charges and sundry payables and amounts due to related companies	19,927	(209,850)
Net cash generated from operations	143,240	128,252

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NOTES TO THE FINANCIAL STATEMENTS

27 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing activities during the year

	2024		2023			
	Bank loans US\$'000	Lease liabilities US\$'000	Long-terms notes US\$'000	Bank loans US\$'000	Lease liabilities US\$'000	Long-terms notes US\$'000
At 1 January	-	55,348	312,970	-	54,645	521,300
<u>Non-cash movement:</u>						
Additions of lease liabilities	-	18,835	-	-	23,082	-
Accrued interest	14,259	-	16,610	12,741	-	23,516
Non-cash interest	-	1,995	208	-	2,227	840
Lease liabilities written off	-	(2,646)	-	-	(1,246)	-
Gain on early settlement of long-term notes	-	-	-	-	-	(12,549)
Exchange difference and other non-cash movements	-	(1,108)	-	-	(100)	-
	14,259	72,424	329,788	12,741	78,608	533,107
<u>Cash movement:</u>						
Drawdown of bank loans	145,000	-	-	-	-	-
Repayment of long-term notes	-	-	-	-	-	(196,621)
Payment of lease liabilities	-	(23,387)	-	-	(23,260)	-
Interest paid	(14,259)	-	(16,610)	(12,741)	-	(23,516)
At 31 December	145,000	49,037	313,178	-	55,348	312,970

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****28 Contingent liabilities**

There were no material contingent liabilities of the Group as at 31 December 2024 and 2023.

29 Capital commitments

	2024 US\$'000	2023 US\$'000
Contracted but not provided for:		
Property, plant and equipment	59	24
Others	-	3,649
	59	3,673

30 Charges on assets

There were no charges on the assets and undertakings of the Group as at 31 December 2024 and 2023.

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NOTES TO THE FINANCIAL STATEMENTS

31 Related party transactions

The Group had the following material transactions with its related parties during the years ended 31 December 2024 and 2023:

	Note	2024 US\$'000	2023 US\$'000
Distribution and sales of goods	(i)	3,628	7,771
Total value of right-of-use assets relating to leases	(ii)	984	16,979
Operating leases rental and license fee received	(iii)	2,700	3,053
Underlying FOB value of ordered products/services fee paid	(iv)	85,936	74,562
Office administrative expenses paid	(v)	4,278	591
Office administrative cost recovery	(vi)	17,391	21,061
Business operation supporting service income	(vii)	1,397	1,260

- (i) Distribution and sales of goods to the subsidiaries of a major shareholder and its associates were made on mutually agreed normal commercial terms.
- (ii) Value of right-of-use assets acquired from related companies were calculated based on rental charged for certain properties leased from the subsidiaries of a major shareholder which were based on mutually agreed normal commercial terms.
- (iii) Operating leases rental and license fee received from the subsidiaries/associates of a major shareholder were based on mutually agreed normal commercial terms.
- (iv) Agency-based sourcing activities and other services fee paid to the subsidiaries of a major shareholder based on normal commercial terms agreed between the parties.
- (v) The subsidiaries of a major shareholder charged the Group for certain centralized office support functions on an actual costs recovery basis.
- (vi) Office administrative cost recovery from the subsidiaries/associates of a major shareholder were made on actual cost recovery basis.
- (vii) Business operation supporting services income from a subsidiary of the shareholder were based on mutually agreed normal commercial terms.

In October 2023, the Company entered into an agreement (the "Property Agreement") with a subsidiary of a major shareholder for the acquisition of Property for a consideration of US\$50 million. A deposit of US\$50 million has been paid during the year ended 31 December 2023. The transaction will be completed upon the satisfaction of the conditions stipulated in the Property Agreement and the Company shall acquire either (i) a proportionate equity interest in the company that owns the Property or (ii) title to the floor area of the Property based on the mechanism set out in the Property Agreement.

Saved as disclosed above, the Group had no material related party transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS

32 Financial risk management

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

(a) Market risk

(i) Foreign exchange risk

Most of the Group's cash balances are in HK dollar and US dollar deposits with major global financial institutions, and most of the Group's borrowings are denominated in US dollars.

The Group's revenues and payments were transacted predominantly in US dollars. Therefore, it considers there is no significant risk exposure in relation to foreign exchange rate fluctuations. There are small portion of sales and purchases transacted in different currencies, for which the Group arranges hedging through foreign exchange forward contracts.

For transactions that are subject to foreign exchange risk, the Group hedges its foreign currency exposure once it receives confirmed orders or enter into customer transactions. To mitigate the impact from changes in foreign exchange rates, the Group regularly reviews the operations in these countries and makes necessary hedging arrangements in certain currencies against the US dollar.

However, the Group does not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of its non-US dollar foreign operations for either the income statements or balance sheet reporting purposes. Since the Group's functional currency is the US dollar, it is subject to exchange rate exposure from the translation of foreign operations' local results to US dollars at the average rate for the period of group consolidation. The Group's net equity investments in non-US dollar-denominated businesses are also subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US dollar 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, the Group manages its operations in the most cost-effective way possible within the global network. The Group strictly prohibits any financial derivative arrangement merely for speculation.

NOTES TO THE FINANCIAL STATEMENTS

32 Financial risk management (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31 December 2024, if the major foreign currencies, such as Euro and Pound Sterling, to which the Group had exposure had strengthened/weakened by 10% against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 2.6% higher/lower and 2.9% higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables, borrowings and intangible assets.

At 31 December 2023, if the major foreign currencies, such as Euro and Pound Sterling, to which the Group had exposure had strengthened/weakened by 10% against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 17.3% higher/lower and 3.6% higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables, borrowings and intangible assets.

(ii) Price risk

The Group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through other comprehensive income (FVOCI) and financial assets at fair value through profit and loss (FVPL). The Group maintains these investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 31 December 2024 and up to the report date of the financial statements, the Group held no material derivative financial instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies. At 31 December 2024, the fair value of foreign exchange forward contracts entered into by the Group amounted to US\$5,088,000 (2023: the fair value of foreign exchange forward contracts entered into by the Group amounted to US\$2,484,000(liabilities)), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments assets.

(iii) Cash flow and fair value interest rate risk

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

32 Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

At 31 December 2024, if the variable interest rates on the bank borrowings had been 0.25% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US\$585,000 lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

At 31 December 2023, if the variable interest rates on the bank borrowings had been 0.25% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US\$479,000 lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

Credit risk mainly arises from trade and other receivables, deposits, amounts due from related companies as well as short-term bank deposits and cash and bank balances of the Group.

The Group is exposed to credit risk from its operating activities. This arises primarily from its principal trading business, where the Group acts as a supplier, and working capital solutions. The Group assumes direct counterparty risk for its customers in terms of these account receivables and inventory.

All new customers undergo a risk assessment process prior to trade terms being agreed in accordance with the Group's global credit risk management framework. These assessments focus on the financial strength of individual customers as well as information specific to the customer and the economic environment in which each customer operates. To further reduce its exposure to credit risks, (a) the Group would require collateral (such as standby or commercial letters of credit, or bank guarantees) from customers if necessary, and (b) the Group has also taken out trade credit insurance to protect against losses arising from non-payment, and have entered into trade receivables factoring agreements with financial institutions on a non-recourse basis. Both receivable balances and inventory levels are reviewed regularly according to the Group's credit policies and follow-up action is taken to recover overdue balances. Furthermore, the Group's management reviews regularly the recoverable amount of its trade receivables to ensure that adequate impairment allowance is made.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS

32 Financial risk management (Continued)

(b) Credit risk (Continued)

For trade receivables not covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers, the Group will apply impairment loss provisions, in whole or in part, when the Group has assessed the indicators whether the receivables are unrecoverable, has made all practical recovery efforts, and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, debtor insolvency proceedings, the failure of a debtor to make ongoing settlement with the Group, a failure to make contractual payments on accounts receivable that are more than 365 days past due and a failure to agree on a settlement plan.

The allowance for impairment is considered individually and collectively for different trade receivable categories. When determining the appropriate level of allowance for impairment for individual trade receivable categories, the indicators outlined above will be considered both generally for the Group or specifically for that trade receivable category. As at 31 December 2024, based on these indicators, the composition and ageing of the trade receivables for which the Group has made allowance for impairment as compared to gross trade receivables are as follows: for trade receivables not yet due to 90 days past due, 91 to 180 days past due and over 180 days past due are 0.19%, 5.32% and 15.90% respectively.

For other receivables, amounts due from related companies and cash and bank balances, the Group applies the HKFRS 9 general approach to measure 12-month expected credit losses unless there is a significant increase in credit risk since initial recognition for which the Group measures the loss allowance based on lifetime rather than 12-month expected credit losses.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group uses different criteria to determine whether credit risk has increased significantly per each financial asset category. Factors including, but not limited to, actual or expected significant change in the operating results of the counterparty and significant changes in the expected performance and behavior of the counterparty have been taken into account when assessing whether credit risk has increased significantly.

Impairment losses on these financial assets are presented as net impairment losses within core operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

32 Financial risk management (Continued)

(b) Credit risk (Continued)

Receivables for which an impairment allowance was recognized were written off against the allowance when there was no expectation of recovering additional cash.

The allowance for impairment for financial assets during the year was set as follows:

	2024 US\$'000	2023 US\$'000
As at 1 January	9,717	720,145
Net increase/(decrease) in provision for impairment for trade receivables and other receivables (<i>Note 4</i>)	1,926	(2,636)
Write-off against trade and other receivables (<i>Note 17</i>)	(3,068)	(138,591)
Write-off against amount due from related companies (<i>Note 15</i>)	-	(569,227)
Exchange difference	(43)	26
As at 31 December	<u>8,532</u>	<u>9,717</u>

The impairment loss of other financial assets carried at amortized cost is measured based on the twelve months' expected credit losses. As at 31 December 2024, trade receivables of US\$4,891,000 (2023: US\$6,068,000) and other receivables of US\$3,641,000 (2023: US\$3,649,000) has been provided for but none of the other financial assets including amounts due from related companies (*Note 15*) and financial assets at fair value through other comprehensive income (*Note 13*) have been considered impaired as there is no recent history of default of the counterparties and ongoing payments have been received. Impairment loss allowances will be considered if there are indicators that there is no reasonable expectation of recovery on these amounts, including if the counterparty fails to make contractual payments for a period of greater than 365 days past due.

The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

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NOTES TO THE FINANCIAL STATEMENTS

32 Financial risk management (Continued)

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents (*Note 18*)) on the basis of expected cash flow.

The table below analyzes the liquidity impact of the Group's non-derivative financial liabilities (including annual coupons payable for the long-term notes) into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and these amounts will not reconcile to the amounts disclosed on the consolidated balance sheet and in *Note 24* for long-term liabilities.

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000
At 31 December 2024				
Long-term notes – unsecured	328,982	-	-	-
Long-term bank loans	8,547	126,183	4,365	25,728
Trade and bills payable	867,017	-	-	-
Accrued charges and sundry payables	526,360	-	-	-
Due to related companies	18,961	-	-	-
Lease liabilities	20,815	12,436	18,508	-
At 31 December 2023				
Long-term notes – unsecured	15,666	328,982	-	-
Trade and bills payable	863,675	-	-	-
Accrued charges and sundry payables	508,778	-	-	-
Due to related companies	19,489	-	-	-
Lease liabilities	20,516	17,310	20,723	-

All of the Group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of US\$243,412,000 (31 December 2023: US\$316,244,000) and undiscounted contractual cash outflows of US\$238,451,000 (31 December 2023: US\$317,070,000).

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NOTES TO THE FINANCIAL STATEMENTS

33 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long-term notes (*Note 24*) and long-term bank loans (*Note 24*) less cash and cash equivalents (*Note 18*) and short-term bank deposits (*Note 18*)). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt/(cash).

The Group's strategy is to maintain a gearing ratio not exceeding 35%. The gearing ratios at 31 December 2024 and 2023 were as follows:

	2024 US\$'000	2023 US\$'000
Long-term notes (<i>Note 24</i>)	313,178	312,970
Long-term bank loans (<i>Note 24</i>)	145,000	-
	458,178	312,970
Less: Cash and cash equivalents (<i>Note 18</i>)	(451,344)	(213,840)
Less: Short-term bank deposits (<i>Note 18</i>)	(194,487)	(238,454)
Net cash	(187,653)	(139,324)
Total equity	1,445,168	1,430,800
Total capital	1,257,515	1,291,476
Gearing ratio	N/A	N/A

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2024.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets				
Financial assets at FVPL				
- Investment funds (Note 13)	-	-	21,866	21,866
Financial assets at FVOCI				
- Club debentures (Note 13)	-	-	3,370	3,370
Derivative financial instruments used for hedging (Note 16)	-	5,088	-	5,088
Total assets	<u>-</u>	<u>5,088</u>	<u>25,236</u>	<u>30,324</u>

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NOTES TO THE FINANCIAL STATEMENTS

34 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2023.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets				
Financial assets at FVPL				
- Investment funds (Note 13)	-	-	16,351	16,351
Financial assets at FVOCI				
- Club debentures (Note 13)	-	-	3,421	3,421
Total assets	<u>-</u>	<u>-</u>	<u>19,772</u>	<u>19,772</u>
Liabilities				
Derivative financial instruments used for hedging (Note 16)	-	2,484	-	2,484
Total liabilities	<u>-</u>	<u>2,484</u>	<u>-</u>	<u>2,484</u>

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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NOTES TO THE FINANCIAL STATEMENTS

34 Fair value estimation (Continued)

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

Financial assets at fair value through profit or loss

The fair values of the investment funds are mainly determined based on the net asset values of the investment funds from fund statements, representing the fair values of the funds reported by respective fund administrators. The higher the net assets value of underlying investments, the higher the fair values of the investment funds.

The determination of fair value is subject to the valuation policies and procedures formulated by management. These policies and procedures facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgement may also be applied in adjusting prices of less readily observable external parameters. The management considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally accepted within the industry.

Derivative financial instruments used for hedging

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2024 and 2023.

	2024	
	Financial assets at fair value through profit or loss – Investment funds US\$'000	Financial assets at fair value through other comprehensive income – Club debentures US\$'000
Opening balance	16,351	3,421
Additions	3,655	53
Fair value gains/(losses)	1,860	(104)
Closing balance	21,866	3,370
Total gain for the year included in profit or loss	1,860	-
	2023	
	Financial assets at fair value through profit or loss – Investment funds US\$'000	Financial assets at fair value through other comprehensive income – Club debentures US\$'000
Opening balance	11,351	3,365
Additions	5,000	-
Disposal	-	(128)
Fair value gains	-	184
Closing balance	16,351	3,421
Total gain for the year included in profit or loss	-	-

35 Approval of financial statements

The financial statements were approved by the Board of Directors on 31 March 2025.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36 Principal subsidiaries and associated company

	Place of incorporation and operation	Issued share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
Held directly				
Golden Gate Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
iBiR Holdings Limited	Cayman Islands	Ordinary US\$1	100	Digital supply chain services
Integrated Distribution Services Group Limited	Bermuda	Ordinary US\$12,000.1	100	Investment holding
L&F Venture Partners (Investments) Ltd.	Cayman Islands	Ordinary US\$10,000	100	Investment holding
LF Centennial Limited	British Virgin Islands	Ordinary US\$50,000	100	Investment holding
Li & Fung (B.V.I.) Limited	British Virgin Islands	Ordinary US\$400,010	100	Investment holding
Held indirectly				
Appleton Holdings Ltd.	British Virgin Islands	Ordinary US\$1	100	Investment holding
Black Cat Fireworks Limited	England	Ordinary GBP15,500,000	100	Fireworks wholesaling
Brand Works Management Limited	Hong Kong	Ordinary US\$51,000	100	Export trading
Camberley Enterprises Limited	Hong Kong	Ordinary HK\$250,000	100	Export trading of garments and accessories
Camberley Trading Service (Shenzhen) Limited	The People's Republic of China	RMB1,500,000	100 foreign-owned enterprise	Export trading services
Centennial (Luxembourg) S.a.r.l.	Luxembourg	EUR9,125,000	100	Investment holding
Character Direct Limited	Hong Kong	Ordinary HK\$2	100	Design and marketing
Colby Group Holdings Limited	British Virgin Islands	Ordinary US\$45,000	100	Export trading
Comet Feuerwerk GmbH	Germany	EUR1,000,000	100	Fireworks wholesaling
CS International Limited	Hong Kong	Ordinary HK\$1,000,000	100	Provision of supply chain management and consultancy services

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36 Principal subsidiaries and associated company (Continued)

Principal subsidiaries	Place of incorporation and operation	Issued share capital	Percentage of equity held by the Company	Principal activities
Golden Horn N.V.	Curacao	US\$6,100	100	Investment holding
GSCM (HK) Limited	Hong Kong	Ordinary HK\$140,000	100	Export trading
Hanson Im-und Export GmbH	Germany	EUR26,000	100	Wholesaling
Homeworks Asia Limited	Hong Kong	Ordinary HK\$2	100	Export trading
HTL Fashion (UK) Limited	England	Ordinary GBP1	100	Design and export trading
HTL Fashion Hazir Giyim Sanayi ve Ticaret Anonim Sirketi	Turkey	TL75,050,000	100	Virtual manufacturing
iBiR (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Digital supply chain services
iBiR C2M Supply Chain Limited	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Digital supply chain services
Indigostar Pte. Ltd.	Singapore	Ordinary S\$100,000	100	Export trading services
International Sources Trading Limited	Hong Kong	Ordinary HK\$2	100	Export trading
Intri Fashions Limited	Hong Kong	Ordinary HK\$1	100	Export trading
Lenci Calzature SpA	Italy	Equity shares EUR206,400	100	Design, marketing and sourcing
LF Asia Direct Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
LF Asia Direct Management Limited	Hong Kong	Ordinary HK\$1	100	Investment holding
LF Centennial Pte. Ltd.	Singapore	Ordinary S\$100,000	100	Export trading services
LF Centennial Services (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Provision of management support services
LF Distribution Holding Inc.	U.S.A.	Common stock US\$1	100	Investment holding
LF Distribution International Inc.	U.S.A.	Common stock US\$1	100	Investment holding
LF Distribution Limited	Bermuda	Ordinary US\$100	100	Investment holding
LF Europe (Germany) Services GmbH	Germany	EUR25,000	100	Provision of accounting services

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
LF Europe Holding Limited	British Virgin Islands	Ordinary US\$3,936,001	100	Investment holding
LF Europe Limited	England	Ordinary GBP284,553,743	100	Investment holding
LF Europe Trading Limited	England	Ordinary GBP100	100	Service company
LF Fashion Limited	England	Ordinary GBP55,000	100	Design marketing and sourcing
LF Men's Group LLC	U.S.A.	Capital contribution US\$1	100	Wholesaling
LF OnE Inc.	U.S.A.	Common stock US\$1	100	Investment holding
LF Sourcing (Millwork) LLC	U.S.A.	Capital contribution US\$1	100	Sourcing and export trading
LF Sourcing Sportswear LLC	U.S.A.	Capital contribution US\$1	100	Wholesaling
Li & Fung (Australia) Proprietary Limited	Australia	Ordinary AU\$1	100	Marketing liaison
Li & Fung (Bangladesh) Limited	Bangladesh	Ordinary TK\$9,500,000	100	Export trading services
Li & Fung (Brasil) Trading, Importacao E Exportacao Ltda	Brazil	Common shares R\$333,559	100	Service provider
Li & Fung (Cambodia) Limited	Cambodia	Ordinary Riels 120,000,000	100	Export trading services
Li & Fung (Europe) Holding Limited	England	Ordinary GBP100	100	Investment holding
Li & Fung (Exports) Limited	Hong Kong	Ordinary HK\$10,000 Non-voting deferred HK\$8,600,000	100	Investment holding
Li & Fung (Fujian) Import Export Company Limited	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Export trading
Li & Fung (Guangdong) Import & Export Trading Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Import and export trading services
Li & Fung (Guatemala) S.A.	Guatemala	Nominative shares Q5,000	100	Export trading services
Li & Fung (Honduras) Limited	Honduras	Nominative common shares Lps25,000	100	Export trading services
Li & Fung (India) Private Limited	India	Equity shares Rs64,000,200	100	Export trading services

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
Li & Fung (Korea) Limited	Korea	Common stock KRW 200,000,000	100	Export trading services
Li & Fung (Mauritius) Limited	Mauritius	"A" Shares Rs750,000 "B" Shares Rs500,000	60	Export trading services
Li & Fung (Philippines) Inc.	The Philippines	Common shares Peso 1,000,000	100	Export trading services
Li & Fung (Portugal) Limited	England	Ordinary GBP100	100	Investment holding
Li & Fung (Taiwan) Limited	Taiwan	NT\$5,000,000	100	Sourcing and inspection
Li & Fung (Thailand) Limited	Thailand	Ordinary Baht 1,000,000	100	Export trading services
Li & Fung (Trading) Limited	Hong Kong	Ordinary HK\$200 Non-voting deferred HK\$10,000,000	100	Export trading services
Li & Fung (Vietnam) Limited	Vietnam	Charter capital US\$800,000	100	Export services
Li & Fung Credit (Holdings) Pte. Ltd.	Singapore	Ordinary S\$75,000 Ordinary US\$522,581,000	100	Export trading
Li & Fung Mexico S.A. de C.V.	Mexico	Common nominative shares MXP150,000	100	Service and import trading
Li & Fung Pakistan (Private) Limited	Pakistan	Ordinary Rs10,000,000	100	Export trading services
Li & Fung South Africa Proprietary Limited	South Africa	Ordinary Rand 100	100	Export trading services
Li & Fung Taiwan Holdings Limited	Taiwan	NT\$287,996,000	100	Investment holding
Li & Fung Trading (Shanghai) Limited	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Export trading
Li & Fung Trading Service (Shanghai) Company Limited	The People's Republic of China	US\$6,000,000	100 foreign-owned enterprise	Export trading services
Li & Fung Trading Service (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
Licus GmbH	Germany	EUR50,000	100	Importer
Lion Rock International Trading & Co.	Hong Kong	Capital contribution HK\$3,000,000	100	Provision of management services
Lion Rock Services (Far East) & Co.	Hong Kong	Capital contribution HK\$17,000,000	100	Merchandising agent
Lion Rock Services (Switzerland) AG	Switzerland	CHF3,400,000	100	Export trading services
Lloyd Textile Trading Limited	Hong Kong	Ordinary HK\$1,000,000	100	Export trading
Mercury (BVI) Holdings Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
Meredith Associates Limited	Hong Kong	Ordinary US\$1,327,932	100	Investment holding
Mighty Hurricane Holdings Inc.	U.S.A.	Common stock US\$100	100	Wholesaling
Miles Fashion Asia Pte. Ltd.	Singapore	Ordinary S\$1	100	Export trading
Miles Fashion USA, Inc.	U.S.A.	Common stock US\$1,000	100	Importer
Miles GmbH	Germany	EUR11,000,000	100	Importer
Millwork Holdings Co., Inc.	U.S.A.	Common stock US\$1	100	Investment holding
Modium Konfeksiyon Sanayi ve Ticaret Anonim Sirketi	Turkey	Ordinary TL47,606,100	100	Manufacturing
Neo Tangent India Private Limited	India	Equity shares Rs100,000	100	Provision of transaction services
Neo Tangent (Guangzhou) Limited	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Provision of transaction services
Neo Tangent Limited	Hong Kong	Ordinary HK\$1	100	Provision of consultancy services

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
PT. Lifung Indonesia	Indonesia	Ordinary US\$500,000	100	Export trading services
Paco Trading (International) Limited	Hong Kong	Ordinary HK\$2	100	Export trading
Perfect Trading Inc.	Egypt	LE2,480,000	100	Export trading services
Peter Black Holdings Limited	England	Ordinary GBP0.25	100	Investment holding
Peter Black International Limited	England	Ordinary GBP0.01	100	Investment holding
Peter Black Overseas Holdings Limited	England	Ordinary GBP2	100	Investment holding
Product Development Partners Limited	Hong Kong	Ordinary HK\$2	100	Export trading
PromOcean France SAS	France	EUR4,030,303	100	Wholesaling
PromOcean GmbH	Germany	EUR25,570	100	Wholesaling
PromOcean Spain SL	Spain	EUR3,005.06	100	Wholesaling
PromOcean The Netherlands B.V.	The Netherlands	Ordinary EUR39,379.5	100	Wholesaling
PromOcean UK Ltd	England	Ordinary GBP1	100	Wholesaling
PromOcean USA LLC	U.S.A.	Ordinary US\$5,000	100	Wholesaling
Ratners Enterprises Ltd.	British Virgin Islands	Ordinary US\$1	100	Investment holding
Shiu Fung Fireworks Company Limited	Hong Kong	Ordinary "A" HK\$1,100,000 Ordinary "B" HK\$1,100,000	100	Export trading
Shiu Fung Fireworks Trading (Changsha) Limited	The People's Republic of China	RMB4,000,000	100 foreign- owned enterprise	Export trading
Silvereed (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Export trading
Simplify (Hong Kong) Limited	Hong Kong	Ordinary HK\$100	100	Investment holding

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
Simplify Supply Chain (Zhuhai) Co., Ltd.	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Domestic online sales
Tantallon Enterprises Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
Visage Group Limited	England	Ordinary GBP100,000	100	Investment holding
Visage Holdings (2010) Limited	England	Ordinary GBP2	100	Investment holding
W S Trading Limited	Hong Kong	Ordinary HK\$1,000,000	100	Export trading

The above table lists out the principal subsidiaries of the Company as at 31 December 2024 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36 Principal subsidiaries and associated company (Continued)

Principal associated company	Place of incorporation and operation	Issued share capital	Percentage of equity held by the Company	Principal activities
杭州年谱网络科技有限公司	The People's Republic of China	RMB3,000,000	49	Supply Chain solution and investment holding company

The above table lists out the principal associated company of the Company as at 31 December 2024 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.

Glossary

In this Report, unless otherwise specified the following glossary applies.

Board	the board of Directors of the Company
Company, Li & Fung	Li & Fung Limited, a company incorporated in Bermuda with limited liability
Director(s)	a director(s) of the Company
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of PRC
PRC	the People's Republic of China
Report	the annual report of the Company for the year ended 31 December 2024
Share(s)	ordinary share(s) of HK\$0.0125 each in the share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
US\$	United States dollar(s), the lawful currency of the United States of America

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED**
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Li & Fung Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 8 to 102, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the impairment assessment of intangible assets, including goodwill.

Key Audit Matter

Impairment assessment of intangible assets, including goodwill

Refer to Notes 1.6, 2(a) and 9 to the consolidated financial statements.

Included on the consolidated balance sheet is an intangible assets balance of US\$1,623 million as of 31 December 2023, which relates to goodwill of US\$1,583 million, and system development, software, other license costs and other intangible assets of US\$40 million, which arose mainly from past acquisitions.

The Group is required to perform impairment assessment on goodwill that have an indefinite useful life at least annually, and when there is an indication of impairment. Intangible assets with finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

How our audit addressed the Key Audit Matter

We have obtained an understanding of management's processes for determining the recoverable amount and we assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied.

We assessed the appropriateness of the valuation methodology used (value-in-use calculations based on future discounted cash flows) in the impairment assessment.

We obtained management's value-in-use calculations, agreed the underlying cash flows to the approved budget and cash flow forecast prepared by management, and tested the mathematical accuracy of the value-in-use calculations. We also compared the current year actual results with the prior year's financial forecasts to assess the reasonableness of management financial budgets.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

Key Audit Matters (Continued)

Key Audit Matter

For the purpose of performing impairment assessment, all intangible assets, including goodwill, have been allocated to groups of cash generating units ("CGUs"). The recoverable amount of the underlying CGUs is supported by value-in-use calculations which are based on future discounted cash flows. Management concluded that the intangible assets, including goodwill, were not impaired as of 31 December 2023.

We focused on this area as the impairment assessment made by management are subject to a high degree of uncertainty. The inherent risk in relation to the estimation of recoverable amounts for impairment assessment of intangible assets, including goodwill, is considered significant as the assessment involved significant estimates and judgements, including the determination of certain key assumptions such as sales growth rates and perpetual growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGUs. These estimates and judgements may be affected by unexpected changes in future market or economic conditions.

**How our audit addressed the
Key Audit Matter**

We also assessed the reasonableness of key assumptions used in the calculations, comprising sales growth rates, perpetual growth rates and discount rates. We discussed with management to understand and evaluate management's basis for determining the assumptions, and, on a sample basis, compared the assumptions to industry outlook reports and economic growth forecasts from external sources. We also engaged our internal valuation expert to assess value-in-use calculation methodology and the reasonableness of the discount rates used by management with reference to market data.

We obtained and tested management's sensitivity analysis around the key assumptions, to support that any reasonably foreseeable changes to key assumptions would not cause the carrying amount of intangible assets, including goodwill, to exceed the recoverable amount.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

Key Audit Matters (Continued)

Key Audit Matter

**How our audit addressed the
Key Audit Matter**

Based on the procedures performed, we consider the management's impairment assessment of intangible assets, including goodwill, are appropriate, and the Group's significant assumptions and data used in the impairment assessment to be supported by the available evidence.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

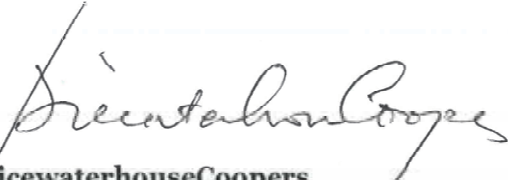
**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF LI & FUNG LIMITED (CONTINUED)**
(incorporated in Bermuda with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)**

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wan Sau Mei.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2024

LI & FUNG LIMITED
**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<i>Note</i>	2023 US\$'000	2022 US\$'000
<u>Continuing Operations</u>			
Turnover	3	6,138,135	7,607,905
Cost of sales		(5,721,689)	(7,115,415)
Gross profit		416,446	492,490
Other income/gains		38,231	21,055
Total margin		454,677	513,545
Selling and distribution expenses		(73,054)	(66,155)
Merchandising and administrative expenses		(276,549)	(312,752)
Core operating profit	3	105,074	134,638
Amortization of other intangible assets	4	(11,694)	(12,294)
Other non-core operating gains net of expenses/(expenses net of gains)	4	5,894	(5,739)
Operating profit	4	99,274	116,605
Interest income		24,784	10,757
Interest expenses	5		
Non-cash interest expenses		(3,507)	(3,314)
Cash interest expenses		(36,257)	(64,985)
		(39,764)	(68,299)
Share of net profits/(losses) of associated companies	13	19	(121)
Profit before taxation		84,313	58,942
Taxation	6	(29,030)	(19,809)
Profit for the year from Continuing Operations		55,283	39,133
<u>Discontinued Operations</u>			
Profit for the year from Discontinued Operations	28(a)	-	1,568,093
Net profit for the year		55,283	1,607,226
Attributable to:			
Shareholders of the Company		21,195	1,552,996
Holders of perpetual capital securities		34,125	34,125
Non-controlling interests		(37)	20,105
		55,283	1,607,226

The notes on pages 17 to 102 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<i>Note</i>	2023 US\$'000	2022 US\$'000
Attributable to Shareholders of the Company arising from:			
Continuing Operations		21,195	5,026
Discontinued Operations	28(a)	-	1,547,970
		21,195	1,552,996

The notes on pages 17 to 102 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 US\$'000	2022 US\$'000
Net profit for the year	55,283	1,607,226
Other comprehensive income/(expense):		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net fair value gains on financial assets at fair value through other comprehensive income, net of tax	184	303
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	(81)	(3,802)
Total items that will not be reclassified subsequently to profit or loss	103	(3,499)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences*	27,327	(71,142)
Net fair value gains/(losses) on cash flow hedges, net of tax	602	(5,117)
Realization of currency translation differences upon disposal of Business	-	21,835
Realization of currency translation differences upon disposal of subsidiaries	-	15,860
Total items that may be reclassified subsequently to profit or loss	27,929	(38,564)
Total other comprehensive income/(expense) for the year, net of tax	28,032	(42,063)
Total comprehensive income for the year	83,315	1,565,163
Attributable to:		
Shareholders of the Company	49,226	1,517,362
Holders of perpetual capital securities	34,125	34,125
Non-controlling interests	(36)	13,676
Total comprehensive income for the year	83,315	1,565,163
Attributable to Shareholders of the Company arising from:		
Continuing Operations	49,226	(29,289)
Discontinued Operations	-	1,546,651
	49,226	1,517,362

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

The notes on pages 17 to 102 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED
**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023**

		As at 31 December	
		2023	2022
	Note	US\$'000	US\$'000
Non-current assets			
Intangible assets	9	1,622,698	1,610,150
Property, plant and equipment	10	10,380	12,014
Right-of-use assets	11	40,117	36,350
Associated companies	13	432	445
Financial assets at fair value through other comprehensive income	14	3,421	3,365
Financial assets at fair value through profit or loss	14	16,351	11,351
Other receivables, prepayments and deposits	18	51,328	-
Deferred tax assets	26	10,436	13,042
		1,755,163	1,686,717
Current assets			
Inventories	15	98,892	147,222
Due from related companies	16	199,497	117,615
Trade and bills receivable	18	671,725	808,024
Other receivables, prepayments and deposits	18	61,814	63,138
Short-term bank deposits	19	238,454	-
Cash and bank balances	19	213,840	768,180
		1,484,222	1,904,179
Current liabilities			
Due to related companies	16	19,489	35,764
Derivative financial instruments	17	2,484	4,066
Trade and bills payable	20	863,675	1,019,862
Accrued charges and sundry payables	20	508,778	543,059
Taxation		37,774	19,658
Lease liabilities	24	18,919	15,083
		1,451,119	1,637,492
Net current assets		33,103	266,687
Total assets less current liabilities		1,788,266	1,953,404

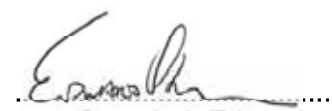
The notes on pages 17 to 102 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023**

		As at 31 December	
		2023	2022
	Note	US\$'000	US\$'000
Financed by:			
Share capital	21	14,686	14,686
Reserves		764,536	715,310
Shareholders' funds attributable to the Company's			
Shareholders		779,222	729,996
Holders of perpetual capital securities	23	655,687	655,687
Non-controlling interests		(4,109)	(4,073)
Total equity		1,430,800	1,381,610
Non-current liabilities			
Long-term notes	24	312,970	521,300
Lease liabilities	24	36,429	39,562
Post-employment benefit obligations	25	3,028	5,872
Deferred tax liabilities	26	5,039	5,060
		357,466	571,794
		1,788,266	1,953,404


 Joseph C. Phi
 Director


 Lam Sung Lai, Edward
 Director

The notes on pages 17 to 102 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to Shareholders of the Company							
	Share	Share	Other	Accumulated	Total	Holders of	Non-	Total
	capital	premium	reserves	losses		perpetual	controlling	
	US\$'000 (Note 21)	US\$'000	US\$'000 (Note 22)	US\$'000		capital securities US\$'000 (Note 23)	interests US\$'000	equity US\$'000
Balance at 1 January 2023	14,686	859,892	(28,763)	(115,819)	729,996	655,687	(4,073)	1,381,610
Comprehensive income								
Profit/(loss) for the year	-	-	-	21,195	21,195	34,125	(37)	55,283
Other comprehensive income/(expense)								
Currency translation differences	-	-	27,326	-	27,326	-	1	27,327
Net fair value gains on financial assets at fair value through other comprehensive income, net of tax	-	-	184	-	184	-	-	184
Net fair value gains on cash flow hedges, net of tax	-	-	602	-	602	-	-	602
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	-	-	(81)	-	(81)	-	-	(81)
Total other comprehensive income, net of tax	-	-	28,031	-	28,031	-	1	28,032
Total comprehensive income/(expense)	-	-	28,031	21,195	49,226	34,125	(36)	83,315
Transactions with owners in their capacity as owners								
Distribution to holders of perpetual capital securities	-	-	-	-	-	(34,125)	-	(34,125)
Transfer from capital reserve	-	-	(282)	282	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	(282)	282	-	(34,125)	-	(34,125)
Balance at 31 December 2023	14,686	859,892	(1,014)	(94,342)	779,222	655,687	(4,109)	1,430,800

The notes on pages 17 to 102 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to Shareholders of the Company					Holder of	Non-	Total
	Share capital US\$'000 (Note 21)	Share premium US\$'000	Other reserves US\$'000 (Note 22)	Accumulated losses US\$'000	Total US\$'000	perpetual capital securities US\$'000 (Note 23)	controlling interests US\$'000	equity US\$'000
Balance at 1 January 2022	14,686	859,892	7,024	(393,968)	487,634	655,687	214,962	1,358,283
Comprehensive income								
Profit for the year	-	-	-	1,552,996	1,552,996	34,125	20,105	1,607,226
Other comprehensive (expense)/income								
Currency translation differences	-	-	(64,713)	-	(64,713)	-	(6,429)	(71,142)
Realization of currency translation differences upon disposal of Business	-	-	21,835	-	21,835	-	-	21,835
Realization of currency translation differences upon disposal of subsidiaries	-	-	15,860	-	15,860	-	-	15,860
Net fair value gains on financial assets at fair value through other comprehensive income, net of tax	-	-	303	-	303	-	-	303
Net fair value losses on cash flow hedges, net of tax	-	-	(5,117)	-	(5,117)	-	-	(5,117)
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	-	-	(3,802)	-	(3,802)	-	-	(3,802)
Total other comprehensive expense, net of tax	-	-	(35,634)	-	(35,634)	-	(6,429)	(42,063)
Total comprehensive (expense)/income	-	-	(35,634)	1,552,996	1,517,362	34,125	13,676	1,565,163
Transactions with owners in their capacity as owners								
Distribution to holders of perpetual capital securities	-	-	-	-	-	(34,125)	-	(34,125)
Transfer from capital reserve	-	-	(153)	153	-	-	-	-
2022 interim dividend paid	-	-	-	(1,275,000)	(1,275,000)	-	-	(1,275,000)
Disposal of Business	-	-	-	-	-	-	(232,711)	(232,711)
Total transactions with owners in their capacity as owners	-	-	(153)	(1,274,847)	(1,275,000)	(34,125)	(232,711)	(1,541,836)
Balance at 31 December 2022	14,686	859,892	(28,763)	(115,819)	729,996	655,687	(4,073)	1,381,610

The notes on pages 17 to 102 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 US\$'000	2022 US\$'000
Continuing Operations			
Operating activities			
Net cash generated from/(used in) operations	27(a)	128,252	(206,931)
Hong Kong profits tax paid, net of refund		(840)	(2,522)
Overseas taxation paid		(10,407)	(5,181)
Net cash inflow/(outflow) from operating activities		117,005	(214,634)
Investing activities			
Additions of associated companies	13	-	(318)
Additions of financial assets at fair value through profit or loss		(5,000)	-
Disposal of financial assets at fair value through other comprehensive income		128	-
Deposit for acquisition of properties		(50,000)	-
Interest income		15,788	10,757
Purchases of property, plant and equipment		(2,861)	(4,082)
Payments for system development, software, license and other intangible assets		(1,303)	(859)
Proceeds from disposal of Business, net of cash from disposed Business and transaction related expenses		-	2,369,904
Increase in amount due from a related company		(100,000)	-
Increase in short-term bank deposits		(238,454)	-
Net cash (outflow)/inflow from investing activities		(381,702)	2,375,402
Net cash (outflow)/inflow before financing activities		(264,697)	2,160,768

The notes on pages 17 to 102 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED
**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<i>Note</i>	2023 US\$'000	2022 US\$'000
Financing activities			
Distributions to holders of perpetual capital securities		(34,125)	(34,125)
Dividends paid		-	(1,275,000)
Interest paid	27(b)	(36,257)	(64,985)
Repayment of long-term notes	27(b)	(196,621)	(536,585)
Payment of lease liabilities	27(b)	(23,260)	(33,506)
Net repayment of bank loans	27(b)	-	(150,000)
Net cash outflow from financing activities		(290,263)	(2,094,201)
(Decrease)/increase in cash and cash equivalents from Continuing Operations		(554,960)	66,567
Discontinued Operations			
Increase in cash and cash equivalents from Discontinued Operations	28(f)	-	33,524
(Decrease)/increase in cash and cash equivalents		(554,960)	100,091
Cash and cash equivalent at 1 January		768,180	687,056
(Decrease)/increase in cash and cash equivalents		(554,960)	100,091
Effect of foreign exchange rate changes		620	(18,967)
Cash and cash equivalents as of 31 December		213,840	768,180
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	19	213,840	768,180

The notes on pages 17 to 102 are an integral part of these consolidated financial statements.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies

Li & Fung Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its Hong Kong office is at 11/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

The Group is principally engaged in managing the supply chain for retailers and brands worldwide across key production markets globally.

The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited until 27 May 2020. After the completion of a privatization put forward by Golden Lincoln Holdings I Limited, a wholly-owned subsidiary of Golden Lincoln Holdings II Limited. The Company has then become an indirect subsidiary of Golden Lincoln Holdings II Limited.

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

1.1 Basis of preparation

The consolidated financial statements of Li & Fung Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and certain financial assets and financial liabilities (including derivative instruments and financial assets at fair value through profit or loss) at fair value through profit or loss or fair value at amortized cost.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in *Note 2*.

During the year ended 31 December 2022, the Group obtained key regulatory approvals and completed the strategic divestment of logistics businesses (the “Logistics”). The financial results of the Logistics for the period ended up to the date of completion were presented as Discontinued Operations.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.1 Basis of preparation (Continued)

- (a) New standard and amendments to existing standards adopted by the Group

The Group has applied the following new standard and amendments to existing standards for the first time for their annual reporting period commencing 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts

The application of the above new standard and amendments to existing standards effective 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, except for the adoption of HKAS 1 and HKFRS Practice Statement 2 (Amendments), Disclosure of Accounting Policies. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

- (b) Amendment to existing standards and interpretation that have been issued but not yet effective and have not yet early adopted by the Group

The following new and amendments to existing standards and interpretation have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2024 or later periods, but the Group has not early adopted them:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ¹
HKAS 1 (Amendments)	Non-current Liabilities with Covenants ¹
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback ¹
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements ¹
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
HKAS 21 (Amendments)	Lack of Exchangeability ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture ³

Notes:

1 Effective for financial periods beginning on or after 1 January 2024

2 Effective for financial periods beginning on or after 1 January 2025

3 Effective date to be determined

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2023.

(a) Subsidiaries

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

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

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in steps, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

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

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

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

(b) Transactions with non-controlling interests

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

(c) Associated companies

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

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.2 Consolidation (Continued)

(c) Associated companies (Continued)

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

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

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

1.3 Segment reporting

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

1.4 Foreign currency translation

(a) Functional and presentation currency

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.4 Foreign currency translation (Continued)

(b) Transactions and balances

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

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

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

(c) Group companies

The results and financial position of the Group entities (which do not have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

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

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

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.5 Property, plant and equipment

(a) Land and buildings

Freehold land is stated at cost less impairment.

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

(b) Other property, plant and equipment

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

(c) Depreciation and impairment

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

Leasehold land	shorter of lease term or useful life
Buildings and leasehold improvements	2% - 20%
Furniture, fixtures and equipment and Plant and machinery	6 ² / ₃ % - 33 ¹ / ₃ %
Motor vehicles and company boat	15% - 20%

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

(d) Gain or loss on disposal

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

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.6 Intangible assets

(a) Goodwill

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

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

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

(b) System development, software and other license costs

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

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

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

Brand licenses are license contracts entered into with the brandholders by the Group in the capacity as licensee. Brand licenses are capitalized based on the upfront costs incurred and the present value of guaranteed royalty payments to be made subsequent to the inception of the license contracts. Brand licenses are amortized based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 3 years.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.6 Intangible assets (Continued)

(c) Other intangible assets

Intangible assets, other than goodwill, identified on business combinations are capitalized at their fair values. They represent mainly trademarks, buying agency agreements secured, and relationships with customers. Intangible assets arising from business combinations with definite useful lives are amortized on a straight-line basis from the date of acquisition over their estimated useful lives ranging from 2 to 20 years.

1.7 Impairment of investments in associated companies and non-financial assets

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

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

1.8 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and;
- those to be measured at amortized cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.8 Financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.8 Financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in profit or loss.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the receivables. For other financial assets carried at amortized cost, the Group applies the HKFRS 9 general approach to measure 12-month expected credit losses unless there is a significant increase in credit risk since initial recognition for which the Group measures the loss allowance based on lifetime rather than 12-month expected credit losses. When determining the appropriate level of provision for impairment for individual trade categories, all relevant factors, generally for the Group or specifically for that financial asset category, will be considered. Indicators that there is no reasonable expectation of recovery include, amongst others, debtor insolvency proceedings, the failure of a debtor to make ongoing settlement with the Group, failure to make contractual payments for a period of greater than 365 days past due and failure to agree on a settlement plan. Further detail is set out in *Note 33(b)*.

1.9 Inventories

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.10 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

1.11 Share capital

Ordinary shares are classified as equity.

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

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts.

1.13 Borrowings

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

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

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

1.14 Current and deferred tax

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.14 Current and deferred tax (Continued)

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

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

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

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

1.15 Employee benefits

(a) Employee leave entitlements

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

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

(b) Discretionary bonus

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.15 Employee benefits (Continued)

(c) Post-employment benefit obligations

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

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

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.16 Provisions

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

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

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

1.17 Contingent liabilities and contingent assets

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

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

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.18 Total margin

Total margin includes gross profit and other recurring income relating to Supply Chain Solutions and Onshore Wholesale segments.

1.19 Core operating profit

Core operating profit is the profit before taxation generated from the Supply Chain Solutions, Onshore Wholesale and Corporate Overhead segments, excluding share of results of associated companies, interest income, interest expenses, taxation, material gains or losses which are of capital nature, non-operational related or acquisition related cost. This also excludes amortization of other intangible assets which is non-cash item, and other non-core operating expenses which are non-operational items.

1.20 Revenue recognition

(a) Turnover from sales of goods

Turnover from sales of goods are primarily generated by the Supply Chain Solutions and Onshore Wholesale segments. Supply Chain Solutions segment provides end-to-end sourcing solutions of goods through the global network to a diverse portfolio of global brands and retail customers, while Onshore Wholesale segment focuses on trading-as-principal business.

Revenues are recognized when control of the goods has been transferred, being when the goods are delivered to the customers, the customers has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the goods. Delivery occurs when the goods have been shipped to the location specified by customer, the risks of obsolescence and loss have been transferred to the customers, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue is shown net of value-added tax, returns, claims and discounts and after eliminating sales within the Group.

The goods are often sold with volume rebate based on aggregate sales over a specific period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume rebate. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume rebate payable to customers in relation to sales made until the end of the reporting period.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.20 Revenue recognition (Continued)

(a) Turnover from sales of goods (Continued)

A contract liability is also recognized when the customers pay deposits before the Group transfers control of the goods to the customers.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Services fee from Logistics Services business

Logistics Services business of the Services segment includes in-country logistics and global freight management. In-country logistics business offers logistics services including distribution center management, order management and local transportation. Global freight management offers full services international freight solutions. Service income is recognized in the accounting period in which the provision of services occurs. Customers are invoiced upon the completion of services or on a regular basis.

Some contracts include multiple performance obligations and do not include any integration services. They are therefore accounted for as separate performance obligations. Revenue from each of the performance obligations is recognized at the stand-alone service price.

No element of financing is deemed present as the sales are made with a credit term up to 120 days, which is consistent with market practice.

1.21 Borrowing costs

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

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.22 Leases

Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

- **Assets leased to the Group**

Leases are initially recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight line basis as an expense in the consolidated profit and loss account. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

- **Assets leased out by the Group**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Where the Group leases out assets under operating leases, the assets are included in the consolidated balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.23 Derivative financial instruments and hedging activities

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

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in *Note 17*. Movements in the hedging reserve in shareholders' equity are shown in *Note 22*. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

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

The Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item subsequently results in the recognition of a non-financial asset, both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.23 Derivative financial instruments and hedging activities (Continued)

(a) Cash flow hedge (Continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset as inventory. When a forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated profit and loss account.

(b) Derivatives at fair value through profit or loss

Derivatives financial instruments recognized at fair value through profit or loss include certain derivative instruments that do not qualify for hedge accounting which is initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair values of derivative financial instruments are recognized immediately in the consolidated profit and loss account.

1.24 Trade payables

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

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

1.25 Dividend distribution

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.26 Financial guarantee contract

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

1.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit and loss over the period necessary to match them with the costs that they intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credit to profit or loss on a straight-line basis over the expected lives of the related assets.

1.28 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

1.29 Non-current assets held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (or disposal groups), except for certain assets as explained below, are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, and financial assets (other than investments in subsidiaries and associates), which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in *Note 1*.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation and material accounting policies (Continued)

1.29 Non-current assets held-for-sale and discontinued operations (Continued)

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

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

2 Critical accounting estimates and judgments

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Critical accounting estimates and judgments (Continued)

(a) Estimated impairment of intangible assets including goodwill

The Group tests annually, or when there are impairment indicators, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in *Note 1.6*. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of significant judgements that are based on a number of factors including actual operating results, internal forecasts, determination of an appropriate discount rate and long-term growth rate(*Note 9*).

(b) Income taxes

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

(c) Measurement of expected credit loss on receivables

For trade receivables that are assessed collectively, the Group estimates lifetime expected credit losses using provision models based on the Group's historical credit loss experience, adjusted for forward looking factors.

For other financial assets measured at amortised cost and trade receivables assessed individually, the Group applies the HKFRS 9 general approach to measure 12-month expected credit losses unless there is a significant increase in credit risk since initial recognition, when the Group measures the loss allowance based on lifetime rather than 12-month expected credit losses.

Details of the assessment are set out in *Note 33(b)*.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Segment information

The Group is principally engaged in managing the supply chain for retailers and brands worldwide across key production markets globally. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Group less discounts and returns.

The Group has identified Supply Chain Solutions, Onshore Wholesale, Logistics as separate individual segments according to the Group's business activities with the Corporate Overhead separately disclosed in the segment reporting.

During 2022, the Group obtained key regulatory approvals and completed the strategic divestment of Logistics. The Logistics were classified as Discontinued Operations and the results for the year were excluded from the segment and presented separately as one-line item below net profit of the Continuing Operations. The strategic divestment of Logistics was completed in August 2022. Further details of financial information of the Discontinued Operations are set out in *Note 28* to the financial information.

The Group's management (Chief Operating Decision-Maker) considers the segment disclosure provides a linkage between the financial information and the Group's business activities.

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Segment information (Continued)

	Supply Chain Solutions US\$'000	Onshore Wholesale US\$'000	Corporate Overhead US\$'000	Elimination US\$'000	Total US\$'000
<u>Year ended 31 December 2023</u>					
Turnover	4,939,501	1,200,268	-	(1,634)	6,138,135
Total margin	226,040	228,637	-		454,677
Operating costs	(148,131)	(175,269)	(26,203)		(349,603)
Core operating profit/(loss)	77,909	53,368	(26,203)		105,074
Amortization of other intangible assets					(11,694)
Other non-core operating gains net of expenses					5,894
Operating profit					99,274
Interest income					24,784
Interest expenses					
Non-cash interest expenses					(3,507)
Cash interest expenses					(36,257)
					(39,764)
Share of net profits of associated companies					19
Profit before taxation					84,313
Taxation					(29,030)
Net profit for the year					55,283
Depreciation and amortization	15,151	16,971	3,987		36,109
<u>31 December 2023</u>					
Non-current assets (other than financial assets at fair value through other comprehensive income and deferred tax assets)	1,000,117	733,500	7,689		1,741,306

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Segment information (Continued)

	Supply Chain Solutions US\$'000	Onshore Wholesale US\$'000	Corporate Overhead US\$'000	Elimination US\$'000	Total US\$'000
<u>Year ended 31 December 2022</u>					
<u>Continuing Operations</u>					
Turnover	6,130,299	1,484,320	-	(6,714)	7,607,905
Total margin	285,453	228,092	-		513,545
Operating costs	(177,038)	(169,050)	(32,819)		(378,907)
Core operating profit/(loss)	108,415	59,042	(32,819)		134,638
Amortization of other intangible assets					(12,294)
Other non-core operating expenses net of gains					(5,739)
Operating profit					116,605
Interest income					10,757
Interest expenses					
Non-cash interest expenses					(3,314)
Cash interest expenses					(64,985)
					(68,299)
Share of net losses of associated companies					(121)
Profit before taxation					58,942
Taxation					(19,809)
Profit for the year from Continuing Operations					39,133
<u>Discontinued Operations</u>					
Profit for the year from Discontinued Operations					1,568,093
Net profit for the year					1,607,226
Depreciation and amortization (Continuing Operations)	20,250	20,788	10,122		51,160
<u>31 December 2022</u>					
Non-current assets (other than financial assets at fair value through other comprehensive income and deferred tax assets)	942,313	721,818	6,179		1,670,310

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NOTES TO THE FINANCIAL STATEMENTS

3 Segment information (Continued)

The geographical analysis of turnover to external customers of Continuing Operations and non-current assets (other than financial assets at fair value through other comprehensive income and deferred tax assets) is as follows:

	Turnover		Non-current assets (other than financial assets at fair value through other comprehensive income and deferred tax assets) As at 31 December	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
United States of America	4,042,516	5,092,239	912,389	891,824
Europe	1,585,644	1,855,309	699,730	656,547
Asia	86,006	118,281	34,919	29,033
Rest of the world	423,969	542,076	94,268	92,906
	<u>6,138,135</u>	<u>7,607,905</u>	<u>1,741,306</u>	<u>1,670,310</u>

Turnover to external customers consists of sales of goods of Supply Chain Solutions Segment and Onshore Wholesale Segment as follows:

	2023 US\$'000	2022 US\$'000
Sales of goods of Supply Chain Solutions business	4,938,986	6,126,845
Sales of goods of Onshore Wholesale business	1,199,149	1,481,060
	<u>6,138,135</u>	<u>7,607,905</u>

Turnover to external customers consists of sales of soft goods and hard goods as follows:

	2023 US\$'000	2022 US\$'000
Sales of soft goods	4,029,438	5,061,956
Sales of hard goods	2,108,697	2,545,949
	<u>6,138,135</u>	<u>7,607,905</u>

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NOTES TO THE FINANCIAL STATEMENTS

3 Segment information (Continued)

For the year ended 31 December 2023, approximately 21% (2022: 22%), 11% (2022: 10%) and 11% (2022: 10%) of the total turnover of the Group's Continuing Operations were derived from three external customers respectively, of which 21% (2022: 22%), 11% (2022: 10%) and 11% (2022: 10%) were attributable to Supply Chain Solutions Segment and less than 1% (2022: 0%), 0% (2022: 0%) and 0% (2022: 0%) were attributable to Onshore Wholesale Segment respectively.

Segment information for the Discontinued Operations is set out in *Note 28(b)*.

4 Operating profit from Continuing Operations

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

	2023 US\$'000	2022 US\$'000
<u>Crediting</u>		
Reversal of impairment losses on financial assets	15,778	-
Gain on disposals and modifications of right-of-use assets	120	2,824
Gain on early settlement of long-term notes (<i>Note 24</i>) ⁽ⁱ⁾	12,549	39,779
Gain on remeasurement of contingent consideration payable ⁽ⁱ⁾	-	4,198
Net exchange gains	3,993	3,747
<u>Charging</u>		
Cost of inventories sold	5,721,689	7,115,415
Other reorganization costs ⁽ⁱ⁾	3,656	28,509
Depreciation of property, plant and equipment (<i>Note 10</i>)	4,088	7,550
Loss on disposal of property, plant and equipment (<i>Note 10</i>)	385	3,048
Write-off of property, plant and equipment (<i>Note 10</i>) ⁽ⁱ⁾	-	4,347
Write-off of system development, software and other license costs (<i>Note 9</i>)	116	-
Write-off of system development, software and other license costs on reorganization (<i>Note 9</i>) ⁽ⁱ⁾	-	3,921
Net (decrease)/increase in impairment losses on financial assets (<i>Notes 18, 33(b)</i>)	(2,636)	4,178
Amortization of system development, software and other license costs (<i>Note 9</i>)	2,265	2,350
Amortization of other intangible assets (<i>Note 9</i>)	11,694	12,294
Amortization of right-of-use assets (<i>Note 11</i>)	18,062	28,966
Staff costs including directors' emoluments (<i>Note 8</i>) ⁽ⁱⁱ⁾	241,372	262,538
Impairment losses on right-of-use assets on reorganization (<i>Note 11</i>) ⁽ⁱ⁾	-	12,939

Note:

(i) Included in other non-core operating gains/expenses

(ii) Included staff costs incurred as other non-core operating expenses

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****4 Operating profit from Continuing Operations (Continued)**

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

	2023 US\$'000	2022 US\$'000
Audit services	2,390	2,044
Non-audit services		
- taxation services	466	542
- others	1,164	345
Total remuneration to auditors charged to consolidated profit and loss account	4,020	2,931

Note:

Of the above audit and non-audit services fees, US\$1,855,000 (2022: US\$1,875,000) and US\$1,630,000 (2022: US\$887,000), respectively are payable to the Company's auditor.

With the aim to mitigate the economic impact of the COVID-19 pandemic, many government aid packages have been offered globally since 2020. These aids range from tax changes, loans, direct payments and waivers of levy, social security savings and duties ("Subsidies"). Subsidies received/enjoyed by the Group were recognized in the profit or loss in accordance with the accounting policy (*Note 1.27*).

5 Interest expenses from Continuing Operations

	2023 US\$'000	2022 US\$'000
Non-cash interest expenses on long-term notes and lease liabilities	3,507	3,314
Cash interest on bank loans, overdrafts and long-term notes	36,257	64,985
	39,764	68,299

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NOTES TO THE FINANCIAL STATEMENTS

6 Taxation from Continuing Operations

Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 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:

	2023 US\$'000	2022 US\$'000
Current taxation		
- Hong Kong profits tax	2,942	1,919
- Overseas taxation	20,931	10,854
Under provision in prior years	5,348	471
Deferred taxation (<i>Note 26</i>)	(191)	6,565
	<u>29,030</u>	<u>19,809</u>

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

	2023 %	2022 %
Calculated at a taxation rate of	16.5	16.5
Effect of different taxation rates in other countries	(1.5)	(7.4)
Expenses net of income not deductible for tax purpose	14.8	16.9
Withholding tax	-	9.4
Under provision in prior years	6.3	0.8
Utilization of previously unrecognized tax losses	(8.6)	(10.2)
Tax losses not recognized	6.9	7.6
Effective tax rate	<u>34.4</u>	<u>33.6</u>

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation will come into effect from 1 January 2024 in certain jurisdiction where the Group has operations. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12.

Under the legislation, the Group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion Proposal ("GloBE") effective tax rate for each jurisdiction and the 15% minimum rate.

The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable.

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NOTES TO THE FINANCIAL STATEMENTS

7 Dividends

	2023 US\$'000	2022 US\$'000
Interim, paid, of US\$Nil (2022: US\$0.139) per ordinary share	-	1,275,000

8 Staff costs and key management compensation from Continuing Operations

	2023 US\$'000	2022 US\$'000
Salaries and bonuses	214,771	234,728
Staff benefits	8,976	8,135
Pension costs of defined contribution plans	15,545	18,139
Pension costs of defined benefit plans	1,498	1,531
Long-service payments	582	5
	<u>241,372</u>	<u>262,538</u>
Including:		
Key management compensation		
Salary, bonuses, benefit, allowance and benefit	18,377	20,516
Pension costs of defined contribution plans, defined benefit plans and long-service payments	254	250
	<u>18,631</u>	<u>20,766</u>

Notes:

(a) Staff costs of the Continuing Operations amounted to US\$212,853,000 (2022: US\$229,811,000), US\$25,519,000 (2022: US\$26,920,000) and US\$3,000,000 (2022: US\$5,807,000) have been expensed in merchandising and administrative expenses, selling and distribution expenses and other non-core operating expenses respectively.

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NOTES TO THE FINANCIAL STATEMENTS

9 Intangible assets

	Other intangible assets						
	Goodwill US\$'000	System development, software and other license costs US\$'000	Buying agency agreements US\$'000	Customer relationships US\$'000	Patents, trademarks and brandnames US\$'000	Others US\$'000	Total US\$'000
At 1 January 2023							
Cost	1,560,294	24,036	67,867	189,521	25,076	301	1,867,095
Accumulated amortization	-	(21,771)	(60,080)	(151,639)	(23,154)	(301)	(256,945)
Net book amount	<u>1,560,294</u>	<u>2,265</u>	<u>7,787</u>	<u>37,882</u>	<u>1,922</u>	<u>-</u>	<u>1,610,150</u>
Year ended 31 December 2023							
Opening net book amount	1,560,294	2,265	7,787	37,882	1,922	-	1,610,150
Exchange differences							
Additions	22,608	226	-	2,483	3	-	25,320
Amortization (Note 4)	-	1,303	-	-	-	-	1,303
Write-off (Note 4)	-	(2,265)	(1,540)	(9,587)	(567)	-	(13,959)
	-	(116)	-	-	-	-	(116)
Closing net book amount	<u>1,582,902</u>	<u>1,413</u>	<u>6,247</u>	<u>30,778</u>	<u>1,358</u>	<u>-</u>	<u>1,622,698</u>
At 31 December 2023							
Cost	1,582,902	17,321	67,867	191,294	25,301	301	1,884,986
Accumulated amortization	-	(15,908)	(61,620)	(160,516)	(23,943)	(301)	(262,288)
Net book amount	<u>1,582,902</u>	<u>1,413</u>	<u>6,247</u>	<u>30,778</u>	<u>1,358</u>	<u>-</u>	<u>1,622,698</u>

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NOTES TO THE FINANCIAL STATEMENTS

9 Intangible assets (Continued)

	Other intangible assets						
	Goodwill US\$'000	System development, software and other license costs US\$'000	Buying agency agreements US\$'000	Customer relationships US\$'000	Patents, trademarks and brandnames US\$'000	Others US\$'000	Total US\$'000
At 1 January 2022							
Cost	2,183,478	65,494	67,867	196,989	25,313	11,941	2,551,082
Accumulated amortization	-	(35,509)	(58,540)	(144,060)	(22,630)	(6,249)	(266,988)
Net book amount	2,183,478	29,985	9,327	52,929	2,683	5,692	2,284,094
Year ended 31 December 2022							
Opening net book amount	2,183,478	29,985	9,327	52,929	2,683	5,692	2,284,094
Continuing Operations							
Exchange differences	(39,639)	(188)	-	(2,967)	(39)	-	(42,823)
Additions	-	859	-	-	-	-	859
Amortization (Note 4)	-	(2,350)	(1,540)	(10,032)	(722)	-	(14,644)
Write-off (Note 4)	-	(3,921)	-	-	-	-	(3,921)
Discontinued Operations							
Exchange differences	(2,193)	(145)	-	-	-	-	(2,338)
Additions	-	4,086	-	-	-	-	4,086
Amortization	-	(1,851)	-	(150)	-	(388)	(2,389)
Disposal	-	(5)	-	-	-	-	(5)
Disposal of Business	(581,352)	(24,205)	-	(1,908)	-	(5,304)	(612,769)
Closing net book amount	1,560,294	2,265	7,787	37,882	1,922	-	1,610,150

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NOTES TO THE FINANCIAL STATEMENTS

9 Intangible assets (Continued)

		Other intangible assets					
		System development, software and other license costs	Buying agency agreements	Customer relationships	Patents, trademarks and brandnames	Others	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 31 December 2022							
Cost	1,560,294	24,036	67,867	189,521	25,076	301	1,867,095
Accumulated amortization	-	(21,771)	(60,080)	(151,639)	(23,154)	(301)	(256,945)
Net book amount	1,560,294	2,265	7,787	37,882	1,922	-	1,610,150

Amortization of system development, software and other license costs from the Continuing Operations of US\$2,265,000 (2022: US\$2,192,000) and US\$Nil (2022: US\$158,000) have been expensed in merchandising and administrative expenses and selling and distribution expenses respectively.

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****9 Intangible assets (Continued)****Impairment test for goodwill**

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

A summary of goodwill by reporting segment is presented below.

	2023 US\$'000	2022 US\$'000
Supply Chain Solutions	885,943	883,565
Onshore Wholesale	696,959	676,729
	<u>1,582,902</u>	<u>1,560,294</u>

In accordance with HKAS 36 "Impairment of Assets" the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. Goodwill impairment reviews have been performed at the lowest level of CGU which generates cash flow independently. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on a one-year approved budget, four-year estimates and another five-year projections based on business outlook (2022: one-year approved budget and four-year estimates) prepared by management, which is considered appropriate in view of the management's anticipated business environment, long-term business strategy and business developments. These cash flow projections are extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 5%. The pre-tax discount rate used was ranged from 11.5% - 13.5% (2022: 10% - 12%) and reflects specific risks related to the relevant segments. The budgeted sales growth rates are determined by management for each individual CGU based on past performance and its expectations for market development. Management believes that any reasonably foreseeable changes in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

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10 Property, plant and equipment

	Leasehold improvements US\$'000	Furniture, fixtures and equipment US\$'000	Plant and machinery US\$'000	Motor vehicles and company boat US\$'000	Total US\$'000
At 1 January 2023					
Cost	22,172	44,233	3,782	1,439	71,626
Accumulated depreciation	(16,264)	(38,446)	(3,633)	(1,269)	(59,612)
Net book amount	<u>5,908</u>	<u>5,787</u>	<u>149</u>	<u>170</u>	<u>12,014</u>
Year ended 31 December 2023					
Opening net book amount	5,908	5,787	149	170	12,014
Exchange differences	(9)	(22)	10	(1)	(22)
Additions	1,088	1,667	103	3	2,861
Disposals (<i>Note 4</i>)	(257)	(124)	-	(4)	(385)
Depreciation (<i>Note 4</i>)	(1,707)	(2,263)	(78)	(40)	(4,088)
Closing net book amount	<u>5,023</u>	<u>5,045</u>	<u>184</u>	<u>128</u>	<u>10,380</u>
At 31 December 2023					
Cost	22,267	40,340	4,088	1,278	67,973
Accumulated depreciation	(17,244)	(35,295)	(3,904)	(1,150)	(57,593)
Net book amount	<u>5,023</u>	<u>5,045</u>	<u>184</u>	<u>128</u>	<u>10,380</u>

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NOTES TO THE FINANCIAL STATEMENTS

10 Property, plant and equipment (Continued)

	Leasehold improvements US\$'000	Furniture, fixtures and equipment US\$'000	Plant and machinery US\$'000	Motor vehicles and company boat US\$'000	Total US\$'000
At 1 January 2022					
Cost	107,296	98,083	182,564	2,550	390,493
Accumulated depreciation	(63,437)	(55,609)	(56,964)	(78)	(176,088)
Net book amount	43,859	42,474	125,600	2,472	214,405
Year ended 31 December 2022					
Opening net book amount	43,859	42,474	125,600	2,472	214,405
Continuing Operations					
Exchange differences	(20)	(50)	(17)	(10)	(97)
Additions	879	3,026	38	139	4,082
Write-off (Note 4)	(1,950)	(2,397)	-	-	(4,347)
Disposals (Note 4)	(1,901)	(1,135)	(12)	-	(3,048)
Depreciation (Note 4)	(3,314)	(4,080)	(127)	(29)	(7,550)
Discontinued Operations					
Exchange differences	(2,234)	(2,269)	(8,093)	(145)	(12,741)
Additions	3,230	6,984	11,417	1,142	22,773
Disposals	(200)	(427)	(1,068)	(43)	(1,738)
Depreciation	(4,845)	(4,696)	(9,496)	(253)	(19,290)
Disposal of Business	(27,596)	(31,643)	(118,093)	(3,103)	(180,435)
Closing net book amount	5,908	5,787	149	170	12,014
At 31 December 2022					
Cost	22,172	44,233	3,782	1,439	71,626
Accumulated depreciation	(16,264)	(38,446)	(3,633)	(1,269)	(59,612)
Net book amount	5,908	5,787	149	170	12,014

Depreciation for the Continuing Operations of US\$4,088,000 (2022: US\$7,550,000) has been expensed in merchandising and administrative expenses.

LI & FUNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
11 Right-of-use assets

	Land and buildings US\$'000	Equipment and others US\$'000	Total US\$'000
At 1 January 2023			
Cost	106,097	5,951	112,048
Accumulated amortization	(72,902)	(2,796)	(75,698)
Net book amount	<u>33,195</u>	<u>3,155</u>	<u>36,350</u>
Year ended 31 December 2023			
Opening net book amount	33,195	3,155	36,350
Exchange differences	(138)	11	(127)
Additions	22,563	519	23,082
Disposals and modifications	(1,117)	(9)	(1,126)
Amortization (<i>Note 4</i>)	(16,686)	(1,376)	(18,062)
Closing net book amount	<u>37,817</u>	<u>2,300</u>	<u>40,117</u>
At 31 December 2023			
Cost	108,912	6,377	115,289
Accumulated amortization	(71,095)	(4,077)	(75,172)
Net book amount	<u>37,817</u>	<u>2,300</u>	<u>40,117</u>

LI & FUNG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
11 Right-of-use assets (Continued)

	Land and buildings US\$'000	Equipment and others US\$'000	Total US\$'000
At 1 January 2022			
Cost	821,485	19,577	841,062
Accumulated amortization	(455,477)	(7,992)	(463,469)
Net book amount	<u>366,008</u>	<u>11,585</u>	<u>377,593</u>
Year ended 31 December 2022			
Opening net book amount	366,008	11,585	377,593
<u>Continuing Operations</u>			
Exchange differences	(2,245)	(323)	(2,568)
Additions	6,321	496	6,817
Disposals and modifications	(5,356)	-	(5,356)
Impairment charges (<i>Note 4</i>)	(12,939)	-	(12,939)
Amortization (<i>Note 4</i>)	(27,380)	(1,586)	(28,966)
<u>Discontinued Operations</u>			
Exchange differences	(21,226)	(337)	(21,563)
Additions	113,170	1,143	114,313
Disposals and modifications	(13,750)	(58)	(13,808)
Amortization	(58,937)	(1,530)	(60,467)
Disposal of Business	<u>(310,471)</u>	<u>(6,235)</u>	<u>(316,706)</u>
Closing net book amount	<u>33,195</u>	<u>3,155</u>	<u>36,350</u>
At 31 December 2022			
Cost	106,097	5,951	112,048
Accumulated amortization	(72,902)	(2,796)	(75,698)
Net book amount	<u>33,195</u>	<u>3,155</u>	<u>36,350</u>

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NOTES TO THE FINANCIAL STATEMENTS

12 Prepaid premium for land leases

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

	2022 US\$'000
Beginning of the year	12
<u>Discontinued Operations</u>	
Amortization	(1)
Exchange differences	(1)
Disposal of Business	(10)
End of the year	-

In 2022, amortization of US\$1,000 had been expensed in selling and distribution expenses from Discontinued Operations.

13 Associated companies

	2023 US\$'000	2022 US\$'000
Beginning of the year	445	8,067
<u>Continued Operations</u>		
Share of net profits/(losses) of associated companies	19	(121)
Additions	-	318
Exchange differences	(32)	(41)
<u>Discontinued Operations</u>		
Share of net profits of associated companies	-	315
Disposal of Business	-	(8,093)
End of the year	432	445

Details of principal associated company are set out in *Note 37*.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 Financial assets at fair value through other comprehensive income and through profit or loss

(a) Financial assets at fair value through other comprehensive income

	2023 US\$'000	2022 US\$'000
Beginning of the year	3,365	3,062
Fair value gains, net of tax (<i>Note 22</i>)	184	303
Disposal	(128)	-
End of the year	<u>3,421</u>	<u>3,365</u>

Financial assets at fair value through other comprehensive income are club debentures (*Note 35*) and denominated in HK dollars.

(b) Financial assets at fair value through profit or loss

	2023 US\$'000	2022 US\$'000
Beginning of the year	11,351	4,250
Additions	5,000	7,101
End of the year	<u>16,351</u>	<u>11,351</u>

Financial assets at fair value through profit or loss are investment funds held by the Group (*Note 35*) and denominated in US dollars.

15 Inventories

	2023 US\$'000	2022 US\$'000
Finished goods	94,350	143,422
Raw materials	4,542	3,800
	<u>98,892</u>	<u>147,222</u>

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NOTES TO THE FINANCIAL STATEMENTS

16 Due from/(to) related companies

	2023 US\$'000	2022 US\$'000
<u>Trade</u>		
Due from:		
Associated companies	261	-
Other related companies	3,719	2,092
	<u>3,980</u>	<u>2,092</u>
	-----	-----
<u>Non-trade</u>		
Due from:		
Other related companies	195,517	115,523
	<u>199,497</u>	<u>117,615</u>
	=====	=====
Due to:		
Other related companies	(19,489)	(35,764)
	<u>(19,489)</u>	<u>(35,764)</u>
	=====	=====

These amounts (net of provision for impairment) are unsecured, interest free and repayable on demand. The fair values of amounts due from related companies are approximately the same as their carrying values.

The Group applies the HKFRS 9 general approach to measure expected credit losses for the amounts due from related companies unless there is a significant increase in credit risk since initial recognition for which the Group measures the loss allowance based on lifetime rather than 12-month expected credit losses. As at 31 December 2023, the loss allowance for impairment of amount due from a related company measured at lifetime expected credit loss amounted to US\$Nil (2022: US\$569,227,000).

Movements in the Group's provision for impairment of amounts due from related companies are as follows:

	2023 US\$'000	2022 US\$'000
As at 1 January	569,227	569,227
Write-off against amount due from related companies	(569,227)	-
	<u>-</u>	<u>-</u>
As at 31 December	<u>-</u>	<u>569,227</u>
	=====	=====

Details of the assessment are set out in *Note 33(b)*.

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****17 Derivative financial instruments**

	2023 US\$'000	2022 US\$'000
Foreign exchange forward contracts - liabilities	2,484	4,066

Loss in equity of US\$1,451,000 (2022: loss in equity of US\$2,053,000) on foreign exchange forward contracts as of 31 December 2023 will be released to the consolidated profit and loss account at various dates between one month to one year from the balance sheet date (*Note 22*).

For the years ended 31 December 2023 and 2022, no material amounts were recognized in the consolidated profit and loss account arising from ineffective cash flow hedges.

18 Trade and other receivables

	2023 US\$'000	2022 US\$'000
Trade and bills receivable – net of provision for impairment	671,725	808,024
Other receivables, prepayments and deposits – net of provision for impairment	113,142	63,138
	784,867	871,162
Less: non-current portion other receivables, prepayments and deposits	(51,328)	-
	733,539	871,162

The fair values of the Group's trade and other receivables were approximately the same as their carrying values as at 31 December 2023.

The Group's 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 and bills receivable, as the Group has a large number of customers internationally dispersed.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Details of the assessment are set out in *Note 33(b)*.

As of 31 December 2023, outstanding trade receivables of US\$6,068,000 (2022: US\$144,543,000) and other receivables of US\$3,649,000 (2022: US\$6,375,000) were considered impaired and were fully provided for.

The non-current portion of other receivables, prepayments and deposits includes a deposit of US\$50,000,000 for the acquisition of certain units of a property in Hong Kong (the "Property") from a subsidiary of a major shareholder (*Note 32*).

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 Trade and other receivables (Continued)

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

	2023 US\$'000	2022 US\$'000
As at 1 January	150,918	161,184
<u>Continuing Operations</u>		
Net (decrease)/increase in impairment loss allowance for trade receivables and other receivables (<i>Note 4</i>)	(2,636)	4,178
Write-off against trade and other receivables (<i>Note 33(b)</i>)	(138,591)	(6,185)
Exchange difference	26	(101)
<u>Discontinued Operations</u>		
Net increase in impairment loss allowance for trade receivables and other receivables	-	830
Write-off against trade and other receivables	-	(3,463)
Exchange difference	-	(153)
Disposal of Business	-	(5,372)
As at 31 December	<u>9,717</u>	<u>150,918</u>

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

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

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

	2023 US\$'000	2022 US\$'000
US dollar	640,003	792,550
HK dollar	4,408	8,851
Euro	50,399	32,820
Pound sterling	4,012	7,187
Renminbi	16,484	11,916
Indian rupee	6,447	6,181
Others	11,786	11,657
	<u>733,539</u>	<u>871,162</u>

The Group has recognized return assets in relation to expected refunds from customers amounting to US\$2,138,000 (2022: US\$1,945,000).

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****19 Cash and cash equivalents and short-term bank deposits**

	2023 US\$'000	2022 US\$'000
Cash and bank balances	213,840	768,180
Short-term bank deposits	238,454	-
	<u>452,294</u>	<u>768,180</u>

The effective interest rate at the balance sheet date on bank balances and bank deposits were 3.8% (2022: 3.6%) per annum; these deposits have an average maturity period of 197 days (2022: 70 days).

20 Trade and other payables

	2023 US\$'000	2022 US\$'000
Trade and bills payable	863,675	1,019,862
Accrued charges and sundry payables	508,778	543,059
	<u>1,372,453</u>	<u>1,562,921</u>

The fair values of the Group's trade and other payables were approximately the same as their carrying values as at 31 December 2023.

The Group has recognized revenue related refund liabilities amounting to US\$22,037,000 (2022: US\$20,003,000).

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NOTES TO THE FINANCIAL STATEMENTS

21 Share Capital

	No. of shares (in thousand)	HK\$'000	Equivalent US\$'000
<u>Authorized</u>			
At 1 January 2022, ordinary shares of HK\$0.0125 each	12,000,000	150,000	19,231
At 31 December 2022, ordinary shares of HK\$0.0125 each	12,000,000	150,000	19,231
At 1 January 2023, ordinary shares of HK\$0.0125 each	12,000,000	150,000	19,231
At 31 December 2023, ordinary shares of HK\$0.0125 each	12,000,000	150,000	19,231
<u>Issued and fully paid</u>			
At 1 January 2022 and 31 December 2022, ordinary shares of HK\$0.0125 each	9,159,927	114,499	14,686
At 1 January 2023 and 31 December 2023, ordinary shares of HK\$0.0125 each	9,159,927	114,499	14,686

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22 Reserves

	Capital reserve US\$'000 (Note (i))	Contribution surplus US\$'000 (Note (ii))	Revaluation reserve US\$'000	Hedging reserve US\$'000	Defined benefit obligation reserve US\$'000	Exchange reserve US\$'000	Total US\$'000
Balance at 1 January 2023	32,004	190,451	2,886	(2,053)	(16,413)	(235,638)	(28,763)
Other comprehensive income/(expense)							
Currency translation differences	-	-	-	-	-	27,326	27,326
Net fair value gains on financial assets at fair value through other comprehensive income, net of tax (Note 14)	-	-	184	-	-	-	184
Net fair value gains on cash flow hedges, net of tax	-	-	-	602	-	-	602
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	-	-	-	-	(81)	-	(81)
Transactions with owners in their capacity as owners							
Transfer from capital reserve	(282)	-	-	-	-	-	(282)
Balance at 31 December 2023	31,722	190,451	3,070	(1,451)	(16,494)	(208,312)	(1,014)

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NOTES TO THE FINANCIAL STATEMENTS

22 Reserves (Continued)

	Capital reserve US\$'000 (Note (i))	Contribution surplus US\$'000 (Note (ii))	Revaluation reserve US\$'000	Hedging reserve US\$'000	Defined benefit obligation reserve US\$'000	Exchange reserve US\$'000	Total US\$'000
Balance at 1 January 2022	32,157	190,451	2,583	3,064	(12,611)	(208,620)	7,024
Other comprehensive (expense)/income							
Currency translation differences	-	-	-	-	-	(64,713)	(64,713)
Realization of currency translation differences upon disposal of Business	-	-	-	-	-	21,835	21,835
Realization of currency translation differences upon disposal of subsidiaries	-	-	-	-	-	15,860	15,860
Net fair value gains on financial assets at fair value through other comprehensive income, net of tax (Note 4)	-	-	303	-	-	-	303
Net fair value gains on cash flow hedges, net of tax	-	-	-	(5,117)	-	-	(5,117)
Remeasurement of post-employment benefit obligations recognized in reserve, net of tax	-	-	-	-	(3,802)	-	(3,802)
Transactions with owners in their capacity as owners							
Transfer from capital reserve	(153)	-	-	-	-	-	(153)
Balance at 31 December 2022	32,004	190,451	2,886	(2,053)	(16,413)	(235,636)	(28,763)

Notes:

- (i) Capital reserve represents amount set aside from the profit of certain overseas subsidiaries of the Group in accordance with local statutory requirements.
- (ii) Contribution surplus arises from the transfer from share premium of US\$3,000,000,000 offset by the distribution in specie of US\$2,290,000,000 in prior years and the distribution of a special dividend of US\$519,549,000 in 2018.

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NOTES TO THE FINANCIAL STATEMENTS

23 Perpetual capital securities

On 3 November 2016, the Company issued perpetual subordinated capital securities (the “Perpetual Capital Securities”) with an aggregate principal amount of US\$650 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities were classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 31 December 2023 and 2022 included the accrued distribution payments.

24 Long-term liabilities

	2023 US\$'000	2022 US\$'000
Long-term notes – unsecured	312,970	521,300
Lease liabilities	55,348	54,645
	368,318	575,945
Current portion of lease liabilities	(18,919)	(15,083)
	349,399	560,862

During the year, the Group redeemed certain unsecured long-term notes issued to independent third parties amounting to US\$209,170,000 (2022: US\$576,364,000). After such redemption and as at 31 December 2023, the Group had unsecured long-term notes issued to independent third parties amounting to US\$312,970,000 (2022: US\$521,300,000) and a gain of US\$12,549,000 (2022: US\$39,779,000) was recognized. The remaining notes will mature in 2025 with annual coupon at 5%.

The maturity of financial liabilities is as follows:

	2023 US\$'000	2022 US\$'000
Within 1 year	18,919	15,083
Between 1 and 2 years	329,385	12,056
Between 2 and 5 years	20,014	544,513
Wholly repayable within 5 years	368,318	571,652
Over 5 years	-	4,293
	368,318	575,945

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****24 Long-term liabilities (Continued)**

The fair values of long-term financial liabilities are as follows:

	2023 US\$'000	2022 US\$'000
Long-term notes – unsecured	301,567	462,399
Lease liabilities	55,348	54,645
	<u>356,915</u>	<u>517,044</u>

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

	2023 US\$'000	2022 US\$'000
US dollar	342,604	558,325
HK dollar	4,984	-
Euro	3,517	4,527
Pound sterling	3,283	3,881
Renminbi	6,697	4,241
Vietnamese dong	2,515	345
Others	4,718	4,626
	<u>368,318</u>	<u>575,945</u>

25 Post-employment benefit obligations

	2023 US\$'000	2022 US\$'000
Pension obligations (Note)	1,891	5,374
Long-service payment liabilities	1,137	498
	<u>3,028</u>	<u>5,872</u>

Note:

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

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NOTES TO THE FINANCIAL STATEMENTS

25 Post-employment benefit obligations (Continued)

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

	2023 US\$'000	2022 US\$'000
Present value of funded obligations	18,986	20,026
Fair value of plan assets	(17,465)	(14,652)
Effect of asset ceiling	370	-
Net liabilities in the consolidated balance sheet	<u>1,891</u>	<u>5,374</u>

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

	2023 US\$'000	2022 US\$'000
Current service cost	891	1,177
Past service cost and gains on settlements	12	-
Administrative expenses	192	124
Net interest expense	403	230
Total, included in staff costs	<u>1,498</u>	<u>1,531</u>

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

	2023 US\$'000	2022 US\$'000
At 1 January	14,652	28,657
Interest income	580	324
Exchange differences	568	(1,924)
Administrative expenses	(192)	(124)
Contributions	3,351	1,195
Benefits paid	(2,072)	(1,107)
Actuarial gains/(losses) on plan assets	578	(3,832)
Transfer out	-	(8,537)
At 31 December	<u>17,465</u>	<u>14,652</u>

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NOTES TO THE FINANCIAL STATEMENTS

25 Post-employment benefit obligations (Continued)

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

	2023 US\$'000	2022 US\$'000
At 1 January	20,026	30,856
Current service cost	891	1,177
Interest cost	983	554
Past service cost and gains on settlements	12	-
Actuarial losses from changes in experiences	711	3,718
Actuarial gains from changes in financial assumptions	(227)	(4,993)
Actuarial gains from changes in demographic assumptions	(243)	(1)
Exchange differences	303	(2,635)
Benefits paid	(2,661)	(1,918)
Transfer out	(809)	(6,732)
At 31 December	<u>18,986</u>	<u>20,026</u>

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

	2023 US\$'000	2022 US\$'000
At 1 January	5,374	2,199
Exchange differences	(265)	(711)
Total expense charged in the consolidated profit and loss account	1,498	1,531
Remeasurement (gains)/losses recognized in other comprehensive income	(337)	2,556
Contributions paid	(3,351)	(1,195)
Benefits paid	(589)	(811)
Transfer (out)/in, net	(809)	1,805
Effect of asset ceiling	370	-
At 31 December	<u>1,891</u>	<u>5,374</u>

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

	2023 %	2022 %
Discount rate	1.2-16.0	1.3-8.3
Salary growth rate	2.0-15.0	2.0-8.5
Pension growth rate	2.0-5.0	2.0-5.0

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25 Post-employment benefit obligations (Continued)

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

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	<u>±0.25%</u>	<u>-2.57%</u>	<u>2.67%</u>

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

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

- (vii) Plan assets comprised:

	2023 US\$'000	2022 US\$'000
<u>Quoted assets</u>		
Cash and cash equivalents	7,672	5,926
Equity instruments		
European	161	765
American	994	1,756
Asian	131	123
Global	298	92
Debt instruments		
Government securities	3,932	2,660
Other securities and debt instruments	4,277	2,643
Investment funds		
Investment bond funds	-	645
Others	-	42
	<u>17,465</u>	<u>14,652</u>

The weighted average duration of the defined benefit obligation ranges from 4.6 to 10.7 years as at 31 December 2023.

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****25 Post-employment benefit obligations (Continued)**

(viii) Expected maturity analysis of benefit payments:

	Within 10 years US\$'000	Between 10-20 years US\$'000	Beyond 20 years US\$'000
At 31 December 2023			
Expected benefit payments	14,298	14,576	8,346

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

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

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

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****26 Deferred taxation**

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

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

	2023 US\$'000	2022 US\$'000
At 1 January	(7,982)	(22,202)
<u>Continuing Operations</u>		
(Credited)/charged to consolidated profit and loss account (<i>Note 6</i>)	(191)	6,565
Charged/(credited) to other comprehensive income	2,917	(2,052)
Exchange differences	(141)	(373)
<u>Discontinued Operations</u>		
Credited to consolidated profit and loss account	-	(1,051)
Charged to other comprehensive income	-	3
Exchange differences	-	1,114
Disposal of Business	-	10,014
At 31 December	<u>(5,397)</u>	<u>(7,982)</u>

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The Group has unrecognized tax losses of US\$296,043,000 (2022: US\$298,649,000) to carry forward against future taxable income, out of which US\$5,316,000 will expire during 2024-2029. Deferred tax assets for these tax losses are not recognized as it is not probable that related tax assets will be utilized in the foreseeable future.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Deferred taxation (Continued)

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

	Provisions		Decelerated tax depreciation allowances		Tax losses		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Deferred tax assets	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January	647	6,266	1,710	8,834	22,712	23,864	3,668	4,296	28,737	43,260
Continuing Operations										
Credited/(charged) to consolidated profit and loss account	1,168	(267)	(65)	(169)	(769)	137	(1,899)	(2,615)	(1,565)	(2,914)
Credited/(charged) to other comprehensive income	11	(33)	-	-	-	-	-	2,085	11	2,052
Exchange differences	20	(21)	-	(88)	180	(486)	(10)	(98)	190	(693)
Discontinued Operations										
Credited/(charged) to consolidated profit and loss account	-	788	-	(352)	-	715	-	-	-	1,151
Charged to other comprehensive income	-	(3)	-	-	-	-	-	-	-	(3)
Exchange differences	-	(566)	-	(542)	-	(62)	-	-	-	(1,170)
Disposal of Business	-	(5,517)	-	(5,973)	-	(1,456)	-	-	-	(12,946)
At 31 December	1,846	647	1,645	1,710	22,123	22,712	1,759	3,668	27,373	28,737

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26 Deferred taxation (Continued)

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

	Accelerated tax depreciation allowances		Intangible assets arising from business combinations		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Deferred tax liabilities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January	71	2,229	14,620	15,775	6,064	3,054	20,755	21,058
Continuing Operations								
(Credited)/charged to consolidated profit and loss account	(20)	(815)	681	323	(2,417)	4,143	(1,756)	3,651
Charged to other comprehensive income	-	-	-	-	2,928	-	2,928	-
Exchange differences	(2)	(9)	(9)	76	60	(1,133)	49	(1,066)
Discontinued Operations								
Charged/(credited) to consolidated profit and loss account	-	197	-	(97)	-	-	-	100
Exchange differences	-	(56)	-	-	-	-	-	(56)
Disposal of Business	-	(1,475)	-	(1,457)	-	-	-	(2,932)
At 31 December	49	71	15,292	14,620	6,635	6,064	21,976	20,755

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

	2023 US\$'000	2022 US\$'000
Deferred tax assets	10,436	13,042
Deferred tax liabilities	(5,039)	(5,060)
	<u>5,397</u>	<u>7,982</u>

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

	2023 US\$'000	2022 US\$'000
Deferred tax assets to be recovered after more than 12 months	10,272	12,739
Deferred tax assets to be recovered within 12 months	164	303
Deferred tax liabilities to be settled after more than 12 months	(5,012)	(5,025)
Deferred tax liabilities to be settled within 12 months	(27)	(35)
	<u></u>	<u></u>

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash generated from/(used in) operations

	2023 US\$'000	2022 US\$'000
Profit before taxation	84,313	58,942
Interest income	(24,784)	(10,757)
Interest expenses	39,764	68,299
Depreciation of property, plant and equipment	4,088	7,550
Amortization of system development, software and other license costs	2,265	2,350
Amortization of other intangible assets	11,694	12,294
Amortization of right-of-use assets	18,062	28,966
Share of net (profits)/losses of associated companies	(19)	121
Loss on disposal of property, plant and equipment	385	3,048
Write-off of property, plant and equipment	-	4,347
Write-off of system development, software and other license costs	116	-
Write-off of system development, software and other license costs on reorganization	-	3,921
Gain on disposals and modifications of right-of-use assets	(120)	(2,824)
Impairment losses on right-of-use assets on reorganization	-	12,939
Gain on early settlement of long-term notes	(12,549)	(39,779)
Gain on remeasurement of contingent consideration payable	-	(4,198)
Operating profit before working capital changes	123,215	145,219
Decrease in inventories	48,330	6,260
Decrease/(increase) in trade and bills receivable, other receivables, prepayments and deposits and amounts due from related companies	166,557	(26,586)
Decrease in trade and bills payable, accrued charges and sundry payables and amounts due to related companies	(209,850)	(331,824)
Net cash generated from/(used in) operations	128,252	(206,931)

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing activities during the year

	<u>2023</u>		<u>2022</u>			
	Bank loans US\$'000	Lease liabilities US\$'000	Long-terms notes US\$'000	Bank loans US\$'000	Lease liabilities US\$'000	Long-terms notes US\$'000
At 1 January	-	54,645	521,300	150,000	424,057	1,096,569
Non-cash movement:						
Continuing Operations						
Additions of lease liabilities	-	23,082	-	-	6,817	-
Non-cash interest	-	2,227	840	-	1,985	1,095
Lease liabilities written off	-	(1,246)	-	-	(8,180)	-
Gain on early settlement of long-term notes	-	-	(12,549)	-	-	(39,779)
Exchange difference and other non-cash movements	-	(100)	-	-	(2,882)	-
Discontinued Operations						
Additions of lease liabilities	-	-	-	-	114,313	-
Non-cash interest	-	-	-	-	7,597	-
Lease liabilities written off	-	-	-	-	(14,513)	-
Exchange difference and other non-cash movements	-	-	-	-	(23,720)	-
	-	78,608	509,591	150,000	505,474	1,057,885

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing activities during the year (Continued)

	<u>2023</u>		<u>2022</u>	
	Bank loans US\$'000	Lease liabilities US\$'000	Long-terms notes US\$'000	Bank loans US\$'000
<u>Cash movement:</u>				
<u>Continuing Operations</u>				
Repayment of bank loans	-	-	-	(150,000)
Repayment of long-term notes	-	-	(196,621)	-
Payment of lease liabilities	-	(23,260)	-	(33,506)
Accrued interest	12,741	-	23,516	17,300
Interest paid	(12,741)	-	(23,516)	(17,300)
<u>Discontinued Operations</u>				
Payment of lease liabilities	-	-	-	(86,870)
Disposal of Business	-	-	-	(330,453)
At 31 December	-	55,348	312,970	-
				54,645
				521,300

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28 Discontinued Operations

The results of the Logistics segment of the Company (the “Business”) 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 for the year ended 31 December 2022.

- (a) Results of the Discontinued Operations have been included in the consolidated profit and loss accounts as follows:

	2022 US\$'000
Turnover	1,465,027
Cost of sales	(1,062,934)
Gross Profit	402,093
Other income	4,498
Total margin	406,591
Selling and distribution expenses	(182,704)
Merchandising and administrative expenses	(86,219)
Core operating profit	137,668
Amortization of other intangible assets	(538)
Operating profit	137,130
Interest income	172
Interest expenses	
Non-cash interest expenses	(7,597)
Cash interest expense	(12)
	(7,609)
Share of net profits of associated companies	315
Profit before taxation	130,008
Taxation	(37,399)
Profit after taxation	92,609
Profit on disposal of Business (<i>Note 28(e)</i>)	1,475,484
Profit for the year from Discontinued Operations	1,568,093
Attributable to:	
Shareholders of the Business	1,547,970
Non-controlling interest	20,123
	1,568,093

Note: Amount before elimination of transactions of sales and administrative expenses between Continuing Operations and Discontinued Operations of US\$39,309,000 in 2022.

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NOTES TO THE FINANCIAL STATEMENTS

28 Discontinued Operations (Continued)

- (a) Results of the Discontinued Operations have been included in the consolidated profit and loss accounts as follows: (Continued)

	2022 US\$'000
Net profit for the year	1,568,093
Other comprehensive expense:	
<i>Items that may be reclassified subsequently to profit or loss</i>	
Currency translation differences	(29,583)
Realization of currency translation differences upon disposal of Business	21,835
Total items that may be reclassified subsequently to profit or loss	(7,748)
Total other comprehensive expense for the year, net of tax	(7,748)
Total comprehensive income for the year	1,560,345
Attributable to:	
Shareholders of the Business	1,546,651
Non-controlling interest	13,694
	1,560,345

- (b) Geographical analysis of turnover of the Discontinued Operations

In 2022, the turnover consists of sales to United States of America of US\$171,270,000, Europe of US\$7,621,000, Asia of US\$1,268,204,000 and Rest of the world of US\$17,932,000.

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****28 Discontinued Operations (Continued)****(c) Operating profit of the Discontinued Operations**

Operating profit of the Discontinued Operations is stated after charging/(crediting) the following:

	2022 US\$'000
Staff costs including directors' emoluments	190,999
Amortization of system development, software and other license costs	1,851
Amortization of other intangible assets*	538
Amortization of prepaid premium for land leases	1
Amortization of right-of-use assets	60,467
Depreciation of property, plant and equipment	19,290
Net loss on disposals of property, plant and equipment	1,053
Gain on disposals and modifications of right-of-use assets	(705)
	<u> </u>

* Excluded from the core operating profit

(d) Disposed net assets of the Discontinued Operations at the date of disposal as follows:

	2022 US\$'000
Intangible assets	612,769
Property, plant and equipment	180,435
Right-of-use assets	316,706
Inventories	3
Trade and other receivables	352,669
Cash and bank balances	162,529
Other assets	50,760
Trade and other payables	(249,582)
Lease liabilities	(330,453)
Other liabilities	(26,578)
	<u>1,069,258</u>
Less: Non-controlling interest	(232,711)
	<u>836,547</u>
Net assets disposed	<u>836,547</u>

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****28 Discontinued Operations (Continued)**

(e) An analysis of profit of business of the Discontinued Operations is as follows:

	2022 US\$'000
Proceeds from disposal of Business	2,590,077
Less: Net assets disposed	(836,547)
Liabilities related to disposal, exchange reserve realization upon disposal, payout of employee incentive plan upon disposal, transaction costs and others	(278,046)
Profit on disposal of Business	<u>1,475,484</u>

(f) An analysis of the cash flows of the Discontinued Operations is as follows:

	2022 US\$'000
Net cash inflow from operating activities	160,077
Net cash outflow from investing activities	(39,671)
Net cash outflow from financing activities*	(86,882)
Total cash flow	<u>33,524</u>

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

(g) Related Party Transactions

	Note	2022 US\$'000
Total value of right-of-use assets relating to leases	(i)	7,495
Logistics related services income from subsidiaries/associates of a major shareholder	(ii)	6,226
Logistics related service income from an associated company	(iii)	<u>4,522</u>

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28 Discontinued Operations (Continued)

(g) Related Party Transactions (Continued)

Notes:

- (i) Value of right-of-use assets acquired from related companies were calculated based on the rental charges for certain properties leased from subsidiaries/associates of a major shareholder which were based on mutually agreed normal commercial terms.
- (ii) Logistics provided certain logistics-related services to the subsidiaries/associates of a major shareholder. The aggregate service income excluded pass-through costs for direct freight forwarding.
- (iii) Logistics provided certain logistics related service to an associated company and charged logistics related income on mutually agreed normal commercial terms. The service income, excluding the pass-through costs for direct freight forwarding, approximated to US\$1,783,000 in 2022.

29 Contingent liabilities from Continuing Operations

There were no material contingent liabilities of the Group as at 31 December 2023 and 2022.

30 Capital commitments from Continuing Operations

	2023 US\$'000	2022 US\$'000
Contracted but not provided for:		
Property, plant and equipment	24	396
System development, software and other license costs	-	1,049
Others	3,649	8,649
	<u>3,673</u>	<u>10,094</u>

31 Charges on assets from Continuing Operations

There were no charges on the assets and undertakings of the Group as at 31 December 2023 and 2022.

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NOTES TO THE FINANCIAL STATEMENTS

32 Related party transactions from Continuing Operations

The Group had the following material transactions with its related parties during the years ended 31 December 2023 and 2022:

	Note	2023 US\$'000	2022 US\$'000
Distribution and sales of goods	(i)	7,771	7,290
Total value of right-of-use assets relating to leases	(ii)	16,979	443
Operating leases rental and license fee received	(iii)	3,053	5,205
Underlying FOB value of ordered products	(iv)	61,875	62,985
Office administrative expenses paid	(v)	591	9,844
Office administrative cost recovery	(vi)	21,061	12,588
Business operation supporting service income	(vii)	1,260	2,846
Management fee paid	(viii)	638	-

- (i) Distribution and sales of goods to the subsidiaries of a major shareholder and its associates were made on mutually agreed normal commercial terms.
- (ii) Value of right-of-use assets acquired from related companies were calculated based on rental charged for certain properties leased from the subsidiaries of a major shareholder which were based on mutually agreed normal commercial terms.
- (iii) Operating leases rental and license fee received from the subsidiaries/associates of a major shareholder were based on mutually agreed normal commercial terms.
- (iv) The subsidiaries/associates of a major shareholder provided principal trading services to the Group based on normal commercial terms agreed between the parties.
- (v) The subsidiaries of a major shareholder charged the Group for certain centralized office support functions on an actual costs recovery basis.
- (vi) Office administrative cost recovery from the subsidiaries/associates of a major shareholder were made on actual cost recovery basis.
- (vii) Business operation supporting services income from a subsidiary of the shareholder were based on mutually agreed normal commercial terms.
- (viii) Management fee paid to investment funds that is operated and managed by a subsidiary of the Shareholder.

In October 2023, the Company entered into an agreement (the "Property Agreement") with a subsidiary of a major shareholder for the acquisition of Property for a consideration of US\$50 million. A deposit of US\$50 million has been paid during the year ended 31 December 2023. The transaction will be completed upon the satisfaction of the conditions stipulated in the Property Agreement and the Company shall acquire either (i) a proportionate equity interest in the company that owns the Property or (ii) title to the floor area of the Property based on the mechanism set out in the Property Agreement.

Saved as disclosed above, the Group had no material related party transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS

33 Financial risk management

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

(a) Market risk

(i) Foreign exchange risk

Most of the Group's cash balances are in HK dollar and US dollar deposits with major global financial institutions, and most of the Group's borrowings are denominated in US dollars.

The Group's revenues and payments were transacted predominantly in US dollars. Therefore, it considers there is no significant risk exposure in relation to foreign exchange rate fluctuations. There are small portion of sales and purchases transacted in different currencies, for which the Group arranges hedging through foreign exchange forward contracts.

For transactions that are subject to foreign exchange risk, the Group hedges its foreign currency exposure once it receives confirmed orders or enter into customer transactions. To mitigate the impact from changes in foreign exchange rates, the Group regularly reviews the operations in these countries and makes necessary hedging arrangements in certain currencies against the US dollar.

However, the Group does not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of its non-US dollar foreign operations for either the income statements or balance sheet reporting purposes. Since the Group's functional currency is the US dollar, it is subject to exchange rate exposure from the translation of foreign operations' local results to US dollars at the average rate for the period of group consolidation. The Group's net equity investments in non-US dollar-denominated businesses are also subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US dollar 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, the Group manages its operations in the most cost-effective way possible within the global network. The Group strictly prohibits any financial derivative arrangement merely for speculation.

NOTES TO THE FINANCIAL STATEMENTS

33 Financial risk management (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31 December 2023, if the major foreign currencies, such as Euro and Pound Sterling, to which the Group had exposure had strengthened/weakened by 10% against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 17.3% higher/lower and 3.6% higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables, borrowings and intangible assets.

At 31 December 2022, if the major foreign currencies, such as Euro and Pound Sterling, to which the Group had exposure had strengthened/weakened by 10% against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 0.04% lower/higher and 2.9% lower/higher, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables, borrowings and intangible assets.

(ii) Price risk

The Group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through other comprehensive income (FVOCI) and financial assets at fair value through profit and loss (FVPL). The Group maintains these investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 31 December 2023 and up to the report date of the financial statements, the Group held no material derivative financial instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies. At 31 December 2023, the fair value of foreign exchange forward contracts entered into by the Group amounted to US\$2,484,000 (2022: US\$4,066,000 as derivative financial instruments (liabilities)), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments liabilities.

(iii) Cash flow and fair value interest rate risk

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

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

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

33 Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

At 31 December 2023, if the variable interest rates on the bank borrowings had been 0.25% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US\$479,000 lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

At 31 December 2022, if the variable interest rates on the bank borrowings had been 0.25% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US\$1,716,000 lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

Credit risk mainly arises from trade and other receivables, deposits, amounts due from related companies as well as short-term bank deposits and cash and bank balances of the Group.

The Group is exposed to credit risk from its operating activities. This arises primarily from its principal trading business, where the Group acts as a supplier, and working capital solutions. The Group assumes direct counterparty risk for its customers in terms of these account receivables and inventory.

All new customers undergo a risk assessment process prior to trade terms being agreed in accordance with the Group's global credit risk management framework. These assessments focus on the financial strength of individual customers as well as information specific to the customer and the economic environment in which each customer operates. To further reduce its exposure to credit risks, (a) the Group would require collateral (such as standby or commercial letters of credit, or bank guarantees) from customers if necessary, and (b) the Group has also taken out trade credit insurance to protect against losses arising from non-payment, and have entered into trade receivables factoring agreements with financial institutions on a non-recourse basis. Both receivable balances and inventory levels are reviewed regularly according to the Group's credit policies and follow-up action is taken to recover overdue balances. Furthermore, the Group's management reviews regularly the recoverable amount of its trade receivables to ensure that adequate impairment allowance is made.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS

33 Financial risk management (Continued)

(b) Credit risk (Continued)

For trade receivables not covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers, the Group will apply impairment loss provisions, in whole or in part, when the Group has assessed the indicators whether the receivables are unrecoverable, has made all practical recovery efforts, and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, debtor insolvency proceedings, the failure of a debtor to make ongoing settlement with the Group, a failure to make contractual payments on accounts receivable that are more than 365 days past due and a failure to agree on a settlement plan.

The allowance for impairment is considered individually and collectively for different trade receivable categories. When determining the appropriate level of allowance for impairment for individual trade receivable categories, the indicators outlined above will be considered both generally for the Group or specifically for that trade receivable category. As at 31 December 2023, based on these indicators, the composition and ageing of the trade receivables for which the Group has made allowance for impairment as compared to gross trade receivables are as follows: for trade receivables not yet due to 90 days past due, 91 to 180 days past due and over 180 days past due are 0.06%, 3.66% and 24.49% respectively.

For other receivables, amounts due from related companies and cash and bank balances, the Group applies the HKFRS 9 general approach to measure 12-month expected credit losses unless there is a significant increase in credit risk since initial recognition for which the Group measures the loss allowance based on lifetime rather than 12-month expected credit losses.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group uses different criteria to determine whether credit risk has increased significantly per each financial asset category. Factors including, but not limited to, actual or expected significant change in the operating results of the counterparty and significant changes in the expected performance and behavior of the counterparty have been taken into account when assessing whether credit risk has increased significantly.

Impairment losses on these financial assets are presented as net impairment losses within core operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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NOTES TO THE FINANCIAL STATEMENTS

33 Financial risk management (Continued)

(b) Credit risk (Continued)

Receivables for which an impairment allowance was recognized were written off against the allowance when there was no expectation of recovering additional cash.

The allowance for impairment for financial assets during the year was set as follows:

	2023 US\$'000	2022 US\$'000
As at 1 January	720,145	730,411
<u>Continuing Operations</u>		
Net (decrease)/increase in provision for impairment for trade receivables and other receivables (<i>Note 4</i>)	(2,636)	4,178
Write-off against trade and other receivables (<i>Note 18</i>)	(138,591)	(6,185)
Write-off against amount due from related companies (<i>Note 18</i>)	(569,227)	-
Exchange difference	26	(101)
<u>Discontinuing Operations</u>		
Net increase in provision for impairment for trade receivables from other customers and other receivables	-	830
Write-off against trade and other receivables	-	(3,463)
Exchange difference	-	(153)
Disposal of Business	-	(5,372)
As at 31 December	<u>9,717</u>	<u>720,145</u>

The impairment loss of other financial assets carried at amortized cost is measured based on the twelve months' expected credit losses. As at 31 December 2023, trade receivables of US\$6,068,000 (2022: US\$144,543,000) and other receivables of US\$3,649,000 (2022: US\$6,375,000) and amounts due from related companies of US\$Nil (2022: US\$569,227,000) has been provided for but none of the other financial assets including financial assets at fair value through other comprehensive income (*Note 14*) have been considered impaired as there is no recent history of default of the counterparties and ongoing payments have been received. Impairment loss allowances will be considered if there are indicators that there is no reasonable expectation of recovery on these amounts, including if the counterparty fails to make contractual payments for a period of greater than 365 days past due.

The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

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NOTES TO THE FINANCIAL STATEMENTS

33 Financial risk management (Continued)

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents (*Note 19*)) on the basis of expected cash flow.

The table below analyzes the liquidity impact of the Group's non-derivative financial liabilities (including annual coupons payable for the long-term notes) into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and these amounts will not reconcile to the amounts disclosed on the consolidated balance sheet and in *Note 24* for long-term liabilities.

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000
At 31 December 2023				
Long-term notes – unsecured	15,666	328,982	-	-
Trade and bills payable	863,675	-	-	-
Accrued charges and sundry payables	508,778	-	-	-
Due to related companies	19,489	-	-	-
Lease liabilities	20,516	17,310	20,723	-
At 31 December 2022				
Long-term notes – unsecured	26,124	26,124	548,609	-
Trade and bills payable	1,019,862	-	-	-
Accrued charges and sundry payables	543,059	-	-	-
Due to related companies	35,764	-	-	-
Lease liabilities	16,360	12,908	24,216	4,336

All of the Group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of US\$316,244,000 (31 December 2022: US\$311,396,000) and undiscounted contractual cash outflows of US\$317,070,000 (31 December 2022: US\$315,876,000).

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NOTES TO THE FINANCIAL STATEMENTS

34 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long-term notes (*Note 24*) less cash and cash equivalents (*Note 19*) and short-term bank deposits (*Note 19*)). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

The Group's strategy is to maintain a gearing ratio not exceeding 35%. The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 US\$'000	2022 US\$'000
Long-term notes (<i>Note 24</i>)	312,970	521,300
Less: Cash and cash equivalents (<i>Note 19</i>)	(213,840)	(768,180)
Less: Short-term bank deposits (<i>Note 19</i>)	(238,454)	-
Net cash	(139,324)	(246,880)
Total equity	1,430,800	1,381,610
Total capital	1,291,476	1,134,730
Gearing ratio	N/A	N/A

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NOTES TO THE FINANCIAL STATEMENTS

35 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2023.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets				
Financial assets at FVPL				
- Investment funds (Note 14)	-	-	16,351	16,351
Financial assets at FVOCI				
- Club debentures (Note 14)	-	-	3,421	3,421
Total assets	<u>-</u>	<u>-</u>	<u>19,772</u>	<u>19,772</u>
Liabilities				
Derivative financial instruments used for hedging (Note 17)	-	2,484	-	2,484
Total liabilities	<u>-</u>	<u>2,484</u>	<u>-</u>	<u>2,484</u>

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NOTES TO THE FINANCIAL STATEMENTS

35 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2022.

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Assets				
Financial assets at FVPL				
- Investment funds (Note 14)	-	-	11,351	11,351
Financial assets at FVOCI				
- Club debentures (Note 14)	-	-	3,365	3,365
Total assets	<u>-</u>	<u>-</u>	<u>14,716</u>	<u>14,716</u>
Liabilities				
Derivative financial instruments used for hedging (Note 17)	-	4,066	-	4,066
Total liabilities	<u>-</u>	<u>4,066</u>	<u>-</u>	<u>4,066</u>

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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35 Fair value estimation (Continued)

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

Financial assets at fair value through profit or loss

The fair values of the investment funds are mainly determined based on the net asset values of the investment funds from fund statements, representing the fair values of the funds reported by respective fund administrators. The higher the net assets value of underlying investments, the higher the fair values of the investment funds.

The determination of fair value is subject to the valuation policies and procedures formulated by management. These policies and procedures facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgement may also be applied in adjusting prices of less readily observable external parameters. The management considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally accepted within the industry.

Derivative financial instruments used for hedging

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

Purchase consideration payable for acquisitions

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

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NOTES TO THE FINANCIAL STATEMENTS

35 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2023 and 2022.

	2023		
	Purchase consideration payable for acquisitions US\$'000	Financial assets at fair value through profit or loss – Investment funds US\$'000	Financial assets at fair value through other comprehensive income – Club debentures US\$'000
Opening balance	-	11,351	3,365
Addition	-	5,000	-
Disposal	-	-	(128)
Fair value gains	-	-	184
Closing balance	-	16,351	3,421
Total gain for the year included in profit or loss	-	-	-

	2022		
	Purchase consideration payable for acquisitions US\$'000	Financial assets at fair value through profit or loss – Investment funds US\$'000	Financial assets at fair value through other comprehensive income – Club debentures US\$'000
Opening balance	5,123	4,250	3,062
Addition	-	7,101	-
Fair value gains	-	-	303
Gain on remeasurement of contingent consideration payable	(4,198)	-	-
Others	(925)	-	-
Closing balance	-	11,351	3,365
Total gain for the year included in profit or loss	4,198	-	-

36 Approval of financial statements

The financial statements were approved by the Board of Directors on 31 March 2024.

LI & FUNG LIMITED

NOTES TO THE FINANCIAL STATEMENTS

37 Principal subsidiaries and associated company

	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
Held directly				
Golden Gate Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
iBiR Holdings Limited	Cayman Islands	Ordinary US\$1	100	Digital supply chain services
Integrated Distribution Services Group Limited	Bermuda	Ordinary US\$12,000.1	100	Investment holding
L&F Venture Partners (Investments) Ltd.	Cayman Islands	Ordinary US\$10,000	100	Investment holding
LF Centennial Limited	British Virgin Islands	Ordinary US\$50,000	100	Investment holding
Li & Fung (B.V.I.) Limited	British Virgin Islands	Ordinary US\$400,010	100	Investment holding
Held indirectly				
Appleton Holdings Ltd.	British Virgin Islands	Ordinary US\$1	100	Investment holding
Black Cat Fireworks Limited	England	Ordinary GBP15,500,000	100	Fireworks wholesaling
Brand Works Management Limited	Hong Kong	Ordinary US\$1	100	Export trading
Camberley Enterprises Limited	Hong Kong	Ordinary HK\$250,000	100	Export trading of garments and accessories
Camberley Trading Service (Shenzhen) Limited	The People's Republic of China	RMB1,500,000	100 foreign-owned enterprise	Export trading services
Centennial (Luxembourg) S.a.r.l.	Luxembourg	EUR9,125,000	100	Investment holding
Character Direct Limited	Hong Kong	Ordinary HK\$2	100	Design and marketing
Comet Feuerwerk GmbH	Germany	EUR1,000,000	100	Fireworks wholesaling
Colby Group Holdings Limited	British Virgin Islands	Ordinary US\$45,000	100	Export trading
CS International Limited	Hong Kong	Ordinary HK\$1,000,000	100	Provision of supply chain management and consultancy services

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NOTES TO THE FINANCIAL STATEMENTS

37 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
Dodwell (Mauritius) Limited	Hong Kong	"A" HK\$300,000 "B" HK\$200,000	60	Provision of management services
Golden Horn N.V.	Curacao	US\$6,100	100	Investment holding
GSCM (HK) Limited	Hong Kong	Ordinary HK\$140,000	100	Export trading
Hanson Im-und Export GmbH	Germany	EUR26,000	100	Wholesaling
Homeworks Asia Limited	Hong Kong	Ordinary HK\$2	100	Export trading
HTL Fashion (UK) Limited	England	Ordinary GBP1	100	Design and export trading
HTL Fashion Hazir Giyim Sanayi ve Ticaret Anonim Sirketi	Turkey	TL75,050,000	100	Virtual manufacturing
iBiR (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Digital supply chain services
iBiR C2M Supply Chain Limited	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Digital supply chain services
International Sources Trading Limited	Hong Kong	Ordinary HK\$2	100	Export trading
Intri Fashions Limited	Hong Kong	Ordinary HK\$1	100	Export trading
Lenci Calzature SpA	Italy	Equity shares EUR206,400	100	Design, marketing and sourcing
LF Asia Direct Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
LF Asia Direct Management Limited	Hong Kong	Ordinary HK\$1	100	Investment holding
LF Centennial Pte. Ltd.	Singapore	Ordinary S\$100,000	100	Export trading services
LF Centennial Services (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Provision of management support services
LF Distribution Holding Inc.	U.S.A.	Common stock US\$1	100	Investment holding
LF Distribution International Inc.	U.S.A.	Common stock US\$1	100	Investment holding
LF Distribution Limited	Bermuda	Ordinary US\$100	100	Investment holding
LF Europe (Germany) Services GmbH	Germany	EUR25,000	100	Provision of accounting services

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NOTES TO THE FINANCIAL STATEMENTS

37 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
LF Europe Holding Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
LF Europe Limited	England	Ordinary GBP284,553,743	100	Investment holding
LF Europe Trading Limited	England	Ordinary GBP100	100	Service company
LF Fashion Limited	England	Ordinary GBP55,000	100	Design marketing and sourcing
LF Men's Group LLC	U.S.A.	Capital contribution US\$1	100	Wholesaling
LF OnE Inc.	U.S.A.	Common stock US\$1	100	Investment holding
LF Sourcing (Millwork) LLC	U.S.A.	Capital contribution US\$1	100	Sourcing and export trading
LF Sourcing Sportswear LLC	U.S.A.	Capital contribution US\$1	100	Wholesaling
Li & Fung (Australia) Proprietary Limited	Australia	Ordinary AU\$1	100	Marketing liaison
Li & Fung (Bangladesh) Limited	Bangladesh	Ordinary TK\$9,500,000	100	Export trading services
Li & Fung (Brasil) Trading, Importacao E Exportacao Ltda	Brazil	Common shares R\$333,559	100	Service provider
Li & Fung (Cambodia) Limited	Cambodia	Ordinary Riels 120,000,000	100	Export trading services
Li & Fung (Europe) Holding Limited	England	Ordinary GBP100	100	Investment holding
Li & Fung (Exports) Limited	Hong Kong	Ordinary HK\$10,000 Non-voting deferred HK\$8,600,000	100	Investment holding
Li & Fung (Guangdong) Import & Export Trading Limited	The People's Republic of China	RMB5,000,000	100 foreign-owned enterprise	Import and export trading services
Li & Fung (Guatemala) S.A.	Guatemala	Nominative shares Q5,000	100	Export trading services
Li & Fung (Honduras) Limited	Honduras	Nominative common shares Lps25,000	100	Export trading services
Li & Fung (India) Private Limited	India	Equity shares Rs64,000,200	100	Export trading services
Li & Fung (Korea) Limited	Korea	Common stock KRW 200,000,000	100	Export trading services

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NOTES TO THE FINANCIAL STATEMENTS

37 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
Li & Fung (Mauritius) Limited	Mauritius	"A" Shares Rs750,000 "B" Shares Rs500,000	60	Export trading services
Li & Fung (Morocco) SARL	Morocco	Ordinary Dirhams10,000	100	Export trading services
Li & Fung (Nicaragua), Sociedad Anonima	Nicaragua	Nominative shares C\$50,000	100	Export trading
Li & Fung (Philippines) Inc.	The Philippines	Common shares Peso 1,000,000	100	Export trading services
Li & Fung (Portugal) Limited	England	Ordinary GBP100	100	Investment holding
Li & Fung (Taiwan) Limited	Taiwan	NT\$5,000,000	100	Sourcing and inspection
Li & Fung (Thailand) Limited	Thailand	Ordinary Baht 1,000,000	100	Export trading services
Li & Fung (Trading) Limited	Hong Kong	Ordinary HK\$200 Non-voting deferred HK\$10,000,000	100	Export trading services
Li & Fung (Vietnam) Limited	Vietnam	Charter capital US\$800,000	100	Export services
Li & Fung Credit (Holdings) Pte. Ltd.	Singapore	Ordinary S\$75,000 Ordinary US\$522,581,000	100	Export trading
Li & Fung Mexico S.A. de C.V.	Mexico	Common nominative shares MXP150,000	100	Service and import trading
Li & Fung Pakistan (Private) Limited	Pakistan	Ordinary Rs10,000,000	100	Export trading services
Li & Fung South Africa Proprietary Limited	South Africa	Ordinary Rand 100	100	Export trading services
Li & Fung Taiwan Holdings Limited	Taiwan	NT\$287,996,000	100	Investment holding
Li & Fung Trading (Shanghai) Limited	The People's Republic of China	RMB50,000,000	100 foreign-owned enterprise	Export trading
Li & Fung Trading Service (Shanghai) Company Limited	The People's Republic of China	US\$6,000,000	100 foreign-owned enterprise	Export trading services
Li & Fung Trading Service (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Export trading services

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NOTES TO THE FINANCIAL STATEMENTS

37 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
Licus GmbH	Germany	EUR50,000	100	Importer
Lion Rock International Trading & Co.	Hong Kong	Capital contribution HK\$3,000,000	100	Provision of management services
Lion Rock Services (Far East) & Co.	Hong Kong	Capital contribution HK\$17,000,000	100	Merchandising agent
Lion Rock Services (Switzerland) AG	Switzerland	CHF3,400,000	100	Export trading services
Lloyd Textile Trading Limited	Hong Kong	Ordinary HK\$1,000,000	100	Export trading
Mercury (BVI) Holdings Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
Meredith Associates Limited	Hong Kong	Ordinary US\$1,327,932	100	Investment holding
Mighty Hurricane Holdings Inc.	U.S.A.	Common stock US\$100	100	Wholesaling
Miles Fashion Asia Pte. Ltd.	Singapore	Ordinary S\$1	100	Export trading
Miles Fashion USA, Inc.	U.S.A.	Common stock US\$1,000	100	Importer
Miles GmbH	Germany	EUR11,000,000	100	Importer
Millwork Holdings Co., Inc.	U.S.A.	Common stock US\$1	100	Investment holding
Modium Konfeksiyon Sanayi ve Ticaret Anonim Sirketi	Turkey	Ordinary TL47,606,100	100	Manufacturing
Neo Tangent India Private Limited (formerly known as Fung Business Services India Private Limited)	India	Equity shares Rs100,000	100	Provision of transaction services
Neo Tangent (Guangzhou) Limited (formerly known as Fung Global Transaction Services (Guangzhou) Limited)	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Provision of transaction services
Neo Tangent Limited (formerly known as Fung Global Transaction Services Limited)	Hong Kong	Ordinary HK\$1	100	Provision of consultancy services

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NOTES TO THE FINANCIAL STATEMENTS

37 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
PT. Lifung Indonesia	Indonesia	Ordinary US\$500,000	100	Export trading services
Paco Trading (International) Limited	Hong Kong	Ordinary HK\$2	100	Export trading
Patch Licensing LLC	U.S.A.	Capital contribution US\$1	66.67	Export trading services
Perfect Trading Inc.	Egypt	LE2,480,000	100	Export trading services
Peter Black Holdings Limited	England	Ordinary GBP0.25	100	Investment holding
Peter Black International Limited	England	Ordinary GBP0.01	100	Investment holding
Peter Black Overseas Holdings Limited	England	Ordinary GBP2	100	Investment holding
Prime Trade GmbH	Germany	EUR25,000	100	Wholesaling
Product Development Partners Limited	Hong Kong	Ordinary HK\$2	100	Export trading
PromOcean France SAS	France	EUR4,030,303	100	Wholesaling
PromOcean GmbH	Germany	EUR25,570	100	Wholesaling
PromOcean No 1 Limited	England	Ordinary GBP8,653,923	100	Investment holding
PromOcean Spain SL	Spain	EUR3,005.06	100	Wholesaling
PromOcean The Netherlands B.V.	The Netherlands	Ordinary EUR39,379.5	100	Wholesaling
PromOcean UK Ltd	England	Ordinary GBP1	100	Wholesaling
Ratners Enterprises Ltd.	British Virgin Islands	Ordinary US\$1	100	Investment holding
Shiu Fung Fireworks Company Limited	Hong Kong	Ordinary "A" HK\$1,100,000 Ordinary "B" HK\$1,100,000	100	Export trading
Shiu Fung Fireworks Trading (Changsha) Limited	The People's Republic of China	RMB4,000,000	100 foreign- owned enterprise	Export trading
Silvereed (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	100	Export trading
Simplify (Hong Kong) Limited	Hong Kong	Ordinary HK\$100	100	Investment holding

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NOTES TO THE FINANCIAL STATEMENTS

37 Principal subsidiaries and associated company (Continued)

	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
Principal subsidiaries				
Simplify Supply Chain (Zhuhai) Co., Ltd.	The People's Republic of China	RMB10,000,000	100 foreign-owned enterprise	Domestic online sales
Tantallon Enterprises Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
Texnorte Industrial Limited	Hong Kong	Ordinary HK\$2	100	Export trading
Visage Group Limited	England	Ordinary GBP100,000	100	Investment holding
Visage Holdings (2010) Limited	England	Ordinary GBP2	100	Investment holding
W S Trading Limited	Hong Kong	Ordinary HK\$1,000,000	100	Export trading

The above table lists out the principal subsidiaries of the Company as at 31 December 2023 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

LI & FUNG LIMITED**NOTES TO THE FINANCIAL STATEMENTS****37 Principal subsidiaries and associated company (Continued)**

Principal associated company	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
杭州年谱网络科技有限公司	The People's Republic of China	RMB3,000,000	49	Supply Chain solution and investment holding company

The above table lists out the principal associated company of the Company as at 31 December 2023 which, in the opinion of the directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.

Glossary

In this Report, unless otherwise specified the following glossary applies.

Board	the board of Directors of the Company
Company, Li & Fung	Li & Fung Limited, a company incorporated in Bermuda with limited liability
Director(s)	a director(s) of the Company
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of PRC
PRC	the People's Republic of China
Report	the annual report of the Company for the year ended 31 December 2023
Share(s)	ordinary share(s) of HK\$0.0125 each in the share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
US\$	United States dollar(s), the lawful currency of the United States of America

ISSUER

Li & Fung Limited

Hong Kong Office
11th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon
Hong Kong

Registered Office
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

TRUSTEE

Citicorp International Limited
40/F, Champion Tower
3 Garden Road
Central, Hong Kong

PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Citibank, N.A., London Branch
Citigroup Centre, Canada Square
Canary Wharf
London, E14 5LB
United Kingdom

LEGAL ADVISORS TO THE COMPANY

as to matters of US law

Clifford Chance
27th Floor, Jardine House
One Connaught Place Central
Hong Kong

as to matters of Bermuda law

Appleby
Suites 3505-06, 35/F
Two Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to matters of US law

Mayer Brown Hong Kong LLP
19th Floor, Prince's Building
10 Chater Road
Hong Kong

LEGAL ADVISOR TO THE TRUSTEE

as to matters of US law

Reed Smith LLP
10 Collyer Quay
#18-01 Ocean Financial Centre
Singapore 049315

INDEPENDENT AUDITORS

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong